



Sector Policy on Shipping for the SEB Group

adopted by the Risk and Capital Committee of the Board of Directors of
Skandinaviska Enskilda Banken AB (publ)
On 19 January 2023

Sustainable Banking

Sector Policy on Shipping

Table of contents

1	Introduction.....	2
2	Definitions.....	2
3	Purpose	2
4	Scope	3
5	Company alignment with SEB's long term strategy in the sector	4
6	Shipping.....	5
6.1	Key sector risks	5
6.2	Requirements on existing fleet	5
6.3	Expectations on Refurbished, Retrofitted and New Vessels	6
6.4	Social expectations	6
6.5	Governance expectations	6

Sector Policy on Shipping

1 Introduction

Shipping is considered to be the most carbon efficient mean of long-distance transportation in comparison to land-based road transportation and aviation. However, further decarbonization of this industry is a necessary step to decouple the strong link between growing shipping emission rates and global trade, while supporting the objectives of the Paris Agreement.

SEB, has exposure to the Shipping 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 covers the areas of the thematic Environmental Policy and 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

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.

Existing Operations: Existing undertaking that is not undergoing any 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).

Refurbished / Retrofitted and New Vessels¹: The manufacturing of new vessels or existing vessels undergoing material change in output or function.

Shipping Sector²: Freight and passenger transport on deep and short sea as well as inland waters.

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.

3 Purpose

The purpose of this Sector Policy is to define SEB's position on Business Relationships with Companies involved in shipping activities.

¹ Subsectors under the following NACE sector codes: 301 – Building of ships and boats; 3315 – Repair and maintenance of ships and boats. In case of conflict the policy takes precedent.

² Subsectors under the following NACE sector codes: 50 – Water transport; 7734 – Renting and leasing of water transport equipment. In case of conflict the policy takes precedent.

Sector Policy on Shipping

SEB is a signatory of the Poseidon Principles and the Responsible Ship Recycling Standards, which are integrated into this Sector Policy.

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 Company³ turnover from the Shipping Sector.

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

Implementation

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

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		
	Retail ⁴	SME ⁵	Large companies ⁶
SEB Expects	-	-	✓
SEB Requires	-	✓	✓
SEB Restricts	-	✓	✓

✓ Implementation level applicable

³ Calculated at SEB global limit holder level. For large companies where the share is close to 15%, SEB Sustainable Banking should be consulted.

⁴ Counterparties where SEB's credit exposure is below EUR 1 million

⁵ Counterparties where SEBs credit exposure is above EUR 1 million and not defined as Mid/Large companies

⁶ 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

Sector Policy on Shipping

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

*For investment related activities, listed companies are in scope, regardless of size

Activities not covered (Exempt) 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 decision⁷;

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.

Other activities:

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;

3) Financial products where the employees in companies in scope are the beneficiaries, e.g. Occupational Pension.

5 Company alignment with SEB's long term strategy in the sector

SEB is committed to support its customers in meeting environmental, social and governance goals through an orderly transition to a more sustainable society. For the Shipping Sector the International Maritime Organization (IMO) and emerging EU regulations, the Poseidon Principles (PP) and the Responsible Ship Recycling Standards (RSRS) provide guidance on sustainable shipping and ship financing practices. SEB will follow the technological and regulatory development within the sector and will revise this Sector Policy based on those developments.

SEB expects Companies to:

- Commit to the latest greenhouse gas emission strategy of the IMO⁸ and disclose relevant data to SEB in order to calculate alignment with the Poseidon Principles⁹;

⁷ The investment might be registered in the name of SEB (e.g. certain pension products)

⁸ Status June, 2021: 50% GHG reduction by 2050 (compared to 2008)

⁹ In case of non-alignment between IMO and PP, comply with the stricter trajectory stated by either the IMO or the PP

Sector Policy on Shipping

- Recycle ships according to the Responsible Shipping Recycling Standards¹⁰ or equivalent standards;
- Actively support initiatives and/or develop strategies that support the development of zero-emission ships and/or low/zero-carbon fuels.

6 Shipping

6.1 Key sector risks

Key concerns include the following risk areas:

- Air emissions, including GHG¹¹ and other pollutants¹²;
- Water pollution;
- Loss of biodiversity through marine habitat alteration or invasive species transported in ballast water;
- Ship accidents;
- Ship security (sea piracy);
- Bribery and corruption;
- Health and safety of sea workers, e.g. onboard accommodation, working space, trainings;
- Working conditions e.g. working time (hours of work, rest periods, and work schedules), remuneration and other contractual agreements.

6.2 Requirements on existing fleet

SEB will avoid Business Relationships with Companies unless the following requirements are met:

- Adherence to all applicable national laws and regulations as well as international conventions and legislations including, but not limited to, the IMO Conventions¹³, the EU MRV Regulation¹⁴ and the Maritime Labour Convention;
- No Registration in a flag state on the Paris MoU black list or the MoU list of detained or banned ships¹⁵;
- Classification from an international reputable classification society¹⁶;

¹⁰ The Hong Kong Convention and the EU Ship Recycling Regulation

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 Including, but not limited to the following:

- Pollution Prevention: MARPOL Annex I, II, III, IV, V, ; SOLAS VII
- Pollution preparedness and response: OPRC 90 (The International Convention on Oil Pollution Preparedness, Response and Co-operation 1990) and OPRC-HNS Protocol (The Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances, 2000)
- Ballast water management: International Convention for the Control and Management of Ships' Ballast Water and Sediments (BWM)
- Biofouling: The Guidelines for the control and management of ships' biofouling to minimize the transfer of invasive aquatic species (Biofouling Guidelines)
- Noise on ships: The International Convention for the Safety of Life at Sea (SOLAS); Code on noise levels on board ships
- Waste dumping at sea: The London Convention and London Protocol
- Polar Code

¹⁴ EU MRV Regulation: Regulation (EU) 2015/757 of the European Parliament and the council of 29 April 2015 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and amending Directive 2009/16/EC

¹⁵ Paris MoU black list and the MoU list of detained or banned ships: <https://www.parismou.org/detentions-banning/white-grey-and-black-list>

¹⁶ The asset financed must be classed A1 or equivalent with a member society of the International Association of Classification Societies, or another classification society acceptable to the bank

Sector Policy on Shipping

- Full insurance protection for all relevant risks;
- Valid IMO ship identification number;
- Double hull construction for crude oil tankers;
- Comply with the applicable Energy Efficiency Index (EEXI or EEDI) and Carbon Intensity Indicator (CII) as and when applicable.

6.3 Expectations on Refurbished, Retrofitted and New Vessels

SEB expects Companies, when building new vessels, to assess the technical and commercial viability of the most carbon efficient technology currently available¹⁷.

6.4 Social expectations

SEB expects Companies to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights by at a minimum:

- Implementing Human rights and Labour rights policies in line with the ILO - Maritime Labour Convention (MLC) and the International Convention for the Safety of Life on Sea (SOLAS);
- Complying with the Convention on the International Regulations for Preventing Collisions at Sea (COLREG);
- Comply with the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW);
- Implement an appropriate drug and alcohol policy/statement.

6.5 Governance expectations

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

- Issuing an annual sustainability report¹⁸ or similar comprising material sustainability impacts;
- Reporting IMO DCS (Data Collection System) data for vessels and the SoC (Statement of compliance);
- Providing relevant information about the fulfilment of commitments to responsible ship recycling principles¹⁹;
- Implementing an anti-corruption policy or statement.

¹⁷ E.g. assess battery-electric short sea vessels or hybrid and dual fuel short sea vessels, multi-fuel engines that can run on various biofuels and conventional fuels with the option to be modified for future zero carbon fuels.

¹⁸ For privately held companies, similar disclosure is expected to SEB

¹⁹ The Hong Kong Convention and the EU Ship Recycling Regulation