

# Instruction – Position Statement Climate Change

<b>Adopted by</b>	The CEO
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<b>Applies for</b>	The Bank and all Subsidiaries
<b>Group Framework Owner</b>	The Head of Group Brand, Communication & Sustainability
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## 1. Background

Swedbank's vision is a financially sound and sustainable society where we empower the many people and businesses to create a better future. One of the greatest challenges of our time is climate change, and the Paris Agreement sets the stage to limit global warming to 1.5 °C. A major transition of society is needed, and banks have an important role to play.

Given our history, purpose, and vision, in 2019 Swedbank became one of the 130 Founding Signatories to the UN's Principles for Responsible Banking (PRB). PRB is a shared commitment to align our business strategy to the Paris Agreement and contribute to the fulfilment of the Sustainable Development Goals (SDGs), guiding our work and impact towards 2030 and beyond.

As a continuation of the PRB commitment Swedbank also has committed to the Net-Zero Banking Alliance (NZBA) which furthermore strengthens our climate change agenda. It brings together banks, which are committed to align their financing and investment portfolios with net-zero emissions by 2050. Swedbank has also committed to the GHG target-setting framework Science-Based Targets initiative (SBTi). Swedbank has set climate targets aligned with scientific pathways that limit the global warming to 1.5°C. Swedbank shall empower the many people and businesses in taking climate action, by supporting a sustainable, just, and inclusive transition.

## 2. Purpose

This position statement sets out the terms of the Group's climate change agenda including key expectations for Swedbank's own operations and when providing financial services. The position statement shall help Swedbank to support our stakeholders in their sustainability transition. This also includes commitments on Swedbank's management of climate risks and opportunities.

## 3. Scope

This position statement applies to all jurisdictions where Swedbank Group operates or conducts business, and applies to Swedbank's operations and financial services, such as Swedbank's procurement, outsourcing, investments, insurance, financing, payments, and advisory services. Swedbank implements this document according to the size, complexity and risk profile of different customers. In case of extraordinary circumstances financial services could be allowed for companies outside the remit of restrictions.

## 4. Definitions

**Energy Efficiency Mortgage Initiative (EEMI)** – EEMI initiative is developing standards and financing models that can give mortgage customers more favourable terms on loans for energy efficiency improvements in their homes. The Nordic Energy Efficient Mortgages Hub of EEMI is a consortium to promote energy renovations of the Nordic building stock.

**Green House Gas Protocol (GHG Protocol)** – GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions.

**International Energy Agency’s “Net Zero by 2050 report”** – The study outlines the policies, technologies, and behavioural changes needed to achieve a net zero energy system in just three decades, while ensuring stable and affordable energy supplies, providing universal energy access, and enabling robust economic growth.

**Net-Zero Banking Alliance (NZBA)** – NZBA reinforces, accelerates, and supports the implementation of decarbonization strategies, providing an internationally coherent framework and guidelines in which to operate. It recognizes the vital role of banks in supporting the global transition of the real economy to net-zero emissions. The NZBA is a continuation of the PRB commitment.

**Science Based Targets initiative (SBTi)** – SBTi defines and promotes best practice in emissions reductions and net-zero targets in line with climate science. It provides methodologies, technical assistance, and validation of targets.

**Taskforce on Climate-related Financial Disclosures (TCFD)** – TCFD is a framework to help public companies and other organizations more effectively manage and disclose climate-related risks and opportunities.

**UN Principles for Responsible Banking (PRB)** – PRB is a framework for ensuring that signatory banks’ strategy and practice align with the vision society has set out for its future in the SDGs and the Paris Climate Agreement.

## 5. Principles

Swedbank shall stay involved and finance the necessary transition and deliver on our commitments towards the Paris Agreement aiming at the 1.5°C scenario, reaching net-zero emissions by 2050. Swedbank relies on the International Energy Agency’s Net Zero by 2050 scenario, whereby there should be no new coal mines opened, nor should there be any expansion of existing coal mines from 2021. Neither should there be new oil and gas fields beyond what were approved for development by 31 December 2021.

### 5.1. Management of climate risks and opportunities

- Swedbank shall measure, perform scenario testing, and disclose climate-related impacts in line with the recommendations by the TCFD and the PRB.
- Swedbank shall use intermediate science-based targets to reach net-zero emissions by 2050. Swedbank has adopted 2030 decarbonisation targets for the lending portfolio that are in line with the goal to limit global warming to 1.5°C.
- Swedbank shall integrate climate risks as a core component in our risk assessment on portfolio, individual customer level, investment and advisory, thereby simultaneously protecting Swedbank and incentivizing change in society.

- Swedbank shall monitor the exposure to sectors with material climate-related risks exposures, in line with TCFD-sector splits, using limits and key risk indicators for our loan book.
- Swedbank shall have carbon reduction as a key priority in our direct environmental management of operations which includes reduction of energy, electricity, water, waste, and business travels. Swedbank shall actively seek climate related information about our suppliers to reduce emissions in our supply chain.

## 5.2. Supporting sustainability transition

- Swedbank shall continuously work with our customers and companies we invest in to steer them towards the Paris Agreement and 1.5°C scenario, through management of risks, acting on business opportunities and improve their climate management, for example by setting carbon emission reduction initiatives.
- Swedbank shall advocate that companies we provide financial services to adopt a Paris 1.5°C - aligned climate strategy that includes the following requirements:
  - public long-term and intermediate climate goals that align with the Paris Agreement. Preferably validated by the SBTi.
  - a credible transition plan with actions and milestones towards the climate goals.
  - follow the recommendations of the TCFD.
  - yearly public progress reporting towards climate goals of all harmful emissions (direct or indirect) according to the GHG Protocol.
- Swedbank shall support customers to adapt to the impacts of climate change.
- Swedbank shall continue to innovate and develop financial products, services and offering to support our customers in making sustainable choices and to fulfil an increasing demand in the market for green investments.
- Swedbank shall support customers in understanding how investments can have an impact on climate and how climate has an impact on investments.
- Swedbank shall support our customers to take climate action through investment in energy efficiency improvements in their homes (e.g., Swedbank's green energy transition initiative). Swedbank is active in the EEMI which develops standards and financing models with the purpose of promoting energy efficient mortgages.
- Swedbank shall support new necessary technologies that enable a sustainable transition in society (e.g., electrification, hydrogen, bioenergy and carbon capture, utilisation, and storage).
- Swedbank shall support ongoing and new partnerships and collaborations, including policy makers, to ensure that our customers have access to the banking solutions that meet their financial and sustainability needs in their transformation journey.
- Swedbank shall avoid financing or investing in companies that lobby against the Paris Agreement (when it is brought to Swedbank's attention).

## 6. Restrictions on fossil fuels

### 6.1. Thermal coal and peat

Swedbank shall not directly finance the following activities:

- extraction of thermal coal and peat
- coal- or peat-fired power generation<sup>1</sup>

Swedbank aims not to invest in<sup>2</sup> nor provide finance to companies that derive more than 5% of their revenues from the above activities (unless qualifying as Transition Company – see 6.3), nor have plans to expand in these activities.

### 6.2. Oil and gas

Swedbank shall not directly finance the following activities:

- exploration of new or the expansion of existing oil and gas fields
- extraction of unconventional fossil fuels, such as shale oil/gas, arctic oil/gas, oil sand, or ultra-deep water oil & gas
- new crude refineries or expansion of crude refinery capacity for transportation fuel (unless primarily aimed at biofuel production)
- new vessels designed with the sole purpose of and dedicated to the transportation of crude oil (crude oil tankers)

Swedbank aims not to invest in<sup>3</sup> or provide finance to companies that derive more than 5% of their revenues from the above activities (unless qualifying as Transition Company – see 6.3), nor have plans to expand in these activities.

### 6.3. Transition company – oil, gas and peat

Swedbank is committed to support companies in meeting the Paris Agreement through an orderly transition. Exemptions from the corporate revenue thresholds may be made if a company is deemed to be a *Transition Company* within oil, gas or peat, fulfilling all of the following criteria:

- Has a Paris-aligned climate strategy as outlined according to the guidance in Section 5.2.
- Has publicly committed not to open new oil or gas fields.
- Has publicly committed not to explore for new oil or gas fields.
- Is not involved in the extraction of unconventional oil and gas.

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<sup>1</sup> For peat, Swedbank could make exception to this restriction as part of transitional strategy.

<sup>2</sup> Swedbank Group's investment decisions relate to direct investments such as instruments issued by investee companies but exclude indirect investments such as funds managed by third parties. When providing investment advice or portfolio management to customers the bank will consider sustainability risk in accordance with the bank's policy on sustainability risk integration in investment decision-making, investment and insurance advice on financial products.

<sup>3</sup> See previous note.