



# **Sector Policy on Fossil Fuels for the SEB Group**

adopted by Risk and Capital Committee of the Board of Directors of  
Skandinaviska Enskilda Banken AB (publ)  
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**Sustainable Banking**

# Sector Policy on Fossil Fuels

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# Sector Policy on Fossil Fuels

## 1 Introduction

Fossil Fuels are a major part of global energy systems today and the largest driver of climate change, a significant contributor to local pollution and have direct and indirect impacts on nature. SEB Group recognises the importance of reduction in demand for Fossil Fuels, in combination with rapid growth of sustainable and affordable alternatives.

To contribute to achieving the objectives of the Paris Agreement, SEB Group has set targets for 2030 within its Net Zero Banking Alliance plan. SEB Group's Fossil Fuel policy is part of the transition structure of our sustainable business strategy. In doing so, SEB Group believes in partnering with our customers on their transition journeys.

In this policy, SEB Group recognises that different Fossil Fuels have different transition pathways and varying potential for demand reduction in society. Accordingly, SEB Group engages with relevant Companies in the Fossil Fuel Sector to support a resilient and orderly transition to a low carbon economy while safeguarding energy security in our home markets. SEB Group understands that the transition journey for customers may not follow a straight path and there will be adjustments along the way as well as price fluctuations which may impact revenue shares from different fossil production methods. In such cases, SEB Group will support Business Relationships where there is a strategic alignment on transition objectives.

Key risks related to the Fossil Fuel Sector are listed in Appendix A to this policy.

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

## 2 Definitions

**Arctic Area:** The geographic area north of the Arctic Circle (N 66° 33'), defined as a Sensitive Environmental Area.

**Biodiversity:** Biodiversity is the total variety of all Earth's species, their genetic information, and the ecosystems they form.<sup>1</sup>

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

**Company:** Legal corporate entity conducting business.

**Dedicated Finance:** Where the financing is channelled to a specified use of proceeds.

**Expectation:** refers to SEB Group policy implementation levels. SEB Group Expects Companies to adhere to expectations stated in the sector policy, applicable to Large

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<sup>1</sup> Definition as defined by the Science-Based Targets Network (SBTN)

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Companies. If no adherence, Companies are expected to take actions that, Over Time, will ensure adherence to the Sector Policy.

**Flaring:** Routine / Non-emergency flaring and venting when oil field operators opt to burn the "associated" gas that accompanies oil production, or simply release it to the atmosphere, rather than to build the equipment and pipelines to capture it.<sup>2</sup>

**Financial Services:** Services resulting in credit exposure through lending or guarantees, excluding exempt activities.

**Fossil Fuels:** Fossil Fuels in this Sector Policy refers to thermal coal, metallurgical coal, oil and refined petroleum products, natural gas, and thermal peat.

**Fossil Fuel Sector:** Companies that are directly involved in any of the following economic activities:<sup>3</sup>

- 1) Extraction of Fossil Fuels
- 2) Transportation and/or storage infrastructure for Fossil Fuels
- 3) Refining of oil and manufacturing of refined petroleum products
- 4) Fossil Fuel Power Generation

**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, as a minimum, initiation of actions to achieve adherence on the expectation within 24 months of policy expectation being raised.

**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.

**Refining:** The industrial process of generating refined products from a given fossil commodity.

**Restriction:** refers to SEB Group policy implementation levels. SEB Group restricts Business Relationships with Companies that are non-compliant with the policy.

**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 Group are not part of the SEB Group.

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<sup>2</sup> IEA Tracking Flaring Emissions 2023

<sup>3</sup> Subsectors under the following NACE sector codes: 05 – Mining of hard coal and lignite; 06 – Extraction of crude petroleum and natural gas; 0892 – Extraction of peat; 091 – Support activities for petroleum and natural gas extraction; 191 – Manufacture of coke oven products; 192 - Manufacture of refined petroleum products; 3521 - Manufacture of gas (if applicable). In case of conflict the policy takes precedent.

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**Seismic Fossil Exploration:** The activity of using seismic technologies in oil and gas exploration to identify new fossil reservoirs.

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

**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.

**Ultradeep:** Oil and Gas production more than 1500m deep under the sea surface.

**Unconventional Oil and Gas:** Extraction of oil and gas from oil sand (tar sand) and oil shale. Extraction of oil and gas through hydraulic fracturing (fracking).

### 3 Purpose

The purpose of this Sector Policy is to define SEB Group's position on Business Relationships with Companies involved in the Fossil Fuel Sector. It complements SEB Group's ambitions and targets to support an orderly transition to a 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.<sup>4</sup>
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.

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<sup>4</sup> The investment might be registered in the name of SEB Group (e.g. certain pension products).

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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.

### 4.2 Applicability to Business Relationships

This Sector Policy covers Business Relationships with Companies with more than 5% of total revenues from activities in the Fossil Fuel 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 but act as a guide.

For more details on applicability levels see Appendix B.

## 5 General

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 areas, the independent Environmental Impact Assessment of the activity must show that the mitigating actions taken will result in minimal or no negative impact.

SEB Group requires Companies to:

- Disclose, at a minimum, emissions intensity and/or absolute emissions across Scope 1-3 combined with targets for the short, medium and long term. Where applicable, this can be via EU Corporate Sustainability Reporting Directive (CSRD) reporting.
- Have a certified Environmental Management System.<sup>5</sup>

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<sup>5</sup>ISO 14001/50001 standard certification or similar

## Sector Policy on Fossil Fuels

### 6 Coal

#### 6.1 Coal mining

##### 6.1.1 Thermal coal mining Restrictions

- The following restrictions apply to all Thermal Coal Business Relationships, including New Business Relationships, Companies conducting New Projects, New Capacity Expansions as well as Mountain Top Removal.
- SEB Group avoids Business Relationships with thermal coal mining Companies where more than 5% of revenues are derived from Thermal Coal mining. For vertically integrated coal fired power generation companies, see Coal fired power generation section 6.2.
- SEB Group avoids providing Dedicated Financing for equipment to thermal coal mining Companies, or to infrastructure projects dedicated to thermal coal mining.

##### 6.1.2 Metallurgical coal mining Restrictions

- SEB Group avoids providing Dedicated Financing for equipment to metallurgical coal mines, or to infrastructure projects that are dedicated to metallurgical coal mining.

#### 6.2 Coal fired power generation

##### 6.2.1 Coal fired power generation Restrictions

- SEB avoids new Business Relationships with Companies where more than 5% of revenues are derived from coal fired power generation.
- SEB restricts all Business Relationships, including Existing Business Relationships, New Business Relationships, Companies conducting New Projects, and New Capacity Expansions as follows:
  - SEB avoids all Business Relationships with Coal Fired Power Generation Companies, where more than 15% of revenues are derived from coal fired power generation, outside of Germany.
  - From 2026, SEB Group avoids Business Relationships with Coal Fired Power Generation Companies where more than 5% of revenues are derived from coal fired power generation. For Business Relationships in Germany, this restriction takes effect from 2030, unless the Company is instructed by German governmental authorities to maintain and/ or operate coal fired power generation capacity for the purpose of energy security.

### 7 Oil & Gas Production

#### 7.1 Upstream Oil & Gas

##### 7.1.1 General Restrictions

- SEB Group avoids providing Dedicated Financing to Seismic Fossil Exploration,

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- SEB Group avoids providing Dedicated Financing to any new projects and/or capacity expansion relating to oil and gas extraction,
- SEB Group avoids providing new Financial Services to Companies with fossil offshore related assets such as drilling rigs, seismic equipment, and dedicated fossil extraction offshore support vessels, where revenue from these assets represents more than 5% of Company's revenue.

### 7.1.2 Arctic Area Restrictions

Outside of the Norwegian Economic Zone, SEB Group avoids Companies with a more than 5% of revenue derived from production of Oil and Gas in the Arctic Area.

In the Arctic Area of the Norwegian Economic Zone, SEB Group avoids:

- providing Dedicated Finance for exploration or production of Oil and Gas,
- Business Relationships with Companies with a material share of total global revenue (>15%) derived from exploration and production of Arctic Area Oil & Gas on the Norwegian Continental Shelf (NCS). By 2030, SEB Group will avoid Companies with more than 10% of total global revenue derived from production of Oil in the Arctic Area.

### 7.1.3 Unconventional Oil and Gas Restrictions

- SEB Group avoids new Business Relationships with Companies with more than 5% of revenues are derived from Unconventional Oil & Gas,
- SEB Group avoids providing Dedicated Finance to any New Projects or Capacity Expansion related to Unconventional Oil and Gas,
- SEB Group avoids Business Relationships with Companies with more than 5% of total revenues derived from Unconventional Oil, with exception of the Baltic states where, due to energy security, SEB Group works with Companies to transition to low carbon and renewable alternatives. This exception will cease by 2030, when SEB Group will phase out all Business Relationships with Companies where more than 5% of total revenues is derived from Unconventional Oil and Gas.

### 7.1.4 Ultra Deep Oil & Gas Production Restrictions

SEB Group avoids providing Dedicated Finance to any Projects or Capacity Expansion related to Ultra Deep Oil & Gas exploration and production.

### 7.1.5 Upstream Oil & Gas Requirements

In addition to the Requirements in Section 5, SEB Group requires Companies to:

- Commit to end routine flaring and to the Zero Routine Flaring Initiative (ZRF)<sup>6</sup> by 2025.<sup>7</sup>

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<sup>6</sup> World Bank Zero Routine Flaring by 2030 (ZRF) Initiative

<sup>7</sup> applicable to companies operating outside the Norwegian Continental Shelf where zero routine flaring is already a legal requirement



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- Have a methane management plan and data reporting and verification in line with the proposed EU methane performance standard.<sup>8</sup>

### 7.2 Oil & Gas Transportation Pipelines

#### 7.2.1 Restrictions

- SEB Group avoids providing Dedicated Finance to-, or investing in-, any new projects and/or capacity expansion dedicated to oil transportation infrastructure and storage.<sup>9</sup>
- SEB Group avoids providing Dedicated Financing to construction of new gas transportation infrastructure and/ or storage projects, unless the Company, project or owner has a Transition Plan as required in section 5 above.

Infrastructure refers to fixed assets, such as pipelines and terminals.

### 7.3 Oil Refining

#### 7.3.1 Restrictions

- SEB Group avoids new Business Relationships with Companies in the business of Refining of oil, and manufacturing of refined petroleum products, used for transportation and combustion.
- SEB Group avoids providing Dedicated Finance to any new projects and/or capacity expansion dedicated to Refining of transportation fuel, unless it is primarily aimed for biofuel production.<sup>10</sup>

## 8 Oil and Gas fired power generation

### 8.1 Oil fired power generation

#### 8.1.1 Oil Fired Power Generation Restriction

SEB Group avoids providing Dedicated Finance to-, or invest in-, new oil-fired power plant projects or expansions.

### 8.2 Gas fired power generation

#### 8.2.1 Combined heat and power Requirements

For new Dedicated Financing the SEB Group requires that the power plant meets the following requirements:

- Lifecycle emissions are below 100 gCO<sub>2</sub>e/kWhe, or
- Until 2030<sup>11</sup>, lifecycle emissions are below than 270 gCO<sub>2</sub>e/kWhe<sup>12</sup>, and

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<sup>8</sup> Amending Regulation (EU) 2019/942, as per Note 15927/23, 7 December 2023

<sup>9</sup> For shipping, see SEB Sector Policy on Shipping

<sup>10</sup> Biofuels are addressed in SEB Group Sector policy on Renewable energy generation and electricity transmission & distribution.

<sup>11</sup> Determined by date of approval of construction permit

<sup>12</sup> In line with EU Taxonomy .

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- An enhanced due diligence can show that no other technical and commercial alternatives are feasible, *and*
- The plant is aligned with the emission levels set out in the latest best available techniques (BAT) conclusion, *and*
- There is a plan to transition to low carbon or renewable gases.
- For combined heat and power plants outside of the EU, EEA, Switzerland or UK, the requirements do not apply if an enhanced due diligence is required, that can show that no other feasible technical and commercial alternatives are available.

### 8.2.2 Gas fired electricity generation Requirements

For new Dedicated Financing the SEB Group requires that gas fired electricity generation plant meets the following requirements:

- The purpose of the project is to secure peak load capacity and balancing of energy systems relying to a high degree on renewable/intermittent energy, *and*
- Planned annual GHG emissions of the activity does not exceed an average of 550kgCO<sub>2</sub>e/kW of the output energy of the facility's capacity over 20 years.<sup>13</sup>
- There is a plan to transition to low carbon or renewable gases.
- For gas fired electricity plants outside of the EU, EEA, Switzerland or UK, the above requirements above do not apply if an enhanced due diligence is required, that can show that no other feasible technical and commercial alternatives are available.

## 9 Thermal Peat

### 9.1 Thermal peat extraction

#### 9.1.1 Restrictions

- SEB Group avoids new Business Relationships with thermal peat extraction Companies where more than 5% of revenues are derived from peat extraction,
- SEB Group avoids providing Dedicated Finance to new thermal peat extraction projects or capacity expansion,
- SEB Group will exit current Business Relationships with thermal peat extraction companies where more than 5% of revenues are derived from peat extraction by 2025.

### 9.2 Thermal peat fired power generation

#### 9.2.1 Restrictions

- SEB Group avoids new Business Relationships with Companies where more than 5% of revenues are derived from peat fired power generation,

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<sup>13</sup> Ibid

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- SEB Group avoids providing Dedicated Finance to, or invest in, new peat fired power generation plants, projects or capacity expansions.
- From 2030 SEB Group will avoid Business Relationships with Companies where more than 5% of revenues are derived from peat fired power generation.<sup>14</sup>

### 10 Expectations

#### 10.1 Environmental Expectations

SEB Group expects Companies to:

- identify potential negative impact through direct drivers of biodiversity loss<sup>15</sup> and set relevant targets.
- have a Transition Plan.

#### 10.2 Social expectations

##### 10.2.1 General

SEB Group expects Companies in the Fossil Fuel sector to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of the following, in proportion to the size and risk exposure of the entity:

- Human rights and labour rights policies including a Human Rights Due Diligence process,
- Established whistle blower mechanism,
- Established Grievance Mechanism,
- Safety management programme.

##### 10.2.2 New Projects or Capacity Expansion

- In case of physical or economic resettlement, have compensation plans in place in order to acknowledge and respond to community priorities,<sup>16</sup>
- 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.

##### 10.2.3 Just transition

- Measures to reduce the impact of job losses and industry phase-out on workers and communities when transitioning out of an industry/site.

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<sup>14</sup> Exceptions due to energy security may be made in Finland during the peat phase down policy.

<sup>15</sup> As defined by IPBES; Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species

<sup>16</sup> The International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement

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### 10.3 Governance expectations

SEB Group expects Companies to maintain high standards of accountability and integrity regarding their business including:

- Sustainability report (published annually) or similar comprising, at a minimum, disclosure of overall climate impact as well as other material sustainability impact in their operations and supply chain,
- Anti-corruption policy in proportion to the size and risk-exposure of the entity,
- Tax reporting according to country-by-country principle, when relevant,<sup>17</sup>
- Commitment to Extractive Industries Transparency Initiative (EITI) disclosure principles, when relevant.

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<sup>17</sup>OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting

## Sector Policy on Fossil Fuels

### Appendix A: Sector Risks

#### ***Coal - Key sector risks***

Key sector risks from the extraction, processing, transportation, and use of coal include (non-exhaustive list):

- Climate change & greenhouse gas emissions, particularly emissions of CO<sub>2</sub> and methane from operations and post closure,
- Climate risks from impacts of climate change, such as water scarcity and extreme weather events,
- Emissions of pollutants to air, land, and water, such as particulate matter, SO<sub>2</sub>, NO<sub>x</sub> and mercury,
- Water resources including surface and groundwater depletion,
- Land use change and biodiversity risks through direct and indirect habitat loss, land use change and degradation,
- Social risks including health and safety of workers, impacts on local communities through displacement, resettlement, risk of human rights violations and corruption.

#### ***Oil & Gas – Key sector risks***

Key sector risks from upstream, midstream, downstream operations and use of oil & gas include (non-exhaustive list):

- Climate change & greenhouse gas emissions, particularly emissions of CO<sub>2</sub> and methane,
- Climate risks from impacts of climate change, such as water scarcity and extreme weather events,
- Emissions of pollutants to air, land, and water, such as SO<sub>2</sub>, NO<sub>x</sub>, VOCs and oil spills,
- Water resources risks including surface and groundwater depletion and with risks to freshwater and marine environment,
- Land use change and biodiversity risks through direct and indirect habitat loss, land use change and degradation,
- Social risks include health and safety of workers, impacts on local communities through displacement, resettlement, risk of human rights violations and corruption.

#### ***Thermal peat – Key sector risks***

Key sector risks from the extraction and use of thermal peat include (non exhaustive list):

- Climate change & greenhouse gas emissions, particularly emissions of CO<sub>2</sub> and methane.
- Climate risks from impacts of climate change, such as water scarcity and extreme weather events.
- Emissions of pollutants to air, land, and water.
- Water resources including surface and groundwater disruption.

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- Land use change and biodiversity risks through direct and indirect habitat loss, land use change and degradation.
- Social risks including health and safety of workers.

### Appendix B: Policy Application Levels

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

Application levels	Company size		
	Retail	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** 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.