



Sector Policy on Forestry, Pulp & Paper and Timber for the SEB Group

adopted by the Risk and Capital Committee of the Board of Directors of
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Sustainable Banking

Sector Policy on Forestry

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Sector Policy on Forestry

1 Introduction

Forests are vital for our society and planet and are inseparably linked to our global economy. Besides providing resources for various production processes and industries, habitats for biodiversity and jobs for society, forests are also the world's second largest carbon storage. If managed responsibly, forests are a renewable resource greatly contributing to climate change mitigation.

SEB has direct exposure to the Forest and the associated Pulp & Paper and Timber Sector through lending and Investments. This Sector Policy has been developed to ensure that business decisions are contributing towards SEB's overall sustainability ambitions, as expressed in SEB's Corporate Sustainability policy.

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

2 Definitions

Biodiversity Baseline: Collection and interpretation of biodiversity values occurring through operation or new projects, their current condition and future development.¹

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

Company: Legal corporate entity conducting business.

Deforestation: The permanent destruction of forests and woodlands and conversion to non-forest uses.² The term specifically excludes areas where the trees have been removed as a result of harvesting or logging, and where the forest is expected to regenerate naturally or with the aid of silvicultural measures.³

Forest Sector⁴: All Companies directly involved in the management and ownership of forests.

GHG (Greenhouse Gas) Emissions: Emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrochlorofluorocarbons (HCFCs), ozone (O₃), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆).

New Projects or Capacity Expansion: An identified location where any new commercial, industrial or infrastructure undertaking is taking place or any existing undertaking that is undergoing material change in output or function, which may result in environmental or social impacts.

¹ Gullison, R.E., J. Hardner, S. Anstee, M. Meyer. 2015. Good Practices for the Collection of Biodiversity Baseline Data. Prepared for the Multilateral Financing Institutions Biodiversity Working Group & Cross-Sector Biodiversity Initiative

² EU Commission, DG Environment

³ Food and Agriculture Organization 2001

⁴ Subsectors under the following NACE sector codes: 02 – Forestry and logging. In case of conflict the policy takes precedent.

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Natural Habitats: A place where plants or animals normally live, characterized primarily by its physical features (topography, plant or animal physiognomy, soil characteristics, climate, water quality etc.) and secondarily by the species of plants and animals that live there⁵.

Pulp & Paper Sector⁶: All Companies directly involved in the manufacture of paper and paper products.

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.

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.

Timber Sector⁷: Companies directly involved in the manufacture of wood and of products of wood and cork, except furniture, as well as in the manufacture of articles of straw and plaiting materials.

3 Purpose

The purpose of this Sector Policy is to define SEB's position on Business Relationships with Companies involved in forestry, pulp & paper and timber activities.

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 with a material share of revenues, i.e. more than 15% of Company⁸ turnover, combining any of the following activities:

- Forest Sector;
- Production of pulp & paper;
- Timber Sector.

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

⁵ European Environment Agency

⁶Subsectors under the following NACE sector codes: 17 – Manufacture of paper and paper products. In case of conflict the policy takes precedent.

⁷ Subsectors under the following NACE sector codes: 16 – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials. In case of conflict the policy takes precedent.

⁸ Calculated at SEB global limit holder level. For large companies where the share is close to 15%, SEB Sustainable Banking should be consulted.

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Implementation level

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

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

Require: SEB requires Companies to comply with SEB's position. Non-compliance requires active decisions on SEB's Business Relationship.

Restrict: 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 | | |
|------------------------------|---------------------------|-------------------------|--------------------------------------|
| | Retail⁹ | SME¹⁰ | Large companies.¹¹ |
| 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

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 decision¹²;

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.

⁹ Counterparties where SEB's credit exposure is below EUR 1 million

¹⁰ Counterparties where SEBs credit exposure is above EUR 1 million and not defined as Large companies

¹¹ 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

¹² The investment might be registered in the name of SEB (e.g. certain pension products)

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Other activities:

- 1) Any activity that the SEB Group is obliged to provide due to law or regulation;
- 2) Customer liquidity facilitating activities 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 Forestry

5.1 Key sector risks

Key concerns include the following risk areas:

- Air emissions (GHG, dust) from clear cutting and machines;
- Habitat alteration with impacts on ecosystems and biodiversity;
- Visual impacts;
- Loss of soil productivity and increased erosion and landslide risks;
- Increased fire risk;
- Health and safety for workers and nearby residents;
- Negative human rights impact from, for example, physical or economic resettlement, loss of ecosystem services or using customary land from indigenous people.

5.2 Restrictions

SEB will avoid Business Relationships with Companies with material negative impact, such as land conversion, on sensitive environmental areas such as¹³:

- UNESCO World Heritage sites;
- Wetlands covered by the Ramsar Convention;
- Land-based Natura 2000 areas;
- National parks and nature reserves;
- High conservation value forests (HCVF)¹⁴;
- International Union for the Conservation of Nature Red Listed Species.

SEB will avoid Business Relationships with Companies that are involved in any of the following:

- Illegal logging or trading activities;
- Illegal or uncontrolled fire activities for land clearance and preparation;

¹³ If an activity is approved by an official legal/licensing body within the EU, the activity is not considered having material negative impact. If outside the EU, the independent Environmental Impact Assessment of the activity must show that the mitigating actions taken will result in minimal or no negative impact.

¹⁴ Forests that inherited biological, ecological, social or cultural values of outstanding significance as defined in FSC's "Common Guidance for the Identification of High Conservation Values – 10/2013":
HCV 1 -Species diversity; HCV 2 -Landscape-level ecosystems and mosaics; HCV 3 -Ecosystems and habitats;
HCV 4 -Critical ecosystem services; HCV 5 -Community needs; HCV 6 -Cultural values.

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- Deforestation of primary¹⁵ tropical forests.

5.3 Environmental expectations

SEB expects Companies to:

- Have a forest management plan or similar;
- Have targets for sustainable forest management certification¹⁶ in own production;
- Develop a Biodiversity Baseline and targets by 2025;
- Have a process to ensure that - in case of identified negative biodiversity impact or conversion of Natural Habitats - the mitigation hierarchy¹⁷ is applied;
- Have a plan to:
 - Limit the usage of pesticides¹⁸;
 - Limit the negative impact¹⁹ from fertilizers;
 - Handle pollution accidents;
 - Improve resilience to external shocks such as extreme weather or plagues;
 - Minimize negative impact on flora and soil erosion during logging and other forest activities.²⁰

6 Pulp & Paper and Timber

6.1 Key sector risks

Key concerns include the following risk areas:

- Air pollutants²¹;
- Water quality and stress;
- Sustainable forestry in supply chain;
- Waste generation;
- Health and safety of workers and nearby residents.

Specific for Pulp & Paper

- Chemicals from bleaching process.

Specific for Timber

- Noise and fire.

¹⁵The naturally regenerated forest of native tree species, where there are no clearly visible indications of human activities and the ecological processes are not significantly disturbed. (FAO – Global Forest Resources Assessment 2020. Terms and Definitions)

¹⁶ FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certification for the forest-, timber- and pulp & paper industry

¹⁷ Avoid, minimise, restore and offset

¹⁸ Rotterdam Convention, Minamata Convention on Mercury, WHO Recommended Classification of Pesticides by Hazard

¹⁹ Such as soil erosions, toxicity/accumulation of contaminants, disruption of natural environment, eutrophication of water bodies

²⁰ E.g. based on new EU soil strategy goals: protect soil fertility, reduce erosion and sealing, increase organic matter, identify contaminated sites, restore degraded soils

²¹ Such as CO, NOx, SOx, PM, VOCs

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6.2 Restrictions

SEB will avoid Business Relationships with Companies with material negative impact as listed under 6.2.

6.3 Environmental expectations

SEB expects Companies to:

- Develop a transition plan for Scope 1,2 and 3 GHG Emissions in line with the Paris Agreement;
- Perform an Environmental Impact Assessment²² for New Projects or Capacity Expansion;
- Apply Best Available Techniques²³;
- Have targets on sustainable forest management certification²⁴ in own production and throughout supply chains;
- Develop a Biodiversity Baseline and targets by 2025;
- Have an Environmental Management System including:
 - Water use and quality management system²⁵;
 - Waste management system according to the waste hierarchy²⁶;
 - Energy efficiency;
 - Circularity targets mainly for pulp & paper production;
- Have policies or statements for harmful substances;
- Have a plan to switch from fossil fuel transportation to low carbon alternatives in line with the transition plan above.

7 Social expectations

General

SEB expects Companies, 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 including an Human Rights Due Diligence, HRDD;
- Health and safety policy based on industry safety guidance²⁷;
- Established Grievance mechanism;
- Actively engaging in constructive partnerships with affected stakeholder.

²² In line with the EIA Directive (85/337/EEC). Outside the EU, ensure the E(S)IA is conducted in line with international good practice, e.g. IFC Performance Standards/Equator Principles

²³ Pulp & Paper:

Best Available Techniques (BAT) Reference Document for the Production of Pulp, Paper and Board
Timber: Best Available Techniques (BAT) Reference Document for the Production of Wood-based Panels

²⁴ FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certification for the forest-, timber- and pulp & paper industry

²⁵ Such as: impact on water stressed areas and measure water intensity as well as measure the amount of discharged waste water and set targets for its reuse and recycling

²⁶ Waste hierarchy: Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

²⁷ For example World Bank Group Environmental, Health, and Safety Guidelines; ILO – Safety and health in forest work

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New Projects or Capacity Expansion

- In case of resettlement: policies in order to appropriately acknowledge, compensate and respond to community priorities in cases of physical or economic resettlement²⁸;
- In case of activities conducted in areas with indigenous people: free, prior and informed consent (FPIC) principles to ensure the rights of indigenous people as well as transparent and culturally adapted communication.

8 Governance expectations

SEB expects Companies to maintain high standards of accountability and integrity regarding their business supported by:

- Sustainability report (annually published) or similar²⁹ comprising material sustainability impact;
 - Anti-corruption policy in proportion to the size and risk-exposure of the entity;
 - Tax reporting according to country-by-country principle, when relevant³⁰.
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²⁸ International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement

²⁹ For smallholder forest owners, similar disclosure is expected to SEB

³⁰ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting