



Sector Policy on Arms and Defence for the SEB Group

adopted by the
Risk and Capital Committee of the Board of Directors of
Skandinaviska Enskilda Banken AB (publ)
On 19 January 2023

Sustainable Banking

Sector Policy on Arms and Defence

Table of contents

1	Introduction.....	3
2	Definitions.....	3
3	Purpose	3
4	Scope	4
5	Sector risks, restrictions and expectations	5
5.1	Key sector risks.....	5
5.2	Restrictions on Controversial Weapons	5
5.3	Restrictions on nuclear weapons	6
5.4	Restrictions on transactions	6
5.5	Social expectations	6
5.6	Governance expectations	6
	The eight criteria of the Council Common Position 2008/944/CFSP	8

Sector Policy on Arms and Defence

1 Introduction

The Arms and Defence sector is complex and challenging. SEB recognises the controversies embedded within the Arms and Defence sector but also acknowledges the right of every nation to defend itself, as stated in the United Nations Charter.

SEB can be exposed to the Arms and Defence sector through lending and Investments. This Sector Policy has been developed to ensure business decisions contribute towards fulfilling SEB's overall sustainability ambitions, as expressed in SEB's Corporate Sustainability Policy.

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

2 Definitions

Arms and Defence Activities: Development and manufacturing of arms and defence equipment such as weapons, ammunition, explosives, military fighting vehicles and other military equipment¹ as well as Key Components to arms and defence equipment.

Business Relationship: A commercial relationship with a legal entity based on a legal agreement including, but not limited to, holding of securities.

Controversial Weapons:

- Anti-personnel mines;
- Biological weapons;
- Chemical weapons;
- Cluster weapons;
- Depleted uranium ammunition.

Company: Legal corporate entity conducting business.

Financial Services: Banking services that result in credit exposure as well as underwriting except exempt activities.

Key Components: Components that are primarily developed or designed for use in the weapon system and that play a direct role in the lethality of the weapon system.

SEB: Skandinaviska Enskilda Banken AB (publ)

SEB Group: Skandinaviska Enskilda Banken AB (publ) and its subsidiaries, branches and representative offices. Foundations related to SEB are not part of the SEB Group.

3 Purpose

The purpose of this Sector Policy is to define SEB's position on Business Relationships with Companies involved in Arms and Defence Activities.

¹ For subsectors, use the following NACE codes as guidance: C25.4, C20.5.1, C30.4. For a full list of military equipment, use the following document: Commission Delegated Directive (EU) 2021/1047 on defence-related products. In case of conflict the policy takes precedent.

Sector Policy on Arms and Defence

4 Scope

This Sector Policy is a Group Policy. As such it shall be implemented in all parts of the SEB Group, taking local or sector specific rules into account when relevant. It is noted that the fund company of the SEB Group, SEB Investment Management AB, for regulatory reasons is not party to this policy and instead establishes its own sustainability related policies.

This Sector Policy covers Companies where more than 5% of the total Company² turnover, including subsidiaries, is derived from Arms and Defence Activities. For nuclear weapons and Controversial Weapons, no threshold is applied.

Any deviations from this policy shall be escalated in accordance with the Customer Acceptance Mandate Instruction.

Implementation

All SEB sector policies have different implementation levels, i.e.: expectation, require and restrict. This Sector Policy applies restrict, require and expect.

Expectation: SEB expects Companies to adhere to this Sector Policy. Non-adherence requires actions that over time will ensure adherence to the Sector Policy.

Requirement: SEB requires Companies to comply with SEB's position and non-compliance requires active decisions on SEB's Business Relationship.

Restriction: SEB restricts Business Relationships with Companies that are non-compliant.

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

<i>Implementation levels</i>	Company size		
	Retail³	SME⁴	Large companies⁵
SEB Expects	-	-	✓
SEB Requires	-	✓	✓
SEB Restricts	-	✓	✓

✓ Implementation level applicable

"-" Implementation level not applicable, but can be used as guidance

*For investment related activities, listed companies are in scope, regardless of size

² Calculated at SEB global limit holder level. For large companies where the share is close to 5%, SEB Sustainable Banking should be consulted.

³ Counterparties where SEB's credit exposure is below EUR 1 million

⁴ Counterparties where SEBs credit exposure is above EUR 1 million and not defined as Large companies

⁵ 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

Sector Policy on Arms and Defence

Exempt activities not covered by the policy:

when SEB lends

1) Securities financing transactions, provided the borrower itself is not covered by this sector policy.

when SEB invests and distributes investment products

1) Investments in securities that are a consequence of seized assets in the ordinary course of business;

2) Investments in securities where SEB does not make the investment decision⁶;

3) Externally managed funds, i.e. funds managed outside SEB AB. 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.

Other activities:

1) Any activity that the 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;

3) Financial products where the employees in companies in scope are the beneficiaries, e.g. Occupational Pension.

5 Sector risks, restrictions and expectations

5.1 Key sector risks

Key concerns include the following risk areas:

- Corruption;
- Adverse impact on human rights⁷;
- Disproportionate and indiscriminate impact on civilians;
- Escalation of conflicts.

5.2 Restrictions on Controversial Weapons

SEB will avoid Business Relationships with Companies that conduct one or several of the following activities:

- Produce, develop, trade in, or store Controversial Weapons;
- Supply Key Components of Controversial Weapons.

⁶ The investment might be registered in the name of SEB (e.g. certain pension products)

⁷ Examples of human rights of interest for this sector (however not exhaustive) are the right to life, the right to health, the right to not be subjected to torture or to cruel, inhuman or degrading treatment or punishment, the right to not be subjected to arbitrary interference with your privacy, the right to peaceful assembly.

Sector Policy on Arms and Defence

5.3 Restrictions on nuclear weapons

SEB will avoid Business Relationships with Companies involved in the development, testing, production, manufacturing, acquisition, possession or stockpiling of nuclear weapons.⁸ However, SEB can make an exemption should the following requirements be met:

- 1) The Company has a legacy Business Relationship with SEB, and
- 2) The financing is ring fenced, or with a structure having similar effect, through adequate written legal provisions in the relevant financing contract so that the financed company represents that only non-nuclear activities of the Company are financed.

5.4 Restrictions on transactions

SEB will avoid supporting transactions involving sales of arms and defence-related equipment⁹ to countries or areas that:

- Severely violate human rights¹⁰;
- Are subject to EU embargo or included in other relevant sanctions lists¹¹;
- Are part of conflict-affected areas¹², unless it concerns follow-up deliveries to existing commercial commitments, or an export license has been granted in the EU/EEA or the UK.

5.5 Social expectations

SEB expects Companies in scope of this policy, in proportion to the size and risk exposure of the entity, to 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;
- Human Rights Due Diligence (HRDD) process for its sales and export activities.

5.6 Governance expectations

SEB expects Companies in scope of this policy to maintain high standards of accountability and integrity regarding their business by:

- Complying with relevant export license regulations in respective country, including for dual use items which can be used for both civil and military purposes and have been defined by an official export licensing authority;
- Adhering to standards, conventions and guidelines¹³ that are already incorporated in the laws and regulations of the EU-member states. Companies in

⁸ See the Treaty on the Prohibition of Nuclear Weapons (TPNW), Article 1.1(a).

⁹ See the definition of Arms and Defence Activities.

¹⁰ Exceptions may be granted to this restriction in cases where the equipment can only be used for purely defence-related activities.

¹¹ See SEB's tool for high, medium & low risk countries (Way of Working>About AML, Anti-money laundering)Search high risk).

¹² As per the Indicative, non-exhaustive list of Conflict-Affected and High-Risk Areas (CAHRA) under Regulation (EU) 2017/821.

¹³ The United Nations Convention on Prohibition or Restriction on the Use of Certain Conventional Weapons Which May Be Deemed to be Excessively Injurious or to Have Indiscriminate Effects ('the Inhumane Weapons

Sector Policy on Arms and Defence

countries outside the EU are expected to adhere to the principles of the eight criteria of the Council Common Position, see Annex I;

- Implementing an anti-corruption policy in proportion to its size and risk-exposure;
 - Annually publishing a sustainability report or similar comprising material sustainability impact (including supply chains);
 - Performing tax reporting according to country-by-country principle, when relevant¹⁴.
-

Convention'), The United Nations Arms Trade Treaty, Global Principles of Business Ethics for the Aerospace and Defence Industry, The Council Common Position 2008/944/CFSP.

¹⁴ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting.

Sector Policy on Arms and Defence

Annex I

The eight criteria of the Council Common Position 2008/944/CFSP

1. Respect the international obligations and commitments of the EU member states, in particular the sanctions adopted by the UN Security Council or the EU, and agreements on non-proliferation and other subjects, as well as other international obligations. This explicitly includes UN, OSCE7 and EU embargoes, conventions on nuclear, biological and chemical weapons and anti-personnel landmines;
2. The country of final destination has to respect human rights. An export has to be denied if there is a clear risk that the proposed export might be used for internal repression or serious violations of international humanitarian law;
3. Exports of weapons which would provoke or prolong armed conflict or aggravate existing tensions or conflicts in the country of final destination are not permitted;
4. Preservation of regional peace, security and stability shall not be endangered;
5. The export of weapons must not threaten the national security of an EU member state and territories whose external relations are the responsibility of an EU member state as well as that of friendly and allied countries;
6. The behaviour of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law has to be determined;
7. The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions shall be considered;
8. The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate security and defence needs with the least diversion of human and economic resources for armaments.