

SEB Green Bond Impact Report

2020

SEB

SEB's approach to sustainability

SEB has a strong ambition to contribute to a prosperous and sustainable future for people, businesses and society. We are committed to supporting our customers in the transformation to a low-carbon economy by offering advisory leadership, innovative and sustainable financing and investment solutions.

Striving to reorient capital flows

We are convinced that companies that incorporate sustainability in their operations and business decisions have the prerequisites to be more successful in the long term. To us, the integration of economic, social and environmental aspects in our business is fundamental.

SEB's sustainability strategy sets out the areas where we have the opportunity to impact in the short, medium and long term. By adapting the strategy for our financing and investment activities in accordance with the UN Sustainable Development Goals (SDGs) and the Paris Agreement, we aim to create sustainable value for our stakeholders. This includes the areas of climate and environment, human rights, social relations and anti-corruption.

Through our business in sustainable financing and investments, advisory, innovation and people, we serve private, corporate and institutional customers in our home markets and international network, and strive to reorient capital flows to support sustainable purposes, in line with the bank's vision and business strategy. We focus on growing our offering while continuing to integrate sustainability risks into processes and ways of working. Concurrently, we strive to avoid causing, contributing or being directly linked to negative impacts on people and environment from our activities, products and services.

For further details on SEB's approach to sustainability, please see the Annual and Sustainability Report, pages 42–58.

About this report

This report provides an overview of SEB's allocated eligible green loan portfolio as well as the environmental impact achieved by the use of proceeds from SEB's inaugural green bond issued in February 2017.

SEB and green bonds

SEB offers sustainable financial solutions for private and corporate customers and for institutions. For large corporate and institutional customers, the landscape of such financing solutions continues to broaden. The green bond market is being expanded by increased prevalence of social bonds, sustainable bonds, sustainability-linked bonds, green loans and sustainability-linked loans.

SEB is a pioneer in green bonds, having developed the concept in 2007/2008 together with the World Bank. Since inception, we are the seventh largest underwriter globally. In 2020, SEB had a leading position in the Nordic market with a share of 20 per cent of global transactions by Nordic banks. In 2020, SEB had underwritten an aggregate volume of USD 4.7bn of green bonds and an additional USD 0.5bn of social and sustainability bonds. This corresponds to SEK 48bn in sustainability-related bonds underwritten in 2020 by SEB.

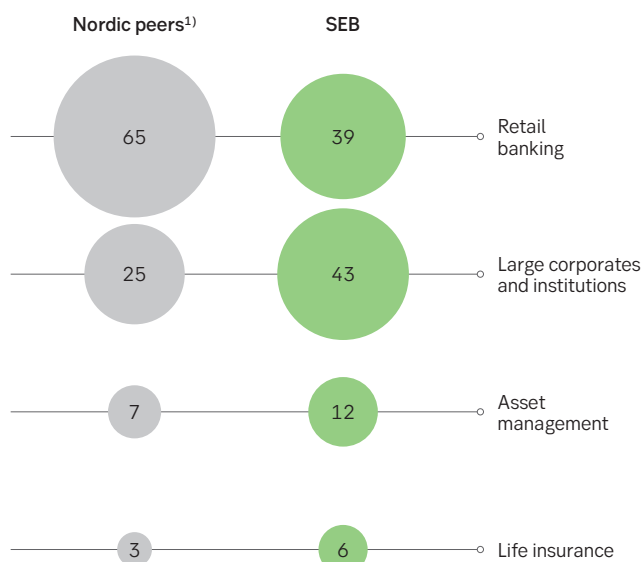
Sweden is the country in the world with the largest proportion of green bonds: 14 per cent of all bonds issued in SEK are green. Swedish investors consider climate impact and sustainability in their investment decisions to such an extent that issuers globally are turning to Sweden to raise capital.

As part of its funding strategy, SEB issued its first own green bond of EUR 500 million in 2017. Backed by SEB's sustainability strategy, Environmental Policy and accompanying sector policies, the Green Bond Framework ensures that SEB's green bond is used for low-carbon and climate resilient projects and investments, by financing green loans. SEB's green loan portfolio of eligible assets amounted to SEK 20.8bn as at 31 December 2020, an increase of almost SEK 8bn since 2017. The environmental impact of the eligible assets financed by the green bond resulted in an approximate reduction of CO₂ emissions equivalent to 217,449 tonnes in 2020.

SEB in summary

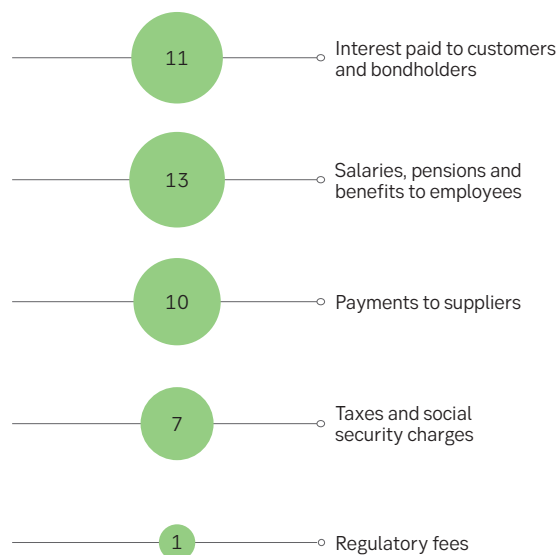
Our business is strong and diversified, creating value for all our stakeholders.

Diversified income 2020, %



1) Income breakdown for Swedbank, SHB, Nordea, Danske Bank and DNB. Business units only (indicative).

Financial value created 2020, SEK 42bn



No dividends to the shareholders were paid in 2020 (for 2019).

Important events and trends

The Covid-19 pandemic temporarily halted the global economy, followed by unprecedented political and monetary response. SEB has not received any governmental relief, and throughout the year, our financial strength enabled us to support our customers. SEK 139bn in pandemic-related credit requests from large corporates was processed.

The surprisingly strong housing market in Sweden supported continued demand for mortgages. Private consumption held up well, while corporate card utilisation was negatively impacted by restricted travelling and remote work.

Demand for sustainability-related products continued to grow. SEB advised on vaccine-related bonds, green bonds, and sustainability-linked financing solutions.

SEB was ranked as number 1 in Prospera's annual survey among Nordic large corporates, an advancement from the number 1 position among Swedish large corporates in 2019.

The Swedish FSA closed its review on SEB's governance and internal controls of the Baltic subsidiaries and issued an administrative fine of SEK 1bn. SEB continued focusing on the fight against financial crime and money laundering.

The Board of Directors proposes a dividend of SEK 4.10 per share, in line with the Swedish FSA's recommendation of distributing maximum 25 per cent of 2019 and 2020 net profits.

Key targets and figures

Board's financial targets	2020	2019
Dividend payout ratio at 40 per cent or more of earnings per share, per cent	53 ¹⁾	0 ²⁾
Common Equity Tier 1 capital ratio of around 150 basis points over requirement ³⁾ , basis points	840	250
Return on equity competitive with peers ⁴⁾ , per cent	10.3	13.8

The financial targets are revised from 2021.

Key figures

Operating income, SEK m	49,717	50,134
Operating profit, SEK m	20,846	24,894
Return on equity, per cent	9.7	13.7
Cost/income ratio	0.46	0.46
Earnings per share, SEK	7.28	9.33
Dividend per share, SEK	4.10 ¹⁾	0.00 ²⁾
Leverage ratio, per cent	5.1	5.1
Liquidity Coverage Ratio (LCR), per cent	163	218

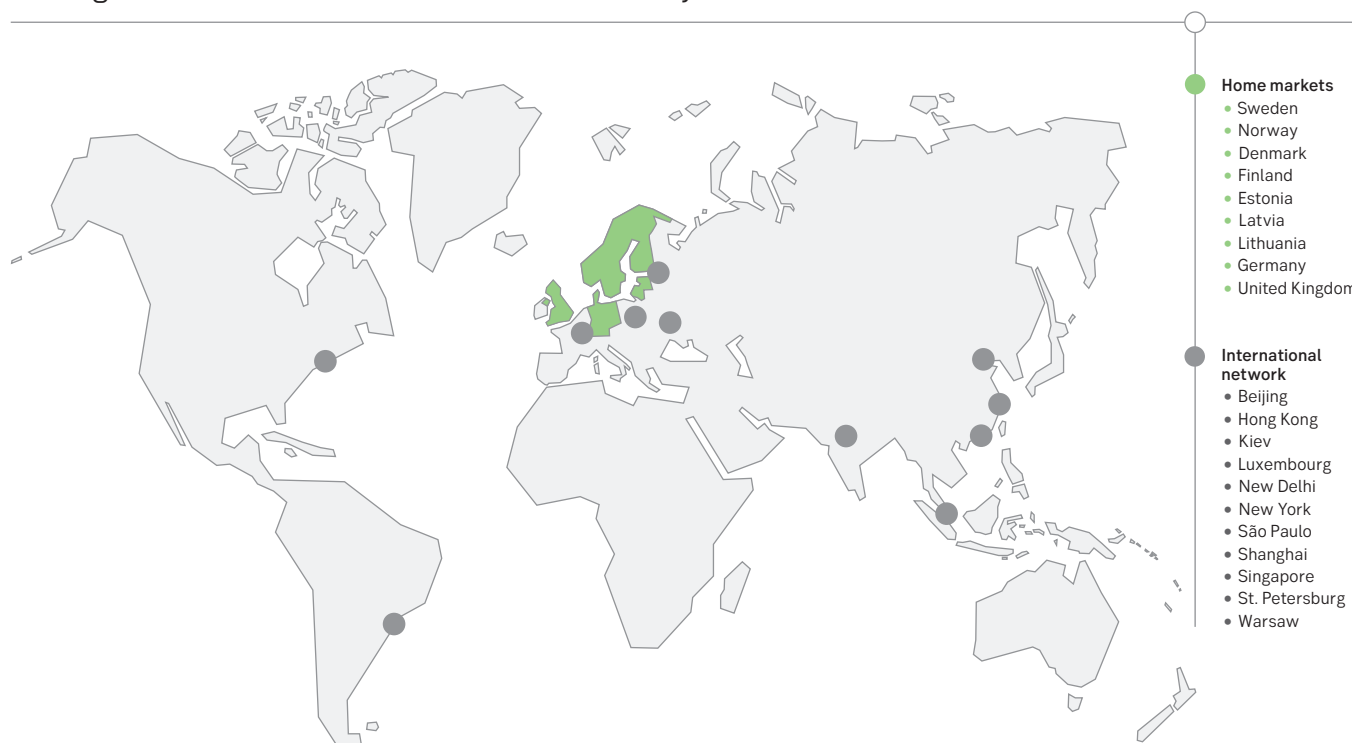
1) Board proposal.

2) The 2019 dividend proposal was reverted and the AGM decided that no dividend would be paid out.

3) Regulatory requirement estimated by SEB: 12.6% (15.1).

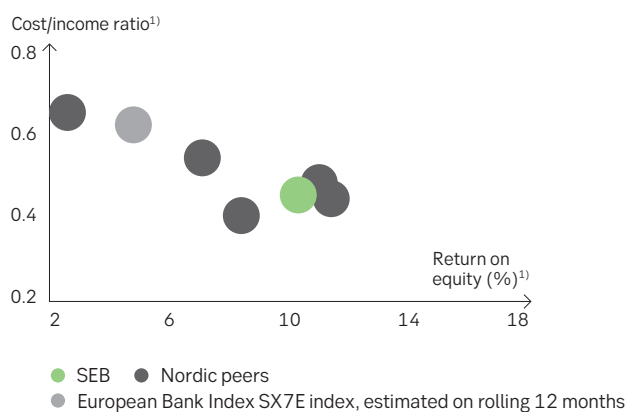
4) Outcome excluding items affecting comparability.

We have a unique customer base and market position, serving our customers in our home markets and beyond.



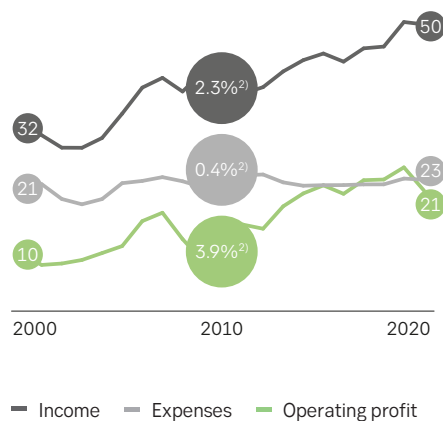
We are well positioned versus our peers with a track record of strong profitable growth.

Our peers 2020



1) Excluding items affecting comparability.

Our profit development¹⁾, SEK bn



1) Excluding items affecting comparability.

2) Compound Annual Growth Rate (CAGR).

Impact reporting

The UN's Sustainable Development Goals

The UN's Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all and are increasingly integrated into action plans of nations, organisations as well as the private sector. The proceeds of SEB's green bond contributes to several of the 17 SDGs. Primary impact is deemed to be on the goals for Clean Water and Sanitation, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities, Climate Action, and Life on Land.

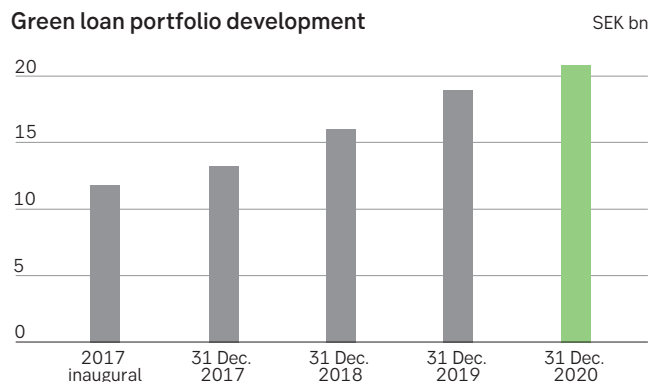


SEB's green loan portfolio

In 2020, the green loan portfolio grew to SEK 25.5bn (18.9), of which SEK 20.8bn are eligible green assets according to SEB's Green Bond Framework, which defines eligible assets to be in the EU or the Nordic countries. Following the UK's exit from the EU, assets financed in the UK are therefore excluded from eligible assets as per 31 December 2020.

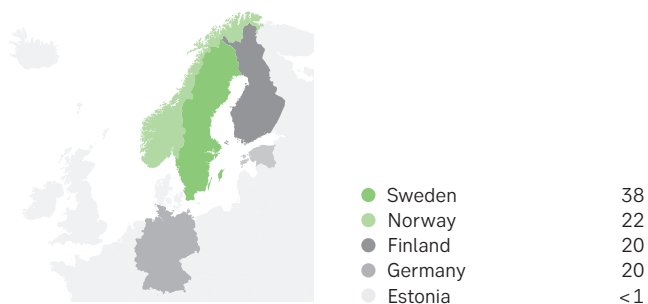
About half of the assets consists of renewable energy projects and the remainder is financing of green buildings, clean transportation and energy efficiency projects. Sweden accounts for 38 per cent, followed by Norway, Finland and Germany. SEB financed its first green project in Estonia in 2020, see page 7.

Green loan portfolio development



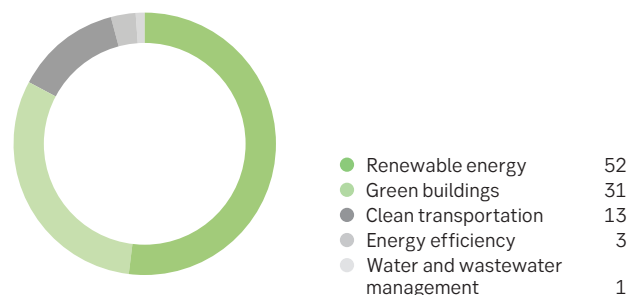
Green loan portfolio by geography

Per cent













Green loan portfolio by sector

Per cent



Quantitative environmental impact of SEB's green bond

Sector	Sub-sector	Use of proceeds (SEK)	Impact 2020 CO ₂ e reductions (tonnes)	SDGs	Effect (MW)	Electricity/energy produced (GWh)	Energy savings (GWh)
● Renewable energy, 52%	Wind power	2,082,742,249	145,758 ¹⁾	 	210 ²⁾	463 ³⁾	
	Hydro power and solar	544,948,688	41,495 ⁴⁾		27.3 ⁵⁾	132 ⁶⁾	
● Green buildings, 31%		1,538,590,012	624 ⁷⁾	 			1.98 ⁸⁾
● Clean transportation, 13%	Biogas/electrical buses and cars	127,962,103	1,740 ⁹⁾	 			
	Electric trains	539,998,668	5,418 ¹⁰⁾				
● Energy efficiency, 3%		170,037,708	22,363 ¹¹⁾	 	7.5	117	
● Water and wastewater management, 1%		24,220,572	51	 			0.16
TOTAL		5,028,500,000	217,449				

1) Including 25,166 tonnes estimated future CO₂e reductions.

2) Including 19 MW under construction.

3) Including 80 GWh estimated future energy production.

4) Including 146 tonnes estimated future CO₂e reductions.

5) Including 0.7 MW under construction.

6) Including 0.5 GWh estimated future energy production.

7) Including estimated future CO₂e reductions of 164 tonnes.

8) Including future energy savings of 0.52 GWh.

9) Driven distance by biogas and electrical buses (renewable energy, zero CO₂e/km) has been compared to diesel driven buses with an emission factor of 1.073 kg CO₂e/km (ref. www.transportmeasures.org). Load factor busses; 16%, emission factor calculated as wheel-to-tank. Biogas and electrical driven cars (renewable energy, zero CO₂e/km) have been compared to the average emissions (122 g CO₂/km) from a new car in Sweden taken into traffic during 2018 (ref. www.trafikverket.se). Driven distance has been set to 12,000 km/year, which is the average driven distance in Sweden for a car (ref. www.transportstyrelsen.se).

10) Presented energy reduction of 5,418 tonnes CO₂e includes cargo and passenger traffic. Emission (savings) calculation of passenger travel is based on travelled distance (pkm) in electrical trains compared to the same distance travelled by diesel driven trains. For diesel driven trains, an emission factor of 91 g CO₂e/pkm has been used and electrical trains are running on renewable electricity (zero CO₂e emissions). Emission (savings) calculation of cargo transportation is based on freight distance (tonne-km) by electrical trains compared to the same distance covered by diesel driven trains. For diesel driven trains, an emission factor of 29 g CO₂e/tonne-km has been used and electrical trains are running on renewable electricity (zero CO₂e emissions).

11) Energy efficiency includes projects producing electricity and district heating from biofuel. For 2020, the energy production from SEB's share of the district heating sums up to 92.8 GWh. For district heating, an emission factor of 158 g CO₂e/kWh is used (ref. Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting, February 2020, Appendix B). This corresponds to a reduction of 14,657 tonnes CO₂e. The electricity production sums up to 24.5 GWh. Applying the Combined Margin of 315 g CO₂e/kWh, this result in a direct environmental impact of 7,706 tonnes of reduced CO₂e.

Examples of green loan projects

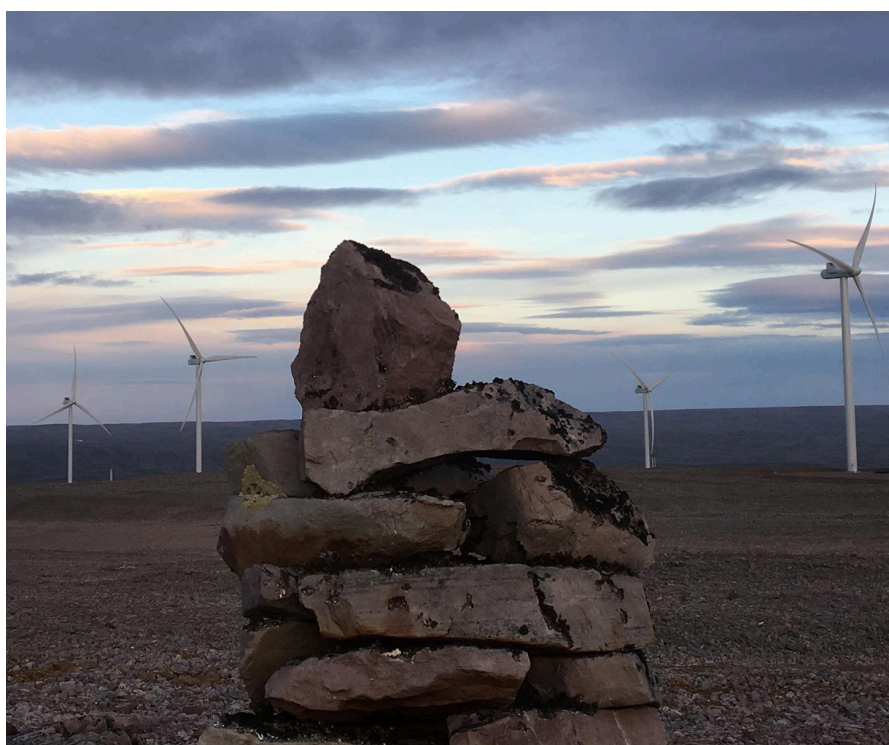


Sunly solar parks

In 2020, SEB granted a loan of EUR 1.7m to the energy company Sunly. The loan will finance the construction of 16 Sunly solar parks across Estonia. Together, these solar parks will produce 3,200 MWh of electricity per year, equivalent to the energy needed for more than 1,200 electric cars during an entire year.

"This summer, at the first national renewable energy auction, Sunly won the contract to construct two solar parks. These are also our first megawatt solar parks in Estonia, and SEB's green loan supports us in the establishment of these and several smaller solar parks," says Priit Lepasepp, CEO and co-founder of Sunly.

Sunly's projects are the first to be financed under Estonia's new renewable energy support program, in which the government is organising auctions for the construction of new renewable energy plants. In addition to resulting in greener energy, the program aims to make renewable energy more affordable for consumers.



Hamnefjell Vindkraft AS

In 2016, SEB was sole financier of the construction of Hamnefjell wind farm, owned by Finnmark Kraft AS and Ardian Infrastructure (51/49 ownership), with a loan of NOK 310m. The wind farm is situated in one of Europe's best onshore wind locations outside Båtsfjord in northern Norway, 500 kilometers north of the polar circle. The construction process had limited impact on the local nature which is characterised by a moonlike and barren landscape, and the wind farm enjoys good support by the local community. The 15 Vestas wind turbines were fully operational during the fall 2017.

Since then, the wind farm has continued to outperform both management's and SEB's expectations. Last year it produced 221 GWh, corresponding to the electricity consumption of 26,000 households and a capacity factor of close to 50 per cent. In 2020, the wind farm won the award *Norway's best wind farm* for its excellent performance during 2019.

SEB's Green Bond Framework

SEB's Green Bond Framework¹ describes SEB's approach to green bonds and defines what assets and projects are eligible for green financing. The framework is in line with the ICMA's Green Bond Principles², guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. SEB follows the four core components of the Green Bond Principles and has obtained the recommended second party opinion from CICERO.

1) [https://webapp.sebgroup.com/mb/mblib.nsf/alldocsbyunid/60C62690D-580B2F9C1258426002D5B6F\\$FILE/seb_green_bond_framework.pdf](https://webapp.sebgroup.com/mb/mblib.nsf/alldocsbyunid/60C62690D-580B2F9C1258426002D5B6F$FILE/seb_green_bond_framework.pdf)

2) <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

1. Use of proceeds

Renewable energy

- Wind, solar, small scale hydro, tidal, geothermal, bio energy and related infrastructure

Energy efficiency

- District heating, smart grids, energy recovery leading to energy efficiency gains of at least 25%

Green buildings

- Energy use at least 25% below regulation and certain certifications (outside of Sweden)
- Renovation with energy efficiency gains of at least 35%

Clean transportation

- Non-fossil or hybrid transportation solutions/ systems and infrastructure

Water and wastewater management

- Drinking water production, wastewater treatment, management of water resources

Waste management

- Methane capture, waste-to-energy

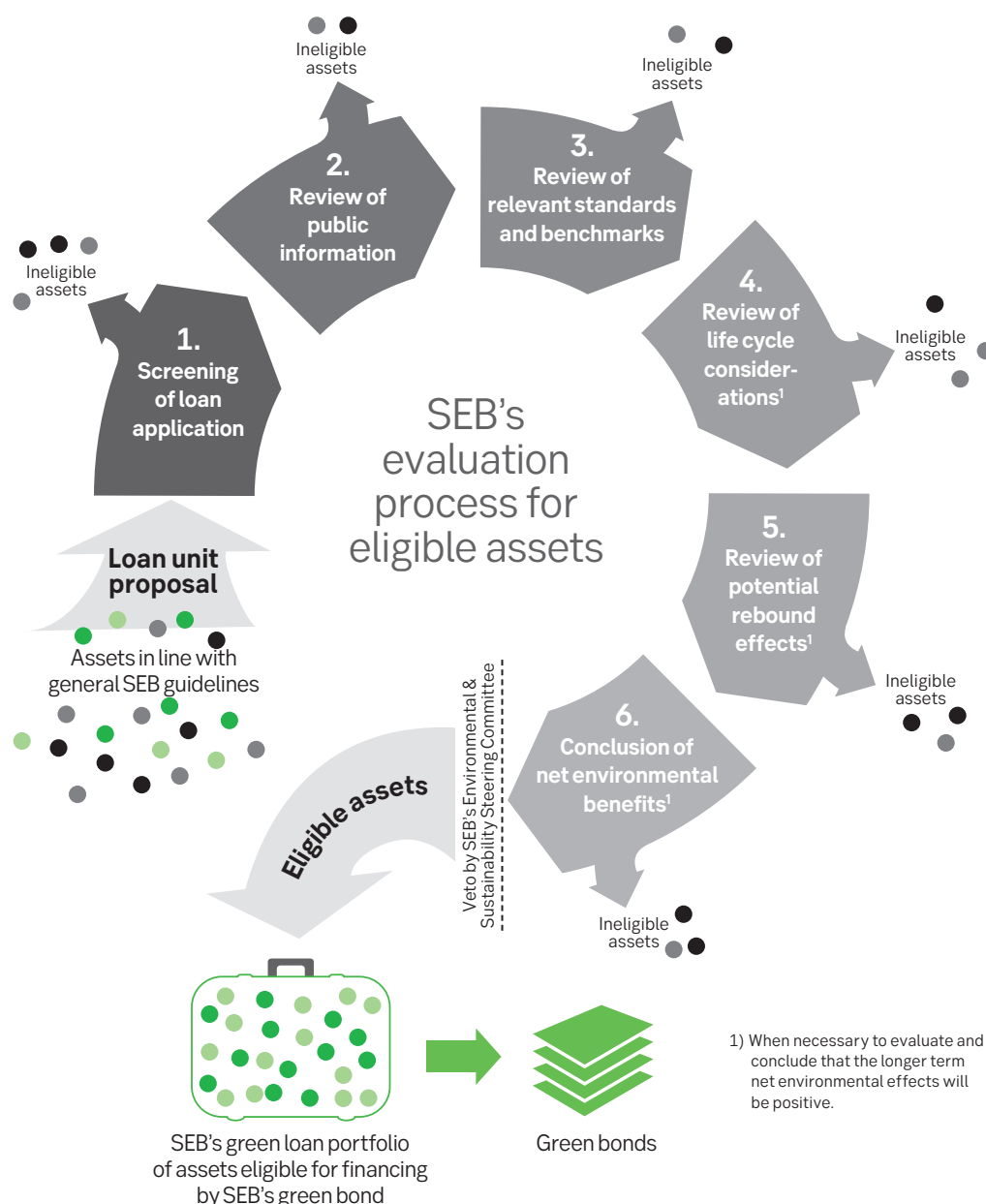
Emission reduction

- Reduced emissions of CO₂, SO_x, NO_x, particulates, heavy metals and dioxins

Sustainable forestry

- Forestry with FSC/equivalent certification or at an advanced stage of the certification process

2. Process evaluation and selection



3. Management of proceeds

SEB has established a virtual balance sheet of green loans to manage the proceeds of the green bond.

4. Reporting

SEB reports annually on the environmental impact of the allocated proceeds. The report also contains details on the green loan portfolio and its development.

Impact reporting methodology

In accordance with the Green Bond Framework, SEB provides quantitative environmental impact data on a sector-based and aggregated level. SEB follows the methodology and recommended calculations of the Nordic Public Sector Issuers' Position Paper on Green Bonds Impact Reporting (February 2020).

SEB's key reporting aspects

- SEB reports on the basis of the share of the projects'/assets' total investment cost that has been financed with proceeds from the green bond.
- Reported impact is based on amounts disbursed and outstanding to a project (as opposed to amounts committed).
- Direct environmental impact is reported, such as renewable energy generation, energy savings and reduced emissions.
- Where applicable, indirect emissions, such as avoided emissions are reported.
- Where possible, actual impacts (*ex post*) are reported for. When not possible, e.g. ongoing construction of the project, expected impacts (*ex ante*) are reported.
- SEB reports on a portfolio basis, and in Swedish kronor (SEK). Currency rates as per 30 December 2020.
- For this document, the reporting period ends on 31 December 2020.

Methodology

- Emission factor calculated as Combined Margin according to IFI Harmonised Framework¹⁾ methodology, combining a Build Margin and Operating Margin. Same combination of Build Margin (50%) and Operating Margin (50%) used for all electricity projects.
- EU Mainland (EU 27 excluding Malta and Cyprus) and the UK and Norway as the default baseline emission factor for accounting and disclosure of electricity.
- Combined Margin applied for SEB's 2020 impact reporting: 315 g CO₂e/kWh.
- Energy savings from green buildings disclosed as a net value, based on energy use per m² and year and compared to a baseline scenario in which buildings comply with applicable national regulations.

1) International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting, November 2015.

External review

To ensure that SEB's Green Bond Framework meets high environmental and climate ambitions in line with international standards, SEB has obtained an independent, academic second opinion by the Expert Network on Second Opinions (ENSO) led by the Centre for International Climate and Environmental Research in Oslo (CICERO). Read the full report: 'Second Opinion' on SEB's Green Bond Framework.

SEB has engaged an external, independent assurance provider, Ernst & Young AB, to review the adherence to defined processes and use of proceeds set out in the Green Bond Framework. Please read the Auditor's Limited Assurance Report on page 10.

"SEB's Green Bonds Framework, in line with the company's broader commitment to environmental sustainability, provides a clear process for project approval. Based on an overall assessment of the project types that will be financed by the green bond and governance and transparency considerations, SEB's Green Bond Framework gets a dark green shading."

CICERO (November 2016)

Auditor's Limited Assurance Report

To Skandinaviska Enskilda Banken AB (publ), corporate identity number 502032-9081

Introduction

We have been engaged by the Board of Directors of Skandinaviska Enskilda Banken AB (publ) (SEB) to undertake a limited assurance engagement of selected information in SEB's Green Bond Investor Report 2020, concerning the Green Bond issued in February 2017.

Assurance scope

The scope of our work was limited to assurance over the processes and systems for financing of eligible assets and allocating proceeds from the Green Bond to such assets, as described in the Investor Report (the "selected information"). The reporting criteria against which this information was assessed are relevant parts of the SEB Green Bond Framework per November 2016, available on the SEB website. Our assurance does not extend to any other information in the Investor Report. We have not reviewed and do not provide any assurance over any individual project information reported, including estimates of sustainability impacts.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for evaluating and selecting eligible assets, for the use and management of bond proceeds, and for preparing an Investor Report that is free of material misstatements, whether due to fraud or error, in accordance with the SEB Green Bond Framework.

Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the management of bond proceeds and the process for selection of eligible assets, and applying analytical and other limited assurance procedures, including inspection of documentation, and limited sample testing of the selected information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The procedures performed, consequently, do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our independence and quality control

Ernst & Young AB applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SEB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Conclusion

Based on the limited assurance procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected information disclosed in the SEB Investor Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, 26 February 2021
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant

SEB's Green Bond

Bond	Feb 2017, 0.3%, 5 yrs Senior
Issuer	Skandinaviska Enskilda Banken AB (publ)
Type	Senior Unsecured
Rating	Aa2/A+/AA- (Moody's/S&P/Fitch)
Nominal amount	EUR 500,000,000
Issue date	17 February 2017
Maturity date	17 February 2022
Listing	Irish Stock Exchange (regulated market)
ISIN	XS1567475303
Distribution by region	Germany, Austria, Switzerland (29%) Benelux (20%) Nordic countries (19%) France (19%) United Kingdom Ireland (10%) Other (3%)
Distribution by investor type	Asset managers (45%) Pension, Insurance (35%) Banks (20%)

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