



Environmental Policy on Climate, Nature and Water for SEB Group

derived from the Rules of Procedure of the Board of Directors

adopted by the Board of Directors of
Skandinaviska Enskilda Banken AB (publ)
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Sustainable Banking

Policy on Climate, Nature, and Water

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1 Introduction

The SEB Group is through its own operations and business relationships directly and indirectly connected to natural systems within the Biosphere. Environmental considerations are therefore important to integrate throughout SEB Group's activities.

This Environmental Policy is part of SEB Group's sustainability policy framework, which includes the Sustainability Policy, the thematic policies, and sector policies. SEB Group's sustainability policies, together with its advisory services and sustainability product and service offering, supports Companies reaching their sustainability goals.¹

2 Definitions

Biodiversity: The total variety of all Earth's species, their genetic information, and the ecosystems they form.²

Biosphere: The thin life-supporting stratum of Earth's surface, composed of living organisms and its interactions with non-living factors.

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

Company: Legal corporate entity conducting business.

Deforestation: The conversion of forest to agricultural use, whether human-induced or not.³

Dependency Perspective: Aspects of nature's contributions to people that a person or organisation relies on to function, including water flow and quality regulation, regulation of hazards like fires and floods, pollination, or carbon sequestration.⁴

Forest Degradation: The conversion of certain types of forests into other kinds of forests or other wooded land.⁵

Ecosystem Services: The benefits people derive from ecosystems, such as pollination, water purification, climate regulation, and carbon storage.⁶

¹ Read more about SEB Group's sustainability related strategy, business targets and policies on SEB Group's webpage.

² As defined by the Science-Based Targets Network (SBTN)

³ As defined for the EU Deforestation Regulation

⁴ As defined by the Science-Based Targets Network (SBTN)

⁵ As defined for the EU Deforestation Regulation. Forest degradation' means structural changes to forest cover, taking the form of the conversion of: (a) primary forests or naturally regenerating forests into plantation forests or into other wooded land; or (b) primary forests into planted forests.

⁶ As defined by the Millennium Ecosystem Assessment

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GHG: Greenhouse Gas Emissions.

Impact Perspective: Positive or negative contributions of a Company or other actor toward the state of nature.⁷

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”.⁸

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.

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

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.

Transition Plan: A strategy that lays out the undertaking’s targets, actions and resources for its transition towards a lower-carbon economy with the objective of limiting global warming to 1.5°C.

Water Stress: The ability or lack of meeting human and ecological demand for fresh water. It includes the water availability, water quality and the accessibility of water whereby water scarcity can be used as an assessment element.⁹

3 Purpose

The purpose of this Thematic Policy is to define SEB Group’s position and approach concerning climate, nature and water.

4 Scope

4.1 Applicability within the SEB Group

This Thematic Policy applies to SEB Group (the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries) and shall be implemented in all parts

⁷ As defined by the Science-Based Targets Network (SBTN)

⁸ The Biodiversity Consultancy

⁹ UN Global Compact – CEO Water Mandate

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of SEB Group taking local rules into account where relevant, excluding SEB Asset Management Holding AB and its subsidiaries, and Gamla Livförsäkrings AB SEB Trygg Liv.

4.1.1 Activities not covered (exempt) by the policy

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) Investments in securities where SEB Group does not make the investment decision,¹⁰
- 3) Externally managed funds, i.e. funds managed outside SEB Group. Sustainability considerations in portfolio management and advisory and other distribution and placement activities using externally managed funds are defined in divisional sustainability instructions,
- 4) Investments in securities where external sustainability data is not available at a reasonable effort and quality.

In addition, the following activities are exempt:

- 1) Any activity that SEB Group is obliged to provide due to law or regulation,
- 2) 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),
- 3) Financial products where the employees in Companies in scope are the beneficiaries, e.g. occupational pension.

5 Climate, Nature and Water in SEB Group

The following section includes a description of SEB Group's position and approach to climate, nature and water.

5.1 Climate

Climate change is one of the biggest challenges of our time. Scientific evidence points to substantial risks to the planet from climate change if global warming

¹⁰ The investment might be registered in the name of SEB Group (e.g. certain pension products).

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cannot be limited to 1.5°C compared to pre-industrial levels. As a financial institution SEB Group has an important role to play in supporting Companies in the transition towards a low carbon economy.

5.1.1 Position

To manage the transition to limit global warming in a consistent and predictable manner, the following principles guide SEB Group's position on climate:

- SEB Group has net zero Paris aligned targets for the climate impact of its credit and asset management portfolios,¹¹
- SEB Group has set interim 2030 sector targets in line with the commitment to The Net-Zero Banking Alliance (NZBA),¹²
- SEB Group has established two metrics with targets – the Carbon Exposure Index, and the Sustainability Activity Index, to support the transition to reduce SEB Group's fossil fuel exposure, and increase SEB Group's sustainability activities,¹³
- SEB Group calculates its financed emissions based upon the general methodologies and principles of PCAF¹⁴, but deviations may occur where deemed appropriate,
- SEB Group integrates climate considerations in its credit business and asset management by implementing tools and policies,
- SEB Group strives to base climate-related business decisions on science-based climate data, models and scenarios,
- SEB Group engages with peers, Companies, and policy makers to support the development of a conducive framework of market standards, regulations, and policy incentives that support an orderly transition to a low carbon economy,
- SEB Group strives to support financing of a Just Transition¹⁵, ensuring a socially inclusive approach to the transition to a low carbon economy,
- SEB Group is transparent on its climate risks and opportunities, SEB Group aims to educate its own employees, to increase the awareness and knowledge in all parts of SEB Group with regard to climate change,

¹¹ Read more at SEB groups webpage, "Ambitions and goals".

¹² Read more at SEB groups webpage, "Ambitions and goals".

¹³ Read more at SEB groups webpage, "Ambitions and goals".

¹⁴ The Partnership for Carbon Accounting Financials

¹⁵ "A just transition for all towards an environmentally sustainable economy ... needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty." Guidelines for a just transition towards environmentally sustainable economies and societies for all" OECD Just Transition Centre and International Labour Organization. 2017. *Just Transition*.

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5.1.2 Approach

SEB Group assesses Companies in sectors with significant climate impact on their climate performance and targets. The Group aims to understand each Company's climate impact in terms of scope 1, 2, and 3 emissions as per the GHG protocol. To aid this, SEB Group uses:

- Sector-specific approaches to assess a Company's climate impact, such as sector-specific climate intensity metrics and/or the Company's material Scope 1, 2, and 3 emissions. One such approach is SEB Group's proprietary Customer Sustainability Classification tool (CSC) for credit business to understand Companies' Transition Plans,¹⁶
- NZBA sector targets, Carbon Exposure Index, and Sustainability Activity Index to measure and support portfolio transition,
- Climate-related restrictions, requirements, and expectations in SEB Group's sector policies.

Climate Transition Engagement

SEB Group engages with Companies based on their climate performance and ambitions. This engagement aims to secure commitments from Companies to achieve Scope 1, 2, and 3 emissions reductions, based on a credible strategy with short-, medium-, and long-term targets.

SEB Group works to support climate transition on both the demand and supply side of the economy:

- On the demand side, SEB Group works with Companies to reduce their demand for high-carbon intensity products and services, supporting them in transitioning to lower carbon, renewable, or energy efficient alternatives,
- On the supply side, SEB Group works with Companies in transitioning their operations and business models towards lower-carbon products and energy systems, gradually moving away from fossil fuels and other GHG intensive production.

Carbon removal technologies are supported for residual emissions or as a mitigant action if a robust methodology is applied. Companies with significant adverse climate impact without a credible Transition Plan pose a challenge to the Business Relationship. Exiting a Business Relationship is considered only after significant engagement and if the Company has not developed or shown willingness to deliver on the Company's Transition Plan.

¹⁶ Read more at SEB groups webpage, "Sustainable advisory".

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5.2 Nature

Nature provides society with food, clean air & water, shelter, and pollinators. It also mitigates natural disasters, pests and diseases, and contributes to regulating our climate. Nature includes all the existing systems on Earth: living and non-living. Included in the non-living systems is the geology, water, and climate. As such, it is important to acknowledge the interlinkage between climate, nature and water, and that the thematic areas can not only be seen as separate aspects, but as parts of a bigger Biosphere system with dependencies and impacts. Biodiversity, is part of natural capital, delivering Ecosystem Services that underpin the economy. Its deterioration and loss is generally deemed to jeopardise the provision of these services. Biodiversity loss is commonly regarded as one of the most critical global environmental threats alongside climate change. Therefore, SEB Group will support Companies in the transition towards reversing Biodiversity loss.

5.2.1 Position

To support Companies to manage natural resources responsibly, the following principles guide SEB Group's position on nature:

- SEB Group strives to identify and understand exposure to nature risk through use of acknowledged industry tools and guides,¹⁷
- SEB Group engages in industry and academic collaboration to build tools, knowledge, and to support the development and integration of nature and Biodiversity into financial decision making,
- SEB Group encourages and support Companies with potentially high impact on nature to improve strategies and set relevant targets. These should be in line with national and/or international standards and conventions,¹⁸
- SEB Group contributes to an understanding that Biodiversity loss and impact on nature can translate into growing financial risk as well as the business opportunities linked to Ecosystem Services and a resilient nature,
- SEB Group supports Companies pivoting their business models from linear to circular, and shares expertise and support businesses in their circular economy transition.
- SEB Group aims to educate its own employees, to increase the awareness and knowledge in all parts of SEB Group with regard to nature.

5.2.2 Approach

For Companies in sectors with potential adverse significant impact on nature, SEB Group aims to understand and address the individual Company's impact on nature in terms of the Company's own operations and supply chain, where relevant. To do so,

¹⁷ Such as ENCORE, Global Forest Watch, WWF Biodiversity Risk Filter and Water risk Filter, WWF: Assessing Portfolio Impacts, Finance for Biodiversity: Guide on biodiversity measurement approaches (3rd Edition)

¹⁸ E.g. Convention on Biodiversity, EU's Biodiversity Strategy, TNFD, Science Based Targets for Nature

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SEB Group applies sector policies, where nature related issues are found to be a sector risk. Sector policies may include a commitment to no Deforestation or Forest Degradation, a statement on no material adverse impact on Sensitive Environmental Areas, or application of the Mitigation Hierarchy.

For Companies which are not covered by a Sector Policy, but where nature is found material for its activities, SEB Group strives to support the Company to improve its nature related strategy in a way that is relevant for the specific Company.

SEB Group's work to develop sector policies and other approaches to support Companies in their work to reduce adverse impact on nature draws on the direct drivers of Biodiversity loss as defined by IPBES.¹⁹

The direct drivers of Biodiversity loss are:

- Land-/ Sea use change²⁰
- Overexploitation of natural resources
- Climate change
- Pollution
- Invasive alien species.

5.3 Water

Water is an essential resource for various sectors and activities, for example in food production, energy generation, and manufacturing. From a social perspective, supply of clean freshwater is vital for several functions in society, still billions of people live in regions vulnerable to water stress.

5.3.1 Position

To support Companies to manage water resources responsibly, the following principles guide SEB Group's position on water:

- SEB Group contributes to an understanding that water stress as well as extreme weather such as heavy precipitation can translate into financial risk,
- SEB Group aims to identify, understand, and mitigate impact and exposure to water stress by supporting appropriate water management,
- SEB Group encourages water exposed Companies to conduct water stress impact assessments in their own operations and supply chains and have mitigation methods in water stressed regions in place,

¹⁹ The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

Which are also stated in the Taskforce on Nature-related Financial Disclosures (TNFD), the Kunming-Montreal Global Biodiversity Framework (GBF) and used in the European Sustainability Reporting Standard (ESRS).

²⁰ "Land-use change is the major human influence on habitats and can include the conversion of land cover (e.g. deforestation or mining), changes in the management of the ecosystem or agro-ecosystem (e.g. through the intensification of agricultural management or forest harvesting) or changes in the spatial configuration of the landscape (e.g. fragmentation of habitats)." As defined by IPBES.

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- SEB Group supports development of efficient water management systems among Companies,
- SEB Group measures and track the water use in its own facilities,
- SEB Group aims to educate its own employees, to increase the awareness and knowledge in all parts of the Group with regard to water.

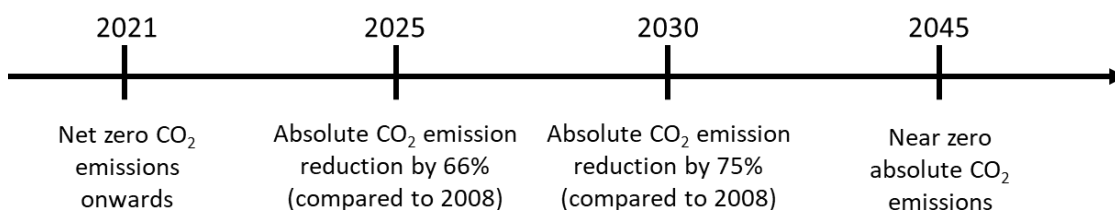
5.3.2 Approach

For Companies in sectors with potential adverse significant water impact, SEB Group aims to understand the individual Company's impact on water stress in terms of the Company's own operations and supply chain, where relevant. To do so, SEB Group has implemented water-related restrictions, requirements, and expectations in sector policies, where water-related issues are found to be a sector related risk. This may include to measure the amount of freshwater use & wastewater discharge, measure water intensity²¹, and to implement a transition strategy to a more sustainable water usage.

For Companies which are not covered by a sector policy, but where water is identified as material for the Company's activities, SEB Group strives to support the Company to improve its water related impact in a way that is relevant for the specific Company.

5.4 SEB Group's own operations

SEB Group has an important role to play in supporting awareness regarding climate, nature and water. As a financial institution, the biggest potential adverse impact from own activities is to climate, and SEB Group has a stated ambition to reduce its operational climate footprint. SEB Group has set the following CO₂ targets on its own operations²²:



To achieve this SEB Group actively works to:

- Improve energy efficiency of its operations and buildings,

²¹ For example, total water intensity (in m³/revenue/year) or other relevant industry and or context based metrics such as m³(or L)/unit (kg or t) of product

²² Scope 1 and 2 as well as Scope 3 (paper, company cars, travel, facility energy)

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- Use renewable energy in buildings owned or rented,
- Reduce business travel by using alternative techniques for meetings and reduce travel related emissions by choosing biofuel where possible,
- Shift to an electrified fleet of company cars,
- Work together with suppliers to minimise the Group's broader carbon footprint from operations,
- Provide transparent public reporting on SEB Group's emissions profile and the actions SEB Group undertakes to manage and mitigate emissions. SEB Group is a signatory to the CDP.²³

SEB Group also has a Code of Conduct for Suppliers, which includes a number of principles in line with this policy.²⁴

²³ CDP is an international, not-for-profit organisation providing the only global system for clients and cities to measure, disclose, manage, and share vital environmental information.

²⁴ Read more at SEB groups webpage, "Working with our suppliers".