



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, Pulp & Paper and Timber

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1 Introduction

Forests are vital for both society and planet. 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 well, forests are a renewable resource greatly contributing to climate change mitigation.

SEB Group has varied exposure to the Forestry and the associated Pulp & Paper and Timber sectors through lending and investments. This Sector Policy has been developed to ensure that business decisions are aligned with SEB Group's overall sustainability ambitions, as expressed in SEB Group's Sustainability policy.

Key risks related to the Forestry, Pulp & Paper and Timber Sector are listed in Appendix A to this 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 Group. Sustainability related policies in SEB Group are reviewed annually.

2 Definitions

Biodiversity: The total variety of all Earth's species, their genetic information, and the ecosystems they form.¹

Business Relationship: A commercial relationship the SEB Group has with a legal entity based on a legal agreement.

Company: Legal corporate entity conducting business.

Deforestation: The conversion of forest to agricultural use, with the exception for agroforestry projects.²

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.

Forest Sector:³ Companies directly involved in the management and ownership of forests.

Mitigation Hierarchy: A method which provides guidance on how to limit the negative impact on Biodiversity as far as possible, and includes the following sequential steps: "Avoid", "Minimize", "Restore", and lastly "Offset".⁴

¹ As defined by the Science-Based Targets Network (SBTN)

² Considering the Regulation (EU) 2023/1115 on deforestation-free products.

³ Subsectors under the following NACE sector codes: 02 – Forestry and logging. In case of conflict the policy takes precedent.

⁴ The Biodiversity Consultancy.

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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 there.⁵

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 changes to the operation's sustainability impacts.

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

Pulp & Paper Sector:⁶ Companies directly involved in the manufacture of pulp, paper and paper products.

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.

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

Sensitive Environmental Areas: National parks and nature reserves, Natura 2000 areas, UNESCO World Heritage sites, and Wetlands covered by the Ramsar Convention.

Timber Sector:⁷ 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.

Transition Plan: A strategy that lays out the undertaking's targets, actions, and resources for its transition towards a low carbon economy with the objective of limiting global warming to 1.5°C.

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.

⁷Subsectors 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.

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3 Purpose

The purpose of this Sector Policy is to define SEB Group's position on Business Relationships with Companies involved in the Forestry, Pulp & Paper and Timber sector. It complements SEB Group's ambitions and targets to support an orderly transition to a sustainable & low carbon society.

4 Scope

4.1 Applicability within the SEB Group

This Policy applies to the SEB Group (the parent Company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries) and shall be implemented in all parts of the 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 the 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,⁸
- 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 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 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. 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.

⁸ The investment might be registered in the name of SEB Group (e.g. certain pension products)

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4.2 Applicability to Business Relationships

This Sector Policy covers Companies with a material share of revenues, i.e. more than 15% of Company turnover, combining any of the following activities in the following sectors calculated at SEB Group limit holder level:

- Forest Sector,
- Pulp & Paper Sector,
- Timber Sector.

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 General Restrictions

SEB Group avoids Business Relationships with Companies with material negative impact on Sensitive Environmental Areas. If an activity is approved by an official legal/licensing body within the EU, EEA, Switzerland or UK, the activity is not considered having material negative impact. If outside these geographical areas, an independent Environmental Impact Assessment of the activity must show that the mitigating actions taken will result in non-material negative impact.

5.2 General Expectations

SEB Group Expects Companies to:

- Identify potential adverse impact through direct drivers of Biodiversity loss and set relevant targets,⁹
- Have a process to ensure that – in case of identified negative Biodiversity impact or conversion of Natural Habitats – the Mitigation Hierarchy is applied,
- Have targets on sustainable forest management certification in own production and/or in procurement of forest related products.¹⁰

⁹ As defined by IPBES; Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species.

¹⁰ FSC (Forest Stewardship Council) or PEFC (Programme for the Endorsement of Forest Certification) certification for the forest-, timber- and pulp & paper industry.

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6 Forestry

6.1 Restrictions

SEB Group avoids Business Relationships with Companies that have confirmed involvement in any of the following:

- Deforestation,
- Illegal logging or trading activities.

6.2 Expectations

SEB Expects Companies to:

- Have a forest management plan or similar,
- Have an environmental management system, in line with an international accepted standard, including potential material topics such as:
 - o Limit the usage of pesticides,¹¹
 - o Minimize negative impact from fertilizers,¹²
 - o Minimize negative impact on flora and soil erosion during logging and other forest activities.¹³
- Have an Incident Response Plan, including material topics such as:
 - o Handle pollution accidents,
 - o Improve resilience to external shocks such as extreme weather or disease.

7 Pulp & Paper and Timber

7.1 Requirements

From 2025, SEB Group Requires Companies to have a commitment to no Deforestation.

7.2 Expectations

SEB Group Expects Companies to:

- Develop a Transition Plan,
- Apply Best Available Techniques,¹⁴

¹¹ Rotterdam Convention, Minamata Convention on Mercury, WHO Recommended Classification of Pesticides by Hazard.

¹² Such as soil erosion, toxicity/accumulation of contaminants, disruption of natural environment, eutrophication of water bodies.

¹³ 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.

¹⁴ 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

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- Have an environmental management system, in line with an international accepted standard, including potential material topics such as:
 - o Water use and quality management system,¹⁵
 - o Waste management system according to the waste hierarchy,¹⁶
 - o Energy efficiency,
 - o Circularity targets mainly for pulp & paper production,
 - o Have policies or statements for harmful substances.
- Perform an Environmental Impact Assessment for New Projects or Capacity Expansion.¹⁷

8 Social Expectations

General

SEB Group Expects Companies 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,
- Health and safety policy based on industry safety guidance,¹⁸
- Established grievance and whistle blower mechanism,
- Actively engaging in constructive partnerships with affected stakeholder.

New Projects or Capacity Expansion

- In case of physical or economic resettlement: Policies in order to appropriately acknowledge, compensate and respond to community priorities,¹⁹
- 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.

9 Governance Expectations

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

¹⁵ 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.

¹⁶ Waste hierarchy: Prevention, Preparation for Reuse, Recycling, Recovery and Disposal.

¹⁷ 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.

¹⁸ E.g. World Bank Group Environmental, Health, and Safety Guidelines; ILO – Safety and health in forest work.

¹⁹ International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement

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- Sustainability report (annually published) or similar comprising, at a minimum, disclosure of overall climate impact as well as other material sustainability impact,
- Anti-corruption policy in proportion to the size and risk-exposure of the Company,
- Tax reporting according to country-by-country principle, when relevant.²⁰

²⁰ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting.

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Appendix A: Sector Risks

Forestry – Key sector risks (non-exhaustive list)

- 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.

Pulp & Paper and Timber (non-exhaustive list)

- Air pollutants,²¹
- 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.

²¹ Such as CO, NOx, SOx, PM, VOCs.

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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 are 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 Group 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.
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