Sector Policy on Fossil Fuels for the SEB Group

derived from the Sustainability Policy for the SEB Group

adopted by Risk and Capital Committee of the Board of Directors of

Skandinaviska Enskilda Banken AB (publ)

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Sustainable Banking

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1 Introduction

Fossil Fuels are a major part of global energy systems today and the largest driver of climate change, a significant contributor to local pollution and have direct and indirect impacts on nature. SEB Group recognises the importance of reducing demand for Fossil Fuels, in combination with rapid growth of sustainable and affordable alternatives.

To contribute to achieving the objectives of the Paris Agreement, SEB Group has set sector targets for 2030 to drive our transition towards net zero by 2050. SEB Group is committed to supporting its customers in meeting environmental, social and governance goals through an orderly transition to a more sustainable society.

Central to the transition are demand-side shifts in power, buildings, transport and industry to cut system reliance on fossil fuels. Our strategy is to engage with our customers on their transition journeys, and with policy makers to create an enabling policy environment for the transition to a low carbon economy.

SEB Group recognises that different Fossil Fuels have different transition pathways and varying potential for demand reduction in society. Accordingly, SEB Group engages with relevant Companies in the Fossil Fuel Sector to support a resilient and orderly transition to a low-carbon economy that maintains energy system stability and security in our home markets.

SEB Group has exposure to the Fossil Fuel Sector. 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 our long-term sustainable business strategy.

The policy aims to address key risks related to the Fossil Fuel Sector, which are listed in Appendix A.

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

2 Definitions

Arctic Area: The geographic area north of the Arctic Circle (N 66°33′), defined as a Sensitive Environmental Area.

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.

[1] As defined by Convention on Biological Diversity.

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

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

Financial Services: Financial services resulting in credit exposure through lending or guarantees**.** .

Flaring: Routine / Non-emergency Flaring and venting when oil field operators opt to burn the "associated" gas that accompanies oil production, or simply release it to the atmosphere, rather than to build the equipment and pipelines to capture it.[2]

Fossil Fuels: Fossil Fuels in this Sector Policy refers to thermal coal, metallurgical coal, oil and refined petroleum products, natural gas, and thermal peat.

Fossil Fuel Sector: Companies that are directly involved in any of the following economic activities:[3]

1) Extraction of Fossil Fuels
2) Offshore Services
3) Transportation and/or storage Infrastructure for Fossil Fuels
4) Refining of oil and manufacturing of refined petroleum products
5) Fossil Fuel Power Generation

Infrastructure: Fixed assets, such as pipelines and terminals.

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.

Offshore Services: Ownership of physical assets dedicated to supporting upstream oil and gas extraction (e.g. drilling rigs, seismic equipment, dedicated offshore support vessels).

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.

Refining: The industrial process of generating refined products from a given fossil commodity.

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.

[2] IEA Tracking Flaring Emissions 2023
[3] Subsectors under the following NACE sector codes: 05 – Mining of coal and lignite; 06 – Extraction of crude petroleum and natural gas; 08.92 – Extraction of peat; 09.10 – Support activities for petroleum and natural gas extraction; 19.10 – Manufacture of coke oven products; 19.20 – Manufacture of refined petroleum products and fossil fuel products; 35.11- Production of electricity from non-renewable sources; 35.21 - Manufacture of gas; 35.22- Distribution of gaseous fuels through mains.; 35.24 Storage of gas as part of network supply services. In case of conflict the policy takes precedent.

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 Group are not part of SEB Group.

Seismic Fossil Exploration: The activity of using seismic technologies in oil and gas exploration to identify new fossil reservoirs.

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

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.

Ultradeep: Oil and Gas production more than 1500m deep under the sea surface.

Unconventional Oil and Gas: Extraction of oil and gas from oil sand (tar sand) and oil shale; Extraction of oil and gas through hydraulic fracturing (i.e. fracking); Extraction of oil and gas through coalbed methane (coal seam gas)

3 Purpose

The purpose of this Sector Policy is to define SEB Group 's position on Business Relationships with Companies involved in the Fossil Fuel Sector. It complements SEB Group 's ambitions and targets to support an orderly transition to a low carbon society.

4 Scope

4.1 Applicability within SEB Group

This Policy applies to SEB Group, excluding SEB Asset Management Holding AB and its subsidiaries and Gamla Livförsäkrings AB 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 instrument 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.

4.2 Applicability to Business Relationships

This Sector Policy covers Companies with more than 5% of Company revenues from activities in the Fossil Fuel Sector, calculated at SEB Group global limit holder level.

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 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:

- Disclose, at a minimum, emissions intensity and/or absolute emissions across Scope 1-3,
- Disclose emissions reduction targets across Scopes 1-3 for the short, medium and long term,[4]

[4] Excluding Scope 3 for Existing Business Relationships with Companies involved in exploration and production of oil & gas

- Have an Environmental Management System,[5]
- Ensure that their activities do not result in material negative impact on Sensitive Environmental Areas.[6]
- For Dedicated Finance of New Projects SEB Group requires projects to:
- Have an Environmental Impact Assessment.[7]
- In case of physical or economic resettlement outside High Income OECD Countries: Have policies to appropriately acknowledge, compensate and respond to community priorities,[8]
- 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.[9]

6 Coal

6.1 Restrictions

6.1.1 Coal mining

SEB Group avoids Business Relationships with Companies where more than 5% of revenue is derived from coal mining. [10] For vertically integrated coal fired power generation Companies, see section 6.1.2.

In addition, SEB Group avoids providing Dedicated Finance for,

- Thermal coal mining Companies,
- Equipment for metallurgical and thermal coal mines,
- Infrastructure projects that are dedicated to metallurgical or thermal coal mining.

6.1.2 Coal fired power generation

SEB Group avoids Business Relationships, including existing and new Business Relationships, as well as New Projects and capacity expansions, with coal fired power generation Companies where more than 5% of revenues are derived from coal.

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[5] ISO 14001/50001 standard certification or similar
[6] 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.
[7] 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.
[8] The International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement, or similar.
[9] For guidance on FPIC see International Finance Corporation (IFC) Performance Standard 7 on Indigenous Peoples.
[10] Excluding supply chain finance for metallurgical coal to steel manufacturing.

For Companies with coal fired power generation activities in Germany, a 15% revenue threshold applies reducing to 5% from 2030, reflecting the national coal phase out ambition. [11]

7 Oil & Gas Production

7.1 Restrictions

7.1.1 General

- SEB avoids New Business Relationships with Companies where more than 5% of revenues are derived from exploration and production of oil and gas.[12]
- SEB Group avoids providing Dedicated Finance to Seismic Fossil Exploration.
- SEB Group avoids providing Dedicated Finance to New Projects relating to Oil and Gas extraction.

7.1.2 Offshore Services

SEB Group avoids providing new Financial Services to Offshore Services Companies where revenue from Offshore Services represents more than 5% of the Company's revenue. [13]

7.1.3 Arctic Area

Outside of the Norwegian Economic Zone, SEB Group avoids Business Relationships with Companies with more than 5% of revenue derived from extraction of Oil and Gas in the Arctic Area.

In the Arctic Area of the Norwegian Economic Zone, SEB Group avoids Business Relationships with Companies with a material share of global revenue (>15%) derived from exploration and production of Arctic Area Oil & Gas including on the Norwegian Continental Shelf (NCS).

7.1.4 Unconventional Oil and Gas

SEB Group avoids Business Relationships with Companies with more than 5% of revenues derived from Unconventional Oil, with exception of the Baltic states where, due to energy security, SEB Group works with Companies to transition to low carbon and renewable alternatives. This exception will cease by 2030, when SEB Group will phase out all Business Relationships with Companies where more than 5% of revenues is derived from Unconventional Oil and Gas.

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[11] Unless the Company is instructed by German government authorities to maintain or operate coal-fired power generation capacity for energy security reasons.
[12] This includes all forms of oil & gas exploration and production including conventional, Unconventional, Arctic, Ultra-Deep.
[13] Unless the Company is an oil & gas exploration and production Company and therefore subject to the other oil & gas production restrictions in this chapter.

7.1.5 Ultra Deep Oil & Gas Production

SEB Group avoids providing Dedicated Finance to any Projects or Capacity Expansion related to Ultra Deep Oil & Gas exploration and production.

7.1.6 Oil & Gas Transportation Pipelines

SEB Group avoids providing Dedicated Finance to New Projects dedicated to oil transportation Infrastructure and storage.[14]

SEB Group avoids providing Dedicated Finance to construction of New gas transportation Infrastructure and/ or storage Projects, unless the Company, project or owner has a Transition Plan.

7.1.7 Oil Refining

SEB Group avoids new Business Relationships with Companies in the business of Refining of oil, and/or manufacturing of refined petroleum products, used for transportation and combustion.

SEB Group avoids providing Dedicated Finance to New Projects dedicated to Refining of transportation fuel, unless it is primarily aimed for biofuel production.[15]

7.2 Requirements

7.2.1 Upstream Oil & Gas

In addition to the Requirements in Section 5, SEB Group requires Companies to:

- Commit to end routine Flaring and to the Zero Routine Flaring Initiative (ZRF).[16, 17]
- Have a methane management plan.

8 Oil and Gas fired power generation[18]

8.1 Restrictions

SEB Group avoids providing Dedicated Finance to New oil-fired power plant Projects.

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[14] For shipping, see SEB Sector Policy on Shipping
[15] Biofuels are addressed in SEB Group Sector policy on Electricity and Renewable Energy
[16] World Bank Zero Routine Flaring by 2030 (ZRF) Initiative
[17] applicable to companies operating outside the Norwegian Continental Shelf where zero routine flaring is already a legal requirement
[18] For Least Developed Countries (as defined by UNCTAD), financing may be possible if an assessment demonstrates that no other feasible technical or commercial alternatives exist.

8.2 Requirements

For Dedicated Finance of New gas fired power generation Projects, SEB Group Requires projects to:

- Have a plan to transition to low carbon or renewable gases,
- Be aligned with the emission levels set out in the latest best available techniques (BAT) conclusion.
- For combined heat and power: have lifecycle emissions below 100 gCO_2e/kWh, or, until 2030[19], below 270 gCO_2e/kWh[20] supported by an enhanced due diligence demonstrating that no other feasible technical and commercial alternatives exist,
- For gas fired electricity generation for peak load or balancing of renewable energy systems, be intended to operate only during periods of peak electricity demand in order to provide short duration system support when system demand exceeds baseload supply

9 Thermal Peat

9.1 Restrictions

9.1.1 Thermal peat extraction

SEB Group avoids Business Relationships with thermal peat extraction Companies where more than 5% of revenue is derived from thermal peat extraction.

9.1.2 Thermal peat fired power generation

SEB Group avoids New Business Relationships with Companies where more than 5% of revenue is derived from peat fired power generation.

SEB Group avoids providing Dedicated Finance to New peat fired power generation Projects.

From 2030 SEB Group will avoid Business Relationships with Companies where more than 5% of revenue is derived from peat fired power generation. [21]

10 General Expectations

SEB Group Expects Companies in the Fossil Fuel Sector to:

- Have a Transition Plan. For coal and/ or thermal peat exposed Companies, this should include time bound coal and/ or peat exit milestones aligned with relevant national phase out ambitions,
- Identify potential negative impact through direct drivers of biodiversity loss[22]

[19] Determined by date of approval of construction permit
[20] In line with EU Taxonomy
[21] Exceptions due to energy security may be made in Finland during the peat phase down policy.
[22] As defined by IPBES; Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species

and set relevant targets,

- Respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of:
  - 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,
  - Established grievance and whistle blower mechanism,
  - Safety management programme,
  - Active engagement in constructive partnerships with affected stakeholders,
  - Implement measures to reduce the impact of job losses and industry phase-out on workers and communities when transitioning out of an industry/site in line with just transition principles.

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

- Annual sustainability report 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,[23]
- Commitment to Extractive Industries Transparency Initiative (EITI) disclosure principles, when relevant.

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

Appendix A: Sector Sustainability Impact & Risk Factors (non-exhaustive)

Coal

- Climate change & greenhouse gas emissions, particularly emissions of CO_2 and methane from operations and post closure,
- Climate risks from impacts of climate change, such as water scarcity and extreme weather events,
- Emissions of pollutants to air, land, and water, such as particulate matter, SO_2, NO_x and mercury,
- Water resources including surface and groundwater depletion,
- Land use change and biodiversity risks through direct and indirect habitat loss, land use change and degradation,
- Social risks including health and safety of workers, impacts on local communities through displacement, resettlement, risk of human rights violations and corruption.

Oil & Gas

- Climate change & greenhouse gas emissions, particularly emissions of CO_2 and methane,
- Climate risks from impacts of climate change, such as water scarcity and extreme weather events,
- Emissions of pollutants to air, land, and water, such as SO_2, NO_x, VOCs and oil spills,
- Water resources risks including surface and groundwater depletion and with risks to freshwater and marine environment,
- Land use change and biodiversity risks through direct and indirect habitat loss, land use change and degradation,
- Social risks include health and safety of workers, impacts on local communities through displacement, resettlement, risk of human rights violations and corruption.
- Indigenous rights and FPIC requirements in relevant geographies.

Thermal peat

- Climate change & greenhouse gas emissions, particularly emissions of CO_2 and methane.
- Climate risks from impacts of climate change, such as water scarcity and extreme weather events.
- Emissions of pollutants to air, land, and water.
- Water resources including surface and groundwater disruption. Land use

change and biodiversity risks through direct and indirect habitat loss, land use change and degradation.

- Degradation of high-carbon peatlands, leading to irreversible loss of long-term carbon sinks.
- Wildfire and ignition risk due to drained peatlands.
- Water quality risks including acidification, nutrient loading, and sedimentation.
- Impacts on Indigenous Peoples and cultural landscapes linked to peatlands.
- Social risks including health and safety of workers.

Appendix B: Policy Application Levels

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

	Company size		
Application level:	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 is 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 revenues at SEB 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.