



Sector Policy on Transportation 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 Transportation

Table of contents

1	Introduction.....	2
2	Definitions.....	2
3	Purpose	3
4	Scope	3
5	Transportation operators.....	5
5.1	Key sector risks	5
5.2	Environmental expectations.....	5
6	Transportation equipment manufacturers.....	6
6.1	Key sector risks	6
6.2	Environmental expectations.....	6
7	Social expectations.....	7
8	Governance expectations	8

Sector Policy on Transportation

1 Introduction

Transportation and mobility are major components of sustainable development by enhancing economic growth and improving accessibility. However, in order to achieve the target of the Paris Agreement, the entire sector needs to undergo an orderly transformation towards decarbonization.

SEB has exposures to the Transportation 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

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

Client: A Company with which SEB has a Business Relationship.

Company: Legal corporate entity conducting business.

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).

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 subsidiaries, branches and representative offices. Foundations related to SEB are not part of the SEB Group.

Transportation Sector (excluding shipping)¹: All Companies directly involved as equipment manufacturer or operator (including leasing and vehicle sharing) of transportation activities for passengers or/and goods on road, rail and in the air.

¹ Subsectors under the following NACE sector codes:

Road: 29 - Manufacture of motor vehicles, trailers and semi-trailers; 4931 – Urban and suburban passenger land transport; 494 - Freight transport by road and removal services; 771 – Renting and leasing of motor vehicles.

Rail: 302 - Manufacture of railway locomotives and rolling stock; 491 - Passenger rail transport, interurban; 492 - Freight rail transport; 4931 – Urban and suburban passenger land transport

Air: 303 - Manufacture of air and spacecraft and related machinery; 511 - Passenger air transport; 5121 - Freight air transport; land transport; 7735 - Renting and leasing of air transport equipment.

Additional: 3099 - Manufacture of other transport equipment n.e.c (not elsewhere classified); 4939 - Other passenger land transport n.e.c.; 531 – Postal activities under universal service obligation; 532 – Other postal and courier activities.

In case of conflict the policy takes precedent.

Sector Policy on Transportation

3 Purpose

The purpose of this Sector Policy is to define SEB's position on Business Relationships with Companies involved in transportation (aviation, rail and road) 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.

This Sector Policy covers Companies with a material share of revenues, i.e. more than 15% of Company² turnover, combining any of the following activities:

- Transport of passengers and/or freight in the aviation, rail and road³ sector;
- Leasing, rental and car sharing companies that rent out passenger and freight transport vehicles;
- Original Equipment Manufacturers (OEM) for aviation, rail and road vehicle manufacturing.

Shipping is covered by SEB's Sector Policy on Shipping.

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

Implementation level

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

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.

² Calculated at SEB global limit holder level. For large companies where the share is close to 15%, SEB Sustainable Banking should be consulted.

³ Excluding taxi companies

Sector Policy on Transportation

The below table shows how the policy implementation levels are applied to different sizes of Companies.

Implementation levels	Company size		
	Retail⁴	SME⁵	Large companies⁶
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

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.

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

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

Sector Policy on Transportation

5 Transportation operators

5.1 Key sector risks

Key concerns include the following risk areas:

- Air emissions such as CO₂, NO_x or particulates;
- Soil and water pollution through leaching from tires;
- Noise and vibration impacting ecosystems and biodiversity;
- Waste and wastewater from sanitation and catering services;
- Dangerous cargo;
- Health, safety and security for workers, passengers and other road users;
- Accidents;
- Harassment and insecurities on public transportation;
- Human, drug and species trafficking;
- Infectious diseases.

5.2 Environmental expectations

General

SEB expects Companies, in proportion to size and complexity of the business operation⁸, to:

- Develop a Paris aligned transition plan for Scope 1,2 and 3 GHG emissions including relevant targets;
- Have a(n):
 - Environmental Management System⁹;
 - Fuel/energy-efficiency program¹⁰;
 - Policy on invasive terrestrial species, when relevant.

Additional expectations on aircraft operators

- Maintain carbon neutral organic growth from 2020¹¹;
- Have a:
 - Waste management system for the use phase (maintenance, operation services, cabin/catering waste) and treat remaining waste according to waste hierarchy¹²;
 - Noise management strategy;
 - System to handle dangerous cargo.

Additional expectations on rail transport operators

- Comply with gaseous and particulate pollutant emission limits¹³;

⁸ Not applicable to leasing, rental or car sharing companies.

⁹ ISO 14001/50001 standard certification or similar

¹⁰All: e.g. advanced training and education for eco-driving

Example aviation: IATA – Fuel Efficiency Program

Example rail transport: brake energy recovery

¹¹ New baseline in case of mergers and acquisitions required

¹² Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

¹³ Regulation (EU) 2016/1628 of the European Parliament and of the Council of 14 September 2016 on requirements relating to gaseous and particulate pollutant emission limits and type-approval for internal

Sector Policy on Transportation

- Have a:
 - Waste management system for the use phase (maintenance, operation services, cabin/catering waste) and treat remaining waste according to waste hierarchy¹⁴;
 - Noise reduction system including target setting¹⁵.

Additional expectations on road transport operators (including leasing, rental and car sharing companies)

- Have a plan for fleet performance improvement, in line with technological and infrastructure development, towards, over time, a zero GHG emission vehicle fleet.

6 Transportation equipment manufacturers

6.1 Key sector risks

Key concerns include the following risk areas:

- Air emissions (CO₂, VOC, dust, etc.);
- Wastewater and liquid wastes from processing;
- Hazardous materials and waste;
- Energy usage;
- Health and safety.

6.2 Environmental expectations

General

SEB expects Companies to:

- Develop a Paris aligned transition plan for Scope 1,2 and 3 GHG emissions including relevant targets;
- Take actions to avoid substances of concern¹⁶ and/or trace these throughout the life cycle of the manufactured products;
- Have a:
 - Water use and quality management system¹⁷;
 - Waste management system according to the waste hierarchy¹⁸;
 - Fuel-efficiency improvement strategy;
- Have a plan to:
 - Measure and set targets in supply chains to reduce air, water and soil pollution;
 - Reduce plastic consumption and waste.

combustion engines for non-road mobile machinery, amending Regulations (EU) No 1024/2012 and (EU) No 167/2013, and amending and repealing Directive 97/68/EC (OJ L 252, 16.9.2016, p. 53).

International Union of Railways – emission parameters for CO, HC, NO_x and PM emissions

¹⁴ Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

¹⁵ E.g. noise mitigation infrastructure, quiet brake systems or retirement of certain diesel locomotives

¹⁶ prevent (if possible) using lead, mercury, hexavalent chromium and cadmium in the production processes;

¹⁷ E.g. measure the amount of discharged waste water and set targets for its reuse and recycling

¹⁸ Prevention, Preparation for Reuse, Recycling, Recovery and Disposal

Sector Policy on Transportation

Additional expectations on aircrafts and aircraft engines

- Design for high durability, recyclability, easy disassembly and adaptability;
- Have a plan to:
 - Over time develop and produce zero direct CO₂ emission aircrafts or (*if not economically and technologically feasible*)
 - Produce aircrafts that are certified to run on 100% sustainable aviation fuels (SAF);
 - Develop new/upgraded aircraft models with a recycling rate of a minimum of 80%¹⁹.

Additional expectations on rolling stock

- Design for high durability, recyclability, easy disassembly and adaptability;
- Produce zero direct CO₂ emission rail transportation²⁰ or (*if not economically and technologically feasible*)
- Produce low-carbon alternatives²¹;
- Have a plan to:
 - Improve noise and vibration management through additional controls, modern technologies and considerations in design and construction;
 - Achieve >90% recovery and recycling rate for rolling stocks²².

Additional expectations on trucks, busses and passenger cars

- Design for high durability, recyclability, easy disassembly and adaptability;
- Comply with the latest local or regional emission standards and reduction targets²³;
- Have a plan to produce new vehicle models with a recycling rate of a minimum of 85%²⁴.

7 Social expectations

General

SEB expects its 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;
- Safety management program.

¹⁹ AFRA Best Management Practice for Management of Used Aircraft Parts and Assemblies and for Recycling of Aircraft Materials (BMP); Best industry practices for aircraft decommissioning (BIPAD)

²⁰ E.g. electric or fuel cell

²¹ E.g. hybrid technology or bio-fuel

²² E.g. Stena recycling (Recycling on Track for SL - 2017)

²³ For the EU: The latest EU emission standards → reduce CO₂ emissions from new trucks by an average of 15% from 2025 and 30% from 2030, compared with 2019 levels;

²⁴ EU Taxonomy [June, 2021]

Sector Policy on Transportation

Just transition

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

Specific expectations for transport operators:

- Actions to support the fight against human and drug trafficking²⁵;
- Plan to prevent the spread of infectious diseases²⁶;
- Clear policies on alcohol and other substance abuse;
- Security plan and targets to tackle harassment and insecurity issues.

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 for own operation and relevant Business Relationships;
 - Anti-corruption policy in proportion to the size and risk-exposure of the entity;
 - Tax reporting according to country-by-country principle, when relevant²⁷.
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²⁵ E.g. promoting awareness, educating drivers, establishing regulations

²⁶ E.g. hand sanitizers, temperature checks, special interiors to reduce fomites, cleaning procedures, etc.

²⁷ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting