



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)
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Sustainable Banking

Security Class 1/External

Sector Policy on Shipping

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Sector Policy on Shipping

1 Introduction

Shipping is the most carbon efficient means of long-distance transportation in comparison to land-based road transportation and aviation. SEB Group recognises the importance of decarbonization of this hard to abate sector and the need to decouple the link between growing shipping emissions and global trade.

To contribute to achieving the objectives of the Paris Agreement, SEB Group has set targets for 2030 within its Net Zero Banking Alliance commitment. SEB Group also is a signatory of the Poseidon Principles and the Responsible Ship Recycling Standards, which are integrated into this Sector Policy. SEB Group is committed to supporting its customers in meeting environmental, social and governance goals through an orderly transition to a more sustainable society.¹

SEB Group's sector policy on Shipping is part of the transition structure of our sustainable business strategy and has been developed to ensure that business decisions are contributing towards SEB Group's overall sustainability ambitions, as expressed in SEB Group's Corporate Sustainability Policy.

Key risks related to the Shipping 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

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.

Existing Operations: Existing undertaking that is not undergoing any material change in output or function.

Expectation: Refers to SEB Group policy implementation levels. SEB Group Expects Companies to adhere to Expectations stated in the sector policy, applicable to Large Companies. If no adherence, Companies are Expected to take actions that, Over Time, will ensure adherence to the Sector Policy.

¹ 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.

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

Refurbished / Retrofitted and New Vessels²: The manufacturing of new vessels or existing vessels undergoing material change in output or function.

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.

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.

Shipping Sector³: Freight and passenger transport on deep and short sea as well as inland waters.

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 Group's position on Business Relationships with Companies involved in the Shipping 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:

² 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.

³ 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.

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- 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,⁴
- 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.

4.2 Applicability to Business Relationships

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

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.

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

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5 Shipping Sector

5.1 Restrictions

SEB Group avoids providing Dedicated Finance for New Vessels intended exclusively for the transportation of thermal coal.

5.2 Environmental Requirements

SEB Group Requires Companies to:

- Disclose, at a minimum and on an annual basis, the emission intensity data for vessels financed to SEB in order to calculate alignment with the Poseidon Principles⁵ and SEB Group's NZBA AER⁶ carbon emissions intensity target,
- Have a ship energy efficiency management plan,⁷
- Recycle ships according to the Responsible Shipping Recycling Standards⁸ or equivalent standards.

SEB Group 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 Conventions⁹, the EU MRV Regulation¹⁰ and the Maritime Labour Convention,
- No Registration in a flag state on the Paris MoU blacklist or the MoU list of detained or banned ships,¹¹

⁵ In case of non-alignment between IMO and PP, comply with the stricter trajectory stated by either the IMO or the PP

⁶ Annual Efficiency Ratio

⁷ Ship Energy Efficiency Management Plan (SEEMP) as per IMO 2023

⁸ The Hong Kong Convention and the EU Ship Recycling Regulation

⁹ 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

¹⁰ 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

¹¹ Paris MoU black list and the MoU list of detained or banned ships: <https://www.parismou.org/detentions-banning/white-grey-and-black-list>

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- Classification from an international reputable classification society,¹²
- Full insurance protection for all relevant risks,
- Valid IMO ship identification number,
- Double hull construction for crude oil tankers,
- Compliance with the applicable Energy Efficiency Index (EEXI or EEDI) and Carbon Intensity Indicator (CII) as and when applicable.

5.3 Social Requirements

SEB Group Requires Companies 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 in line with the ILO - Maritime Labour Convention (MLC) and the International Convention for the Safety of Life on Sea (SOLAS),
- Health & Safety management system, including 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).

5.4 Environmental Expectations

SEB Group Expects Companies to:

- Develop a decarbonisation plan in line with the 2023 IMO Strategy on Reduction of GHG Emissions from Ships, as updated,
- Actively support initiatives that support the transition of the Shipping Sector towards net zero,
- Ensure that its vessels are managed environmentally in accordance with all MARPOL regulations.

5.4.1 Expectations on Refurbished / Retrofitted and New Vessels

SEB Group Expects Companies, when Refurbishing, Retrofitting, or building New Vessels, to assess the technical and commercial viability of the most carbon efficient technology currently available.¹³

¹² 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

¹³ 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, synthetic fuels and conventional fuels with the option to be modified for future zero low/ carbon fuels.

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5.5 Social Expectations

SEB Group Expects:

- Human Rights and Labour Rights policies including a Human Rights Due Diligence, HRDD,
- Implement an appropriate drug and alcohol policy/statement,
- Established grievance and whistle blower mechanism.

5.6 Governance Expectations

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

- Sustainability report (published annually) or similar comprising, at a minimum, disclosure of overall climate impact as well as other material sustainability impact for own operation and relevant Business Relationships,
- Anti-corruption policy in proportion to the size and risk-exposure of the Company,
- Tax reporting according to country-by-country principle, when relevant,¹⁴
- 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 principles¹⁵.

¹⁴ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting

¹⁵ The Hong Kong Convention and the EU Ship Recycling Regulation

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Appendix A: Sector risks

Key sector risks (non-exhaustive list)

- Air emissions, including GHG¹⁶ and other pollutants¹⁷,
- 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.

¹⁶ CO₂, CH₄, N₂O, SF₆, HFCs and PFCs

¹⁷ Fine or coarse particulate matter (PM_{2.5}, PM₁₀), volatile organic compounds (VOCs), NO_x, SO₂ or CO

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Appendix B: Policy Application Levels

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

Implementation levels	Company size		
	Retail Companies	SME	Large Companies
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.

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 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.