

Instruction – Position Statement Defence Equipment

Adopted by	The CEO
Date of adoption	6 November 2023 (replaces 14 November 2022)
Applies for	The Bank and all Subsidiaries
Group Framework Owner	The Head of Group Brand, Communication & Sustainability
Distribution	Group Regulation section on the intranet and public website
Language version	English
Information class	Public

1. Purpose

Weapons are a threat to the most fundamental human right, the right to life. Swedbank Group recognizes the sensitivity of providing financial services to the defence equipment sector. We uphold the rights of nations as to their legitimate use of weapons for self-defence, national security and for the protection of their citizens, as stated in the United Nations Charter. However, we acknowledge the risks coupled with the non-legitimate and potentially irresponsible use of weapons and the types of weapons distributed that would breach International Human Rights and Humanitarian Law and threaten the safety of people. We consider it as our responsibility to address these risks in our business activities when providing financial services to the sector.

This position statement sets out the terms of Swedbank's provision of financial services to the defence equipment sector. In developing this position statement, we take into account the global nature of our business, where procurement, investments, financing, payments, and advisory services can have both local and global impact. We also take into consideration relevant international conventions and standards, the views of our stakeholders, and our commitment to respect human rights and support democratic development.

2. Definition

The term "defence equipment" is defined as weapons (conventional and controversial) that are used for military purposes and products or components specifically developed to be part of such weapons or weapon systems. This also includes dual-use products for military purposes that are subject to permit examination according to the EU's list of dual-use items in Commission Delegated Regulation (EU) 2023/66.

Controversial weapons include ammunition containing depleted uranium, nuclear weapons and the following illegal weapons that are prohibited under international law: anti-personnel mines, cluster bombs, chemical and biological weapons.

3. Scope

The position statement refers to production, maintenance, and trading of defence equipment, if nothing else is expressed. If the term "weapons" is used singularly, it excludes components and products from the scope. The position statement does not apply to purely sporting or recreational weapons.

The position statement addresses the defence equipment sector in all jurisdictions where Swedbank Group operates or conducts business, and applies to Swedbank's operations and financial services, namely Swedbank's procurement, investments, financing, payments, and advisory services.

Swedbank Group's investment decisions relate to direct investments such as instruments issued by investee companies but exclude indirect investment such as funds managed by third parties. For external funds which have an exposure to controversial weapons, Swedbank Group will divest from such funds within two years, in case we don't see external funds' commitment to exit their investments in companies involved in such activities.

4. Principles and restrictions

- Swedbank shall not provide financial services to the defence equipment sector that does not conform to national regulations and sanctions adopted by the UN Security Council or the European Union and applicable US sanctions, as well as agreements on non-proliferation.
- Swedbank shall have zero tolerance for, and does not provide financial services to, a company and their holding company that themselves produce, maintain, or trade in *controversial weapons*.
- Swedbank shall assess the nature of a defence equipment company's value chain connections (supplier or customer links) to *controversial weapons*. If such links are brought to Swedbank's attention either through third party or own analysis, two outcomes are possible:
 - Either, the links being material, Swedbank will terminate the business relationship.
 - Or, the links being non material, Swedbank will encourage the company to withdraw from that business.
- Swedbank shall not provide financial services to a company that produces, maintains, or trades in *conventional weapons* if that company has not assessed the impact of its business, including the final destination country where the product will be used. Swedbank shall require companies to diligently assess the following country risks:
 - Whether human rights violations or weak track records in respecting human rights exist (there must be no trade if there is any risk that the weapon is used for internal repression or serious violations of international humanitarian law).
 - Whether the country is under a United Nations or European Union multilateral arms embargo.
 - Whether the country is involved in conflict unless parties act in accordance with a UN Security Council resolution or EU public statements.

Swedbank shall not provide new financial services to that company, and existing contracts will be reviewed and terminated if the company's assessment is not satisfactory and material country risks are identified.