



Sector Policy on Electricity & Renewable Energy for the SEB Group

derived from the Sustainability Policy for the SEB Group

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 Electricity & Renewable Energy

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Sector Policy on Electricity & Renewable Energy

1 Introduction

Electricity & Renewable Energy are important prerequisites for carbon neutral economic growth. However, if not handled responsibly, the development, production, distribution and storage of electricity and renewable energy can have negative impacts on the environment and society.

SEB Group has exposure to the Electricity & Renewable Energy sectors. This Sector Policy has been developed to support business decisions to align with SEB Group's Sustainability Policy and risk appetite. This supports SEB Group's efforts to deliver according to its long-term strategy.

The policy aims to address key risks related to the Electricity & Renewable Energy Sectors, which are listed in Appendix A.

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

2 Definitions

Biodiversity: The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.¹

Business Relationship: A commercial relationship SEB Group has with a legal entity based on a legal agreement.

Company: Legal corporate entity conducting business.

Dedicated Finance: Where the financing is channelled to a specified use of proceeds.

Deforestation: The conversion of forest to agricultural use, with the exception of agroforestry projects.²

Electricity Transmission, Distribution & Storage Sector:³ Companies directly involved in the transmission, distribution & storage of electricity, or the construction of such infrastructure.

¹ As defined by Convention on Biological Diversity.

² Considering the definition in Regulation (EU) 2023/1115 on deforestation-free products.

³ Subsectors under the following NACE sector codes: 35.13 – Transmission of electricity; 35.14 – Distribution of electricity; 35.16 – Storage of electricity; 42.22 - Construction of utility projects for electricity and telecommunications (Excluding telecommunication);
In case of conflict the policy takes precedent.

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Energy from Waste:⁴ Energy generated from the combustion of residual waste (other than a fuel produced by means of anaerobic digestion, gasification or pyrolysis).

Expectation: Refers to SEB Group policy application levels. SEB Group Expects large Companies to strive to adhere to Expectations stated in the Sector Policy.

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”.⁵

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 there.⁶

New Project: A New Project or capacity expansion at an identified location where any new commercial, industrial or infrastructure undertaking is taking place or any existing undertaking that is undergoing material change in output or function, which may result in changes to the operation’s sustainability impacts.

Renewable Energy Sector:⁷ All Companies directly involved in the generation of power, heat and cooling from solar, wind, hydro, marine and geothermal sources. It also includes the production of non-fossil gaseous fuels and bioenergy, the production of renewable fuels, and the construction of related infrastructure.

Requirement: Refers to SEB Group policy application levels. SEB Group Requires Companies to comply with SEB Group’s position. Non-compliance Requires active decisions on SEB Group's Business Relationship.

Restriction: Refers to SEB Group policy application levels. SEB Group avoids entering into or retaining Business Relationships with Companies that do not comply with the policy position.

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

⁴ 38.22 – Energy recovery; 35.3- Steam and air conditioning supply.

⁵ The Biodiversity Consultancy.

⁶ European Environment Agency.

⁷ Subsectors under the following NACE sector codes: 20.51 – Manufacture of liquid biofuels; 35.12 - Production of electricity from renewable sources; 35.21 – Manufacture of gas; 42.22 - Construction of utility projects for electricity and telecommunications (excluding telecommunication); 35.3- Steam and air conditioning supply. In case of conflict, the policy takes precedent.

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Sensitive Environmental Areas: National parks and nature reserves, Land-based Natura 2000 areas, UNESCO World Heritage sites, and Wetlands covered by the Ramsar Convention.

3 Purpose

The purpose of this Sector Policy is to define SEB Group's position on Business Relationships with Companies involved in the Renewable Energy Generation and/or Electricity Transmission & Distribution Sectors.

4 Scope

4.1 Applicability within the SEB Group

This Policy applies to the SEB Group, excluding SEB Asset Management Holding AB and its subsidiaries, and Gamla Livförsäkringsaktiebolaget SEB Trygg Liv, taking local rules into account where relevant.

Investment services are governed separately by the Policy on Sustainability Considerations in Investments for Skandinaviska Enskilda Banken AB, or equivalent policy adopted by each subsidiary within SEB Group.

Exempt activities

The following investment and ancillary services related to when SEB Group invests and distributes investment products are exempt from this policy:

- 1) Holdings of securities that are a consequence of seized assets in the ordinary course of business,
- 2) Holding of financial instruments that are a consequence of SEB Group's client order facilitation,
- 3) Any activity that SEB Group is obliged to provide due to law or regulation,
- 4) Trading in terms of market making and client order facilitation through the provision of liquidity in securities markets and related research activities. This includes related collateral management activities as well as financing of externally managed securities portfolios (provided the portfolios are diversified and the borrower itself is not covered by this policy),
- 5) Financial products where the employees in Companies in scope are the beneficiaries, e.g. occupational pension.
- 6) White labelled products, provided by SEB Group, but where other financial institutions provide the product to the customer.

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4.2 Applicability to Business Relationships

The Sector Policy covers Companies with more than 15% of Company revenue from any of the following sectors combined, calculated at SEB Group global limit holder level:

- Renewable Energy Sector,
- Electricity Transmission, Distribution & Storage Sector.
- Energy from Waste

All SEB Group sector policies have different applicability levels:

- Large Companies: Restrictions, Requirements and Expectations apply,
- SMEs: Only Restrictions and Requirements apply,
- Sector policies do not apply to Retail Companies but act as a guide.

For more details on policy application levels see Appendix B.

5 General

5.1 General Requirements

SEB Group Requires Companies to ensure that their activities do not result in material negative impact on Sensitive Environmental Areas.⁸

For Dedicated Finance of New Projects, SEB Group Requires Projects to:

- Where applicable, have an Environmental Impact Assessment,⁹
- In case of physical or economic resettlement outside High Income OECD Countries: Have policies to appropriately acknowledge, compensate and respond to community priorities,¹⁰
- In case of activities conducted in areas with indigenous peoples: Apply free, prior and informed consent (FPIC) principles to ensure the rights of indigenous peoples.¹¹

For Dedicated Finance of New Projects outside the EU, EEA, Switzerland or UK, SEB Group will make assessments on a case-by-case basis.

⁸ If an activity is approved by an official legal/licensing body within the EU, EEA, Switzerland or UK, the activity is not considered having material negative impact. If outside these geographical areas, mitigating actions taken which result in non-material negative impact must be shown, for example via an independent Environmental Impact Assessment.

⁹ In line with the EIA Directive (85/337/EEC). Outside the EU, EIA should be conducted in line with international good practice, e.g. IFC Performance Standards/Equator Principles.

¹⁰ The International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement, or similar.

¹¹ For guidance on FPIC see International Finance Corporation (IFC) Performance Standard 7 on Indigenous Peoples.

6 Renewable Energy

6.1 Requirements

For Dedicated Finance of projects, SEB Group Requires:

Geothermal projects:

- Have lower life-cycle GHG emissions from the generation of heat and power than 100gCO₂e/kWh.

Bioenergy projects:

- Have lower life-cycle GHG emissions from the generation of heat and power than 100gCO₂e/kWh,
- Have a biomass sourcing plan,
- Ensure that the supply of raw materials for biofuels and/or biomass are covered by a commitment to no Deforestation,
- Minimise food and feed crops (e.g., starch-rich, sugar, and oil crops) unless they are intermediate crops (e.g., cover crops, catch crops) that do not trigger additional land-use demand.¹²

7 Energy from Waste

7.1 Requirements

For Dedicated Finance of New Projects SEB Group Requires projects to:¹³

- Apply the waste hierarchy,¹⁴
- Apply Best Available Techniques.¹⁵ For heat only Energy from Waste Projects this should be to the extent possible.
- Be, as a minimum, heat or cogeneration ready, and have a plan to achieve near net zero emissions.

8 Electricity Transmission, Distribution & Storage

8.1 Restrictions

SEB Group avoids providing any Dedicated Financing to New transmission line Projects connecting new fossil fuel power plants that are not in line with SEB Group's Sector Policy on Fossil Fuels.

¹² As per the sustainability criteria outlined in RED II, RED III, or equivalent standards.

¹³ Acknowledging that the projects may vary in maturity and are therefore assessed on a case by case basis.

¹⁴ Waste Hierarchy: prioritisation of waste management to minimise environmental impact and improve resource efficiency, as follows: prevention, preparing for reuse, recycling, other recovery (e.g., energy recovery), and disposal.

¹⁵ Best Available Techniques (BAT) Reference Document for waste incineration.

8.2 Expectations

SEB Group Expects Companies to have a plan to:

- Optimize energy efficiency through grid - or network upgrade,
- Manage the increased amount of renewable electricity that the grid can support.

9 General Expectations

SEB Group Expects Companies to:

- Identify potential adverse impact through direct drivers of Biodiversity loss and set relevant targets,¹⁶
- Have a process to ensure that - in case of identified negative Biodiversity impact or conversion of Natural Habitats - the Mitigation Hierarchy is applied,
- Have an environmental management system, in line with an international accepted standard,¹⁷

SEB Group also Expects Companies to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of the following:

- Human rights and labour rights policies including a Human Rights Due Diligence, HRDD,
- Health and safety policy based on industry safety guidance or, within the OECD, national legislation,¹⁸
- Established grievance and whistle blower mechanism.
- Active engagement in constructive partnerships with affected stakeholders

Additionally, SEB Group Expects Companies to maintain high standards of accountability and integrity regarding their business supported by:

- Sustainability report (annually published) or similar comprising, at a minimum, disclosure of overall climate impact as well as other material sustainability impact,
- Anti-corruption policy in proportion to the size and risk-exposure of the Company,
- Tax reporting according to country-by-country principle, when relevant.¹⁹

¹⁶ Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species. (In line with definition from IPBES)

¹⁷ ISO 14001/50001 standard certification or similar.

¹⁸ E.g. World Bank Group Environmental, Health, and Safety Guidelines.

¹⁹ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting.

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Appendix A: Sustainability impact & risk factors (non-exhaustive lists)

Renewable energy

- Air emissions,
- Marine and terrestrial habitat alteration with impacts on ecosystems and Biodiversity,
- Water quality and stress,
- Hazardous materials and oil,
- Health and safety of workers and nearby residents,
- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous peoples etc.

Electricity transmission, distribution & storage

- Air emissions from project site (dust and emissions from vehicle traffic or land clearing activities),
- Marine and terrestrial habitat alteration,
- Soil erosion and sediment control,
- Hazardous materials and oil spills,
- Electric and magnetic fields,
- Health and safety of employees and nearby residents,
- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous peoples etc.

Energy from Waste

- Greenhouse gas (GHG) emissions, particularly CO₂ from fossil-based waste (e.g., plastics),
- Air emissions, including dioxins, furans, heavy metals, and particulate matter,
- Ash and hazardous residue management,
- Odour, noise, and water contamination,
- Fire and explosion risks,
- Health and safety of employees and nearby residents,
- Potential lock-in effect, discouraging circular economy,
- Public opposition and reputational risks.

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Appendix B: Policy Application Levels

Table 1: SEB Group policy application to different sizes of Companies

	<i>Company size</i>		
<i>Application level:</i>	Retail Companies	SMEs	Large Companies
Restrictions	-	✓	✓
Requirements	-	✓	✓
Expectations	-	-	✓

✓ Applicable

- Not applicable, but can be used as guidance

Note: Deviations from restrictions and requirements in this policy shall be handled according to established SEB Group internal processes

Retail Companies are defined as counterparties where SEB Group's credit exposure is below EUR 1 million.

SMEs are defined as counterparties where SEB Group's credit exposure is above EUR 1 million and not defined as large Companies. Note that the material share of revenue at SEB Group global limit holder level still applies.

Large Companies are defined as counterparties that fulfil two or more of the following and have not been defined as non-material Business Relationships in the divisions:

- More than 250 employees,
- Turnover above 50m EUR,
- Balance sheet value above 43m EUR.