



Sector Policy on Mining and Metals 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 Mining and Metals

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Sector Policy on Mining and Metals

1 Introduction

The Mining and Metals sector plays a fundamental role in the development of our economy and society. Many metals are key inputs for the economic transformation towards a low carbon society. However, the industry can also have some potentially significant negative environmental and human rights impacts, if not addressed correctly.

SEB, has exposure to the Mining and Metals Sector. 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 and the Human Rights policy, which are part of the overall Sustainability policy framework in SEB. Sustainability related policies in SEB are reviewed annually.

2 Definitions

Company: Legal corporate entity conducting business.

Conflict-Sensitive Areas: Areas in a state of armed conflict or fragile post-conflict as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses¹.

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

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

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

Existing Operations: Existing undertaking that is undergoing no material change in output or function.

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).

Investments: Where SEB, directly or through investment products managed by SEB or its subsidiaries invest in equities and fixed income securities, except exempt activities.

¹ e.g. UN sanctions lists, OFAC Specially Designated Nationals Lists, World-Check search (OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High-Risk Areas)

² EU Commission, DG Environment

³ Food and Agriculture Organization 2001

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Mining and Metals Sector: All Companies directly involved in prospecting and exploration, mine construction, mineral and peat extraction and mine operation as owner or on-site operating service provider, processing of minerals, mine closure and reclamation, manufacture of basic metals.⁴

Mountain Top Removal: Mountain top removal mining (MTR), also known as mountain top mining (MTM), is a practice where the tops of mountains are removed. The earth from the mountaintop is then moved into neighboring valleys.

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.

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 affiliates, such as 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 Mining and Metals 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.

The Sector Policy covers Companies with a material share of revenues, i.e. more than 15% of Company⁵ turnover from the Mining and Metals Sector.

This Sector Policy does not cover the mining of thermal coal, thermal peat and unconventional oil as these are covered by SEB's Sector Policy on Fossil Fuel.

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

⁴ Subsectors under the following NACE sector codes: 07 – Mining of Metal Ores; 08 – Other mining and quarrying; 099 – Support activities for other mining and quarrying; 24 – Manufacture of basic metals;

⁵ 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

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		
	Retail⁶	SME⁷	Large companies^{8,9}
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 decision¹⁰;

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.

⁶ Counterparties where SEB's credit exposure is below EUR 1 million.

⁷ Counterparties where SEB's credit exposure is above EUR 1 million and not defined as Large corporates. Note that the material share of revenues at SEB Global limit holder level still applies.

⁸ 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 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 Mining

5.1 Key sector risks

Key concerns include the following risk areas:

- Marine and terrestrial habitat alteration with impacts on ecosystems and biodiversity;
- Contamination of soils and water reserves (including stress and scarcity);
- Emissions, including GHG¹¹ and other pollutants¹²;
- Toxic mine waste and chemical leakages caused by tailings and waste rock;
- Tailings dam failures;
- Health and safety of workers and nearby residents;
- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous people etc.;
- Fueling conflict in Conflict-Sensitive Areas;
- Bribery and corruption.

5.2 Environmental expectations and restrictions

5.2.1 Restrictions

Sensitive environmental areas

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.

¹¹ CO₂, CH₄, N₂O, SF₆, HFCs and PFCs

¹² Fine or coarse particulate matter (PM_{2.5}, PM₁₀), volatile organic compounds (VOCs), NO_x, SO₂ or CO

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

- Activities in violation of EU Conflict Mineral regulation;
- Mountain Top Removal;
- Riverine tailings disposal (rivers and streams used for disposal activities) or submarine tailings disposal (submerged pipes used for disposal in the sea).

Peat extraction

- SEB will avoid entering into new Business Relationships with Companies that are involved in peat extraction;
- SEB will avoid providing Dedicated Financing or Investments into New Projects or Capacity Expansion of peat mines.

5.2.2 General expectations

SEB expects Companies to operate in accordance with relevant international, regional and national laws, regulations and permits. In addition, SEB encourages Companies to adopt and follow internationally accepted voluntary sector initiatives and standards wherever they are applicable, such as:

- Kimberley Process Certification Scheme for diamond mining;
- International Cyanide Management Code for gold mining;
- Extractive Industries Transparency Initiative (EITI);
- The member requirements of the International Council on Mining and Metals framework (ICMM).

5.2.3 Existing Operations

SEB expects Companies to:

- Develop a transition plan for Scope 1,2 and 3 GHG Emissions in line with the Paris Agreement;
- Develop a Biodiversity Baseline and targets by 2025;
- Have a policy or statement regarding:
 - No Deforestation;
 - Land conversion;
- Have a:
 - Water use and quality management, in and around mine sites¹⁵;
 - Mining waste disposal management according to waste hierarchy¹⁶;
 - Responsible and risk-based management for tailings disposal and storage facilities (dams) according to international standards¹⁷;
- Have a plan for:
 - Renewable energies in e.g. production or transportation processes;

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 Prevention, Preparation for Reuse, Recycling, Recovery and Disposal (OECD - <https://www.oecd-ilibrary.org/sites/f5670a8d-en/index.html?itemId=/content/component/f5670a8d-en>)

¹⁷ The Global Tailings Review "Global Industry Standard on Tailings Management" (2020) [global-industry-standard_EN.pdf \(globaltailingsreview.org\)](https://www.globalindustry-standard.org/global-tailings-review)

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- Emergency response and corresponding insurances in case of environmental or social accidents and crises situations;
- Financially secure closure and reclamation;
- Minimizing visual, noise and vibration impacts from vehicle engines and power generation as well as air emissions such as dust or gaseous emissions.

5.2.4 New Projects or Capacity Expansion

SEB expects Companies to provide a plan that includes:

- Performing an environmental (and social) impact assessment (ESIA) when applicable¹⁸;
- Conducting a public consultation during the authorization process;
- In case of negative biodiversity impact/conversion of natural habitats apply the mitigation hierarchy¹⁹.

6 Metals

6.1 Key sector risks

Metals – ferrous and non-ferrous

The main cause of environmental impacts from the metals industry comes through the processing of ferrous and non-ferrous metals in order to obtain elemental state or to create alloys with favorable production characteristics. Key concerns include the following risk areas:

- Emissions, including GHG and other pollutants;
- Hazardous and solid wastes;
- Water stress;
- Health and safety of workers and residents.

6.2 Environmental expectations

6.2.1 Existing Operations

SEB expects Companies to:

- Develop a transition plan for Scope 1,2 and 3 GHG Emissions in line with the Paris Agreement;
- Have policies or similar, aimed at the prevention of Deforestation, loss of biodiversity as well as land conversion in supply chains (mining);
- Apply the Best Available Techniques (BAT)²⁰.
- Have a

¹⁸ EU Directive 2011/92/EU

¹⁹ Avoid, minimise, restore and offset

²⁰ Best Available Techniques (BAT) Reference Document for the Non-Ferrous Metals Industries; Reference Document on Best Available Techniques for Energy Efficiency; Best Available Techniques (BAT) Reference Document for Iron and Steel Production; Integrated Pollution Prevention and Control (IPPC) - Reference Document on Best Available Techniques in the Ferrous Metals Processing Industry

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- Water use and quality management in place, in and around production sites²¹;
- Waste disposal management according to waste hierarchy²², including slags and hazardous waste.
- Have a plan for:
 - Emergency response and corresponding insurances in case of environmental or social accidents and crises situations;
 - Minimizing visual, noise and vibration impacts from vehicle engines and power generation as well as air emissions such as dust or gaseous emissions.

6.2.2 New Projects or Capacity Expansion

General

SEB expects Companies to provide a plan that includes:

- Performing an environmental (and social) impact assessment (ESIA) when applicable²³;
- Conducting a public consultation during the authorization process.

Aluminium

SEB expects Companies to:

- Invest in secondary/recycled aluminum production if technically, economically and geographically feasible or
- Invest in primary/new aluminum production aligned with the EU Taxonomy criteria²⁴.

Iron and Steel

SEB expects Companies to provide a plan demonstrating that:

- For Blast Ore Furnace steel making, relevant low carbon technology alternatives have been assessed, e.g. green hydrogen, CCS etc.;
- For Electric Arc Furnace (EAF) steel making, comply with the minimum steel scrap input relative to EAF high alloy steel and/or EAF carbon steel as stated in the latest EU Taxonomy;
- GHG Emission values for their manufacturing process steps are not exceeding those stated in the latest EU Taxonomy.

²¹ 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

²² Prevention, Preparation for Reuse, Recycling, Recovery and Disposal (OECD - <https://www.oecd-ilibrary.org/sites/f5670a8d-en/index.html?itemId=/content/component/f5670a8d-en>)

²³ EU Directive 2011/92/EU

²⁴ GHG emissions not exceeding 1,484 tCO₂/t Al; average carbon intensity from indirect greenhouse gas emissions not exceeding 100g CO₂e/kWh; electricity consumption not exceeding 15.5 MWh/t Al

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7 Social expectations

General

SEB 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, 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 program.

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 priorities²⁵;
- 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.

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.

8 Governance expectations

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

- Sustainability report (annually published) 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 relevant²⁶;
- Commitment to EITI (Extractive Industries Transparency Initiative) disclosure principles, when applicable.

²⁵ The International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement

²⁶ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting