



Sector Policy on Forestry, Pulp & Paper and Timber 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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Sector Policy on Forestry, Pulp & Paper and Timber

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1 Introduction

Forests are vital for both society and planet. Besides providing resources for various production processes and industries, habitats for Biodiversity and jobs for society, forests are also the world's second largest carbon storage. If managed well, forests are a renewable resource greatly contributing to climate change mitigation.

SEB Group has exposure to the Forestry and the associated Pulp & Paper and Timber 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 Forestry, Pulp & Paper and Timber Sector, 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 channeled to a specified use of proceeds.

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

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

Forest Sector:³ Companies directly involved in the management and ownership of forests.

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: 02 – Forestry and logging.
In case of conflict the policy takes precedent.

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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”.⁴

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.⁵

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.

Pulp & Paper Sector:⁶ Companies directly involved in the manufacture of pulp, paper and paper products.

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.

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.

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

Timber Sector:⁷ Companies directly involved in the manufacture of wood and of products of wood and cork, except furniture, as well as in the manufacture of articles of straw and plaiting materials.

Transition Plan: A strategy that lays out the undertaking’s targets, actions, and resources for its transition towards a low carbon economy in accordance with the Paris Agreement.

3 Purpose

The purpose of this Sector Policy is to define SEB Group’s position on Business Relationships with Companies involved in the Forestry, Pulp & Paper and Timber Sector.

⁴ The Biodiversity Consultancy.

⁵ European Environment Agency.

⁶ Subsectors under the following NACE sector codes: 17 – Manufacture of paper and paper products. In case of conflict the policy takes precedent.

⁷ Subsectors under the following NACE sector codes: 16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials. In case of conflict the policy takes precedent.

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 the 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 the 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.

4.2 Applicability to Business Relationships

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

- Forest Sector,
- Pulp & Paper Sector,
- Timber Sector.

All SEB Group sector policies have different applicability levels:

- Large Companies: Restrictions, Requirements and Expectations apply,
- SMEs: Only Restrictions and Requirements apply,

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- 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

6 Forestry

6.1 Restrictions

SEB Group avoids Business Relationships with Companies that have confirmed involvement in any of the following:

- Deforestation,
- Illegal logging or trading activities.

6.2 Expectations

SEB Group Expects Companies to:

- Have a forest management plan or similar,
- Have an environmental management system, in line with an international accepted standard, including potential material topics such as:
 - o Limit the usage of pesticides,⁹
 - o Minimize negative impact from fertilizers,¹⁰
 - o Minimize negative impact on flora and soil erosion during logging and other forest activities.¹¹
- Have an Incident Response Plan, including material topics such as:
 - o Handle pollution accidents,
 - o Improve resilience to external shocks such as extreme weather or disease.

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 E.g. based on Rotterdam Convention, Minamata Convention on Mercury, WHO Recommended Classification of Pesticides by Hazard.

¹⁰ Such as soil erosion, toxicity/accumulation of contaminants, disruption of natural environment, eutrophication of water bodies.

¹¹ E.g. based on EU soil strategy goals: protect soil fertility, reduce erosion and sealing, increase organic matter, identify contaminated sites, restore degraded soils.

7 Pulp & Paper and Timber

7.1 Requirements

- SEB Group Requires Companies to have a commitment to no Deforestation.
- For Dedicated Finance of New Projects SEB Group Requires projects to:
 - o Where applicable, have an Environmental Impact Assessment.¹²
 - o In case of physical or economic resettlement outside High-Income OECD Countries: Have policies to appropriately acknowledge, compensate and respond to community priorities,¹³
 - o 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.¹⁴

7.2 Expectations

SEB Group Expects Companies to:

- Develop a Transition Plan,
- Apply Best Available Techniques,¹⁵
- Have an environmental management system, in line with an international accepted standard, including potential material topics such as:
 - o Water use and quality management system,¹⁶
 - o Waste management system according to the waste hierarchy,¹⁷
 - o Energy efficiency,
 - o Circularity targets mainly for pulp & paper production,
 - o Have policies or statements for harmful substances.

¹² As per the scope in the EIA Directive (85/337/EEC). Outside the EU, ensure the EIA is conducted in line with international good practice, e.g. IFC Performance Standards/Equator Principles.

¹³ International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement, or similar.

¹⁴ For guidance on FPIC see International Finance Corporation (IFC) Performance Standard 7 on Indigenous Peoples.

¹⁵ Pulp & Paper: Best Available Techniques (BAT) Reference Document for the Production of Pulp, Paper and Board.

Timber: Best Available Techniques (BAT) Reference Document for the Production of Wood-based Panels

¹⁶ Such as: impact on water stressed areas and measure water intensity as well as measure the amount of discharged wastewater and set targets for its reuse and recycling.

¹⁷ Waste hierarchy: Prevention, Preparation for Reuse, Recycling, Recovery and Disposal.

8 General Expectations

SEB Group Expects Companies to:

- Identify potential adverse impact through direct drivers of Biodiversity loss and set relevant targets,¹⁸
- Have a process to ensure that – in case of identified negative Biodiversity impact or conversion of Natural Habitats – the Mitigation Hierarchy is applied,
- Have targets on sustainable forest management certification in own production and/or in procurement of forest related products.¹⁹

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,²⁰
- 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.²¹

¹⁸ Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species. (In line with definition from IPBES).

¹⁹ Such as FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certification for the forest-, timber- and pulp & paper industry.

²⁰ E.g. World Bank Group Environmental, Health, and Safety Guidelines; ILO – Safety and health in forest work.

²¹ 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)

Forestry

- Air emissions (GHG, dust) from clear cutting and machines,
- Habitat alteration with impacts on ecosystems and Biodiversity,
- Visual impacts,
- Loss of soil productivity and increased erosion and landslide risks,
- Increased fire risk,
- Health and safety for workers and nearby residents,
- Negative human rights impact from, for example, physical or economic resettlement, loss of ecosystem services or using customary land from indigenous people.

Pulp & Paper and Timber

- Air pollutants,²²
- Water quality and stress,
- Sustainable forestry in supply chain,
- Waste generation,
- Energy management,
- Health and safety of workers and nearby residents,
- Forestry management in supply chain.

Specific for Pulp & Paper

- Chemicals from bleaching process.

Specific for Timber

- Noise and fire.

²² Such as CO, NOx, SOx, PM, VOCs.

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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.