



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)
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Sustainable Banking

Sector Policy on Arms and Defence

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Sector Policy on Arms and Defence

1 Introduction

The Arms and Defence sector is complex. SEB Group recognises the issues 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 Group has varied exposures to the Arms and Defence sector through lending and investments. This Sector Policy has been developed to ensure business decisions are aligned with SEB Group's overall sustainability ambitions, as expressed in SEB Group's Sustainability Policy.

Key risks related to the Arms and Defence Sector are listed in Appendix A to this 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 Group. Sustainability related policies in SEB Group 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 SEB Group has with a legal entity based on a legal agreement.

Controversial Weapons:

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

Company: Legal corporate entity conducting business.

Expectation: Refers to SEB Group policy implementation levels. SEB Group Expects large Companies to adhere to Expectations stated in the Sector Policy. If no adherence, large Companies are Expected to take actions that, Over Time, will ensure adherence to the Sector Policy.

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.

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

Over Time: Defined as the initiation of actions within two years of policy Expectation being raised in effort to achieve adherence to the Expectation.

Requirement: Refers to SEB Group policy implementation levels. SEB Group Requires Companies to comply with SEB Group's position. Non-compliance Requires active decisions on SEB Group's Business Relationship.

Restriction: Refers to SEB Group policy implementation levels. SEB Group Restricts Business Relationships with Companies that are non-compliant with the policy position.

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

3 Purpose

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

4 Scope

4.1 Applicability within the SEB Group

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

Exempt activities

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,²
- 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

² The investment might be registered in the name of SEB (e.g. certain pension products).

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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.

4.2 Applicability to Business Relationships

This Sector Policy covers Companies where more than 5% of the total Company turnover, including subsidiaries, calculated at SEB Group global limit holder level, is derived from Arms and Defence Activities. For nuclear weapons and Controversial Weapons, no threshold is applied.

All SEB Group sector policies have different applicability levels:

- Large companies: Restrictions, Requirements and Expectations apply,
- SMEs: Only Restrictions and Requirements apply,
- Sector policies do not apply to Retail Companies but act as a guide.

For more details on applicability levels see Appendix B.

5 General

5.1 Restrictions

Controversial Weapons

SEB Group avoids 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.

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Nuclear Weapons

SEB Group avoids Business Relationships with Companies involved in the development, testing, production, manufacturing, acquisition, possession or stockpiling of nuclear weapons.³ However, SEB Group can make an exemption, where the following requirements is met:

- 1) The Company has a legacy Business Relationship with SEB Group, 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.

Transactions

SEB Group avoids supporting transactions involving sales of arms and defence-related equipment to countries or areas that:⁴

- Severely violate human rights,⁵
- Are subject to EU embargo or included in other relevant sanctions lists,⁶
- Are part of conflict-affected areas, unless it concerns follow-up deliveries to existing commercial commitments, or an export license has been granted in the EU, EEA, Switzerland, or the UK.⁷

6 Social Expectations

SEB Group Expects Companies in scope of this policy to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of the following:

- Human Rights and Labour Rights policies including a Human Rights Due Diligence, HRDD,
- Human Rights Due Diligence (HRDD) process for its sales and export activities.

7 Governance Expectations

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

³ See the Treaty on the Prohibition of Nuclear Weapons (TPNW), Article 1.1(a).

⁴ See the definition of Arms and Defence Activities.

⁵ This shall be based on expert judgement. Exceptions may be granted to this restriction in cases where the equipment can only be used for purely defence-related activities.

⁶ See SEB's tool for high, medium & low risk countries (Way of Working\About AML, Anti-money laundering\Search high risk).

⁷ As per the Indicative, non-exhaustive list of Conflict-Affected and High-Risk Areas (CAHRA) under Regulation (EU) 2017/821.

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- 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 guidelines⁸ that are already incorporated in the laws and regulations of the EU-member states. Companies in countries outside the EU are expected to adhere to the principles of the eight criteria of the Council Common Position, see Appendix C,
 - 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),
 - Tax reporting according to country-by-country principle, when relevant.⁹
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⁸ 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 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.

⁹ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting.

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Appendix A: Sector Risks

Key sector risks (non-exhaustive list)

- Corruption,
- Adverse impact on human rights,¹⁰
- Disproportionate and indiscriminate impact on civilians,
- Escalation of conflicts.

Appendix B: Policy Application Levels

Table 1: SEB Group policy applicability in relation to different sizes of Companies*.

Application levels	Company size		
	Retail Companies	SME	Large companies
SEB Group Expects	-	-	✓
SEB Group Requires	-	✓	✓
SEB Group Restricts	-	✓	✓

✓ Implementation level applicable

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

*For investment related activities, listed companies are considered as large Companies, regardless of size.

Retail Companies is defined as counterparties where SEB Group's credit exposure is below EUR 1 million.

SME is defined as counterparties where SEB Group's credit exposure is above EUR 1 million and not defined as large companies. Note that the material share of revenues at SEB Global limit holder level still applies.

Large Companies are defined as 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.

¹⁰ 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.

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Appendix C: 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.