



Sector policy on Transportation for Skandinaviska Enskilda Banken AB

adopted by the Risk and Capital Committee of the Board of Directors of
Skandinaviska Enskilda Banken AB (publ)
on 25 January 2022

Sustainable Banking

Sector Policy on Transportation

Table of contents

1	Introduction.....	2
2	Definitions.....	2
3	Purpose	3
4	Scope	3
5	Governance model	4
6	Environmental expectations	4
6.1	Transportation operators	4
6.2	Transportation equipment manufacturers	6
7	Social expectations.....	7
8	Governance expectations	7

Sector Policy on Transportation

1 Introduction

Transportation and mobility are major components of sustainable development by enhancing economic growth and improving accessibility. However, in order to achieve the target of the Paris Agreement, the entire sector needs to undergo an orderly transformation towards decarbonization.

SEB has exposures to the Transportation industry through lending and Investments. This Sector Policy has been developed to ensure that Financial Services and Investment decisions are contributing towards 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

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.

GHG (Greenhouse Gas) emissions: Emissions of Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O) and etc.¹

Investment: Where SEB, directly or indirectly through investment products, managed by SEB or its subsidiaries, invests in equities and fixed income securities excluding investments where SEB act on behalf of a Client.

Portfolio Company: Company where SEB Group has an equity ownership excluding Portfolio Bond solutions.

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 or SEB Group: Skandinaviska Enskilda Banken AB (publ) and its subsidiaries, branches and representative offices.

Transportation industry (excluding shipping)²: All companies directly involved as equipment manufacturer or operator (including leasing and vehicle sharing) of transportation activities for passengers or/and goods on road, rail and in the air.

¹ All covered Greenhouse Gases by UNFCCC

² Subsectors under the following SNI sector codes:

Road: 29 - Manufacture of motor vehicles, trailers and semi-trailers; 3091 - Manufacture of motorcycles; 494 - Freight transport by road and removal services; 771 – Renting and leasing of motor vehicles.

Sector Policy on Transportation

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 transportation (aviation, rail and road) activities.

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 appropriate steps to implement this Sector Policy.

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

- Transport of passengers and/or freight in the aviation, rail and road³ sector;
- Leasing, rental and car sharing companies that rent out passenger and freight transport vehicles;
- Original Equipment Manufacturers (OEM) for aviation, rail and road vehicle manufacturing.

Shipping is covered by SEB's Sector Policy on Shipping.

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.

Exempted activities:

- 1) Intermediation services such as provision of investment opportunities and thereto related research activities;
- 2) Securities financing activities;
- 3) Funds managed outside the 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:

Rail: 302 - Manufacture of railway locomotives and rolling stock; 491 - Passenger rail transport, interurban; 492 - Freight rail transport.

Air: 303 - Manufacture of air and spacecraft and related machinery; 4931 - Urban and suburban passenger; 511 - Passenger air transport; 5121 - Freight air transport; land transport; 7735 - Renting and leasing of air transport equipment.

Additional: 3099 - Manufacture of other transport equipment n.e.c (not elsewhere classified); 4939 - Other passenger land transport n.e.c.

³ Excluding taxi companies

Sector Policy on Transportation

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.

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

<i>Implementation levels</i>	Company size		
	Retail ⁴	SME ⁵	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 Environmental expectations

6.1 Transportation operators

Key sector risks

Key concerns include the following risk areas:

- Air emissions such as CO₂, NO_x or particulates;
- Soil and water pollution through leaching from tires;
- Noise and vibration impacting ecosystems and biodiversity;
- Waste and wastewater from sanitation and catering services;

⁴ Companies with a turnover below EUR 0.5 million or where SEB's credit exposure is below EUR 1 million

⁵ 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.

Sector Policy on Transportation

- Dangerous cargo;
- Health, safety and security for workers, passengers and other road users;
- Accidents;
- Harassment and insecurities on public transportation;
- Human, drug and species trafficking;
- Infectious diseases.

General expectations

SEB expects Clients and Portfolio Companies, in proportion to size and complexity of the business operation⁶, to:

- Develop a Paris aligned transition plan for Scope 1,2 and 3 GHG emissions including relevant targets;
- Have a(n):
 - Environmental Management System⁷;
 - Fuel/energy-efficiency program⁸;
 - Policy on invasive species, when relevant.

Additional expectations on aircraft operators

- Maintain carbon neutral organic growth from 2020⁹;
- Have a:
 - Waste management system for the use phase (maintenance, operation services, cabin/catering waste) and treat remaining waste according to waste hierarchy¹⁰;
 - Noise management strategy;
 - System to handle dangerous cargo.

Additional expectations on rail transport operators

- Comply with gaseous and particulate pollutant emission limits¹¹;
- Have a:
 - Waste management system for the use phase (maintenance, operation services, cabin/catering waste) and treat remaining waste according to waste hierarchy¹²;
 - Noise reduction system including target setting¹³.

Additional expectations on road transport operators (including leasing, rental and car sharing companies)

⁶ Not applicable to leasing, rental or car sharing companies.

⁷ ISO 14001/50001 standard certification or similar

⁸All: e.g. advanced training and education for eco-driving

Example aviation: IATA – Fuel Efficiency Program

Example rail transport: brake energy recovery

⁹ New baseline in case of mergers and acquisitions required

¹⁰ Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

¹¹ Regulation (EU) 2016/1628 of the European Parliament and of the Council of 14 September 2016 on requirements relating to gaseous and particulate pollutant emission limits and type-approval for internal combustion engines for non-road mobile machinery, amending Regulations (EU) No 1024/2012 and (EU) No 167/2013, and amending and repealing Directive 97/68/EC (OJ L 252, 16.9.2016, p. 53).

International Union of Railways – emission parameters for CO, HC, NOx and PM emissions

¹² Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

¹³ E.g. noise mitigation infrastructure, quiet brake systems or retirement of certain diesel locomotives

Sector Policy on Transportation

- Have a plan for fleet performance improvement, in line with technological and infrastructure development, towards, over time, a zero GHG emission vehicle fleet.

6.2 Transportation equipment manufacturers

Key sector risks

Key concerns include the following risk areas:

- Air emissions (CO₂, VOC, dust, etc.);
- Wastewater and liquid wastes from processing;
- Hazardous materials and waste;
- Energy usage;
- Health and safety.

General expectations

SEB expects Clients and Portfolio Companies to:

- Develop a Paris aligned transition plan for Scope 1,2 and 3 GHG emissions including relevant targets;
- Take actions to avoid substances of concern¹⁴ and/or trace these throughout the life cycle of the manufactured products;
- Have a:
 - Water use and quality management system¹⁵;
 - Waste management system according to the waste hierarchy¹⁶;
 - Fuel-efficiency improvement strategy;
- Have a plan to:
 - Measure and set targets in supply chains to reduce air, water and soil pollution;
 - Reduce plastic consumption and waste.

Additional expectations on aircrafts and aircraft engines

- Design for high durability, recyclability, easy disassembly and adaptability;
- Have a plan to:
 - Over time develop and produce zero direct CO₂ emission aircrafts or (*if not economically and technologically feasible*)
 - Produce aircrafts that are certified to run on 100% sustainable aviation fuels (SAF);
 - Develop new/upgraded aircraft models with a recycling rate of a minimum of 80%¹⁷.

Additional expectations on rolling stock

- Design for high durability, recyclability, easy disassembly and adaptability;

¹⁴ prevent (if possible) using lead, mercury, hexavalent chromium and cadmium in the production processes;

¹⁵ E.g. measure the amount of discharged waste water and set targets for its reuse and recycling

¹⁶ Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

¹⁷ AFRA Best Management Practice for Management of Used Aircraft Parts and Assemblies and for Recycling of Aircraft Materials (BMP); Best industry practices for aircraft decommissioning (BIPAD)

Sector Policy on Transportation

- Produce zero direct CO₂ emission rail transportation¹⁸ or (*if not economically and technologically feasible*)
- Produce low-carbon alternatives¹⁹;
- Have a plan to:
 - Improve noise and vibration management through additional controls, modern technologies and considerations in design and construction;
 - Achieve >90% recovery and recycling rate for rolling stocks²⁰.

Additional expectations on trucks, busses and passenger cars

- Design for high durability, recyclability, easy disassembly and adaptability;
- Comply with the latest local or regional emission standards and reduction targets²¹;
- Have a plan to produce new vehicle models with a recycling rate of a minimum of 85%²².

7 Social expectations

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

- Human rights and labour rights policies including a Human Rights Due Diligence process for own operations and relevant business relationship;
- Measures to reduce the impact of job losses and industry phase-out on workers and communities when transitioning out of an activity/site or technological platform;
- Safety management program.

Specific expectations for transport operators:

- Actions to support the fight against human and drug trafficking²³;
- Plan to prevent the spread of infectious diseases²⁴;
- Clear policies on alcohol and other substance abuse;
- Security plan and targets to tackle harassment and insecurity issues.

8 Governance expectations

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

¹⁸ E.g. electric or fuel cell

¹⁹ E.g. hybrid technology or bio-fuel

²⁰ E.g. Stena recycling (Recycling on Track for SL - 2017)

²¹ For the EU: The latest EU emission standards → reduce CO₂ emissions from new trucks by an average of 15% from 2025 and 30% from 2030, compared with 2019 levels;

²² EU Taxonomy [June, 2021]

²³ E.g. promoting awareness, educating drivers, establishing regulations

²⁴ E.g. hand sanitizers, temperature checks, special interiors to reduce fomites, cleaning procedures, etc.

Sector Policy on Transportation

- Sustainability report (annually published) or similar comprising, at a minimum, disclosure of overall climate impact as well as other material sustainability impact for own operation and relevant business relationships;
 - Anti-corruption policy in proportion to the size and risk-exposure of the entity;
 - Tax reporting according to country-by-country principle, when relevant²⁵.
-

²⁵ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting