

2018

SEB Green Bond Investor Report



SEB

About this report

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

SEB's approach to sustainability

As a bank, SEB is an integrated part of society. SEB aims to be a role model in sustainability and has a strong ambition to contribute to sustainable growth and to help customers, people and communities to prosper. SEB aims to contribute to short-, medium- and long-term value creation from economic, social, governance, and environmental perspectives. In the course of its business, SEB impacts markets and communities and at the same time recognises the importance of responding and adapting to trends that impact the bank. Through financing and investment activities, the bank strives to facilitate the transition towards sustainable solutions.

As a pioneer in green bonds, SEB is today a leading global sustainable

finance specialist and advisor.

2018 was the 10th anniversary of the world's first green bond for institutional investors, issued by the World Bank in collaboration with SEB and a number of Swedish investors. In 2018, SEB was the fifth largest underwriter and SEB's global share of underwriting was 3.7 per cent, corresponding to a volume of USD 5bn, according to Bloomberg. The bank's aim is to remain a global thought leader within the field and to continue to develop sustainable financing together with customers. Processes and networks are continuously developed within SEB to increase internal engagement across the bank and to identify new green business opportunities.

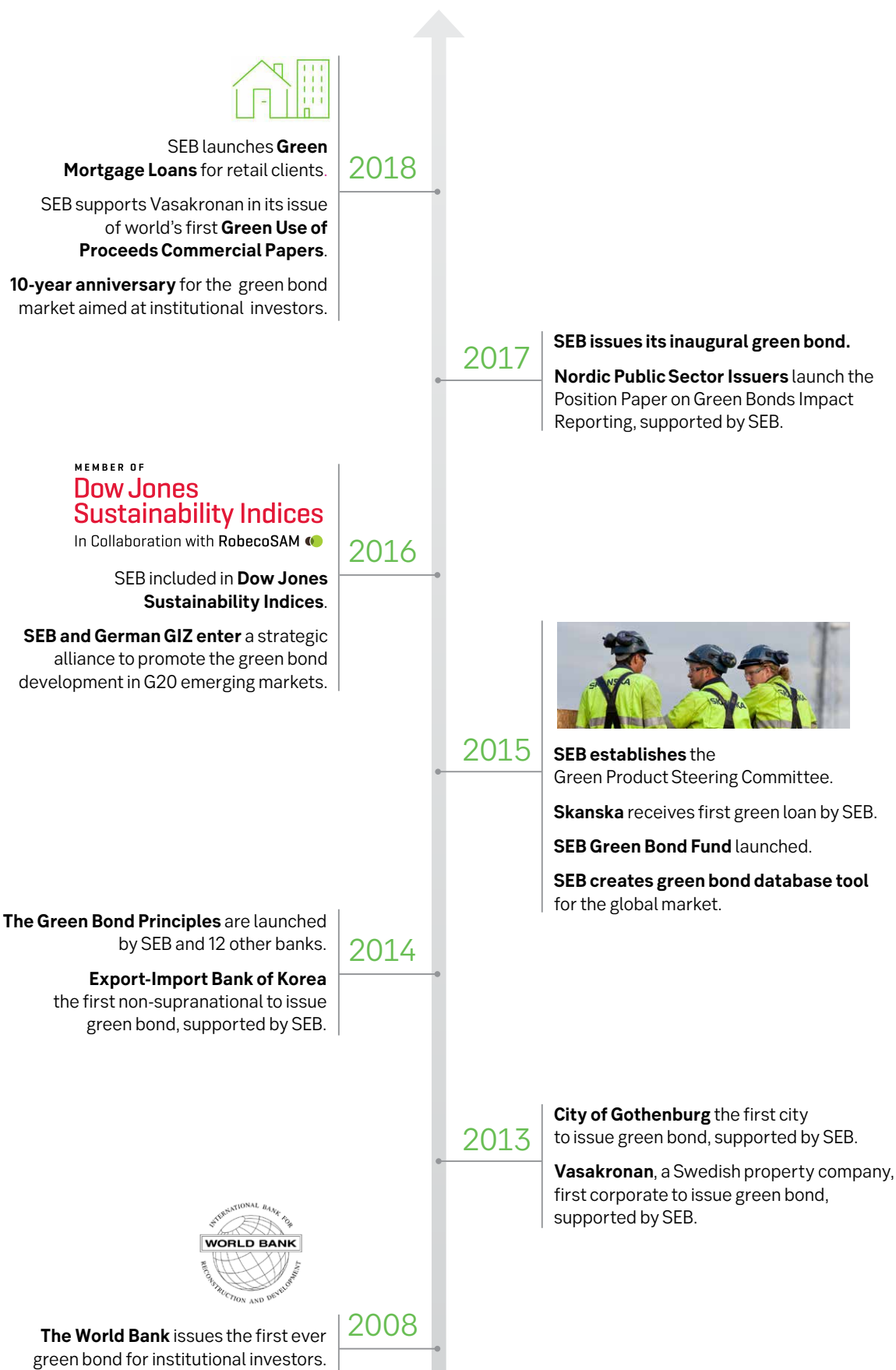


Johan Torgeby
*President and
Chief Executive
Officer*



By recognising the economic impact of climate-related risks and opportunities and by engaging in products such as green bonds, we can better understand the underlying drivers and trends and support our customers in their strategies and long-term commitments towards a low carbon economy.”

SEB's green bond milestones



Key figures SEB's Green Bond

Bond	Feb 2017, 0.3%, 5 yrs Senior
Issuer	Skandinaviska Enskilda Banken AB (publ)
Type	Senior Unsecured
Rating	Aa3/ A+ / AA- (M/S/F, all stable)
Nominal amount	EUR 500,000,000
Issue date	17 February 2017
Maturity date	17 February 2022 (5 year)
Listing	Irish Stock Exchange (regulated market)
ISIN	XS1567475303
Distribution by region	Germany, Austria, Switzerland (29%), Benelux (20%), Nordics (19%), France (19%), UK, Ireland (10%), Other (3%)
Distribution by investor type	Asset Managers (45%) Pension, Insurance (35%) Banks (20%)

SEB's Green Bond – our learnings

Developing a green bond framework and setting up necessary internal processes around monitoring and reporting of eligible assets was a journey of important learnings for SEB. SEB's Green Bond Framework provides a clear definition of what is required for assets to be eligible for green financing. Commitment is needed throughout the organisation, from senior management, the business, Treasury, Credits,

Operations, Finance, Internal Audit and Investor Relations, in setting up the necessary processes. Examples of events that continuously affect the portfolio size and composition, and that need to be considered, include investments in new assets, amortisations, draw downs, repayments, change in asset control, change in legislation and new research changing perception of sustainability.



Key to credibility is robust internal processes. Unless all parts are fully committed, the chain will break and errors and misinformation could impact the bank's reputation. Our Green Bond Framework, strategy and processes, together with the Environmental Policy and accompanying sector policies, ensures that our green bond activities promote low-carbon and climate change resilient investments.”

Johan Nyberg, Head of Long Term Funding

Impact reporting

SEB's Green Bond Framework includes a broad range of eligible project criteria enabling inclusion of loans across the bank in the green loan portfolio. SEB provides quantitative environmental impact data on a sector-based and at an aggregated level. SEB follows the methodology and recommended calculations of the Nordic Public Sector Issuers' Position Paper on Green Bonds Impact Reporting (January 2019), summarised below.

Sustainable Development Goals

The UN's Sustainable Development Goals¹ (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 use of proceeds of SEB's green bond contributes to several of the 17 SDG. 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.



The SDG's highlighted above are goals on which SEB's green bond's use of proceeds has primary impact.

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 28 December 2018.
- For this document, the reporting period ends on 31 December 2018.

Methodology

- European mainland mix including Norway has been used as default baseline emission factor for electricity.
- Emission factor calculated as Combined Margin according to IFI Harmonised Framework² methodology, combining a Build Margin and Operating Margin. Same combination of Build Margin (50%) and Operating Margin (50%) used for all electricity projects.
- Combined Margin applied for SEB's 2018 impact reporting: 380 g CO₂e/kWh₂.
- 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) For more information about the SDGs, please refer to the [UN's SDG web site](#)

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

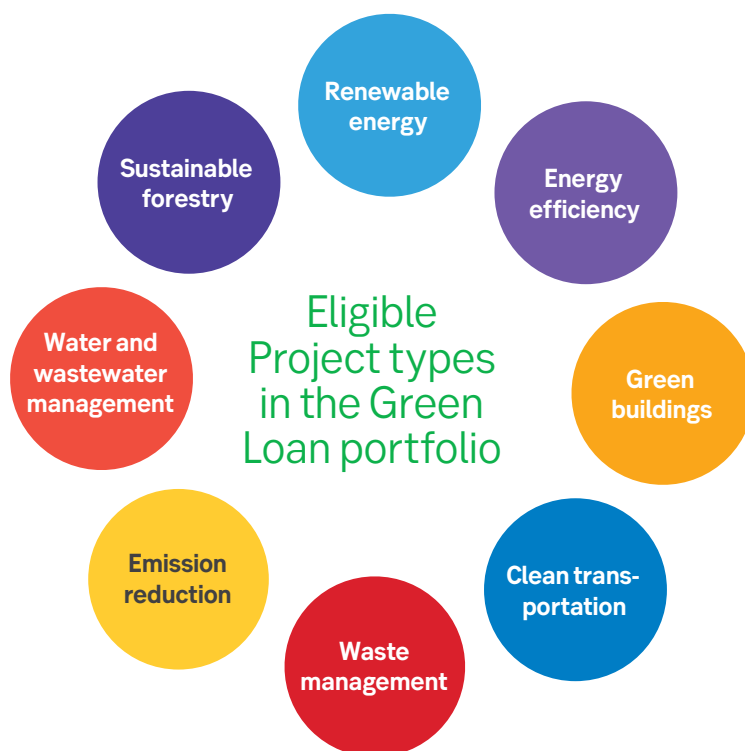
SEB's Green Bond Framework

The SEB Green Bond Framework¹ is the key document in SEB's approach to green bonds. The framework is in line with the 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 external review from CICERO.

1) https://sebgroupp.com/siteassets/investor_relations1/green-bonds/seb_green-bond-framework.pdf

2) <https://www.icmagroup.org/green-social-and-sustainability-bonds/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 >35%

Clean transportation

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

Waste management

- Methane capture, waste-to-energy

Emission reduction

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

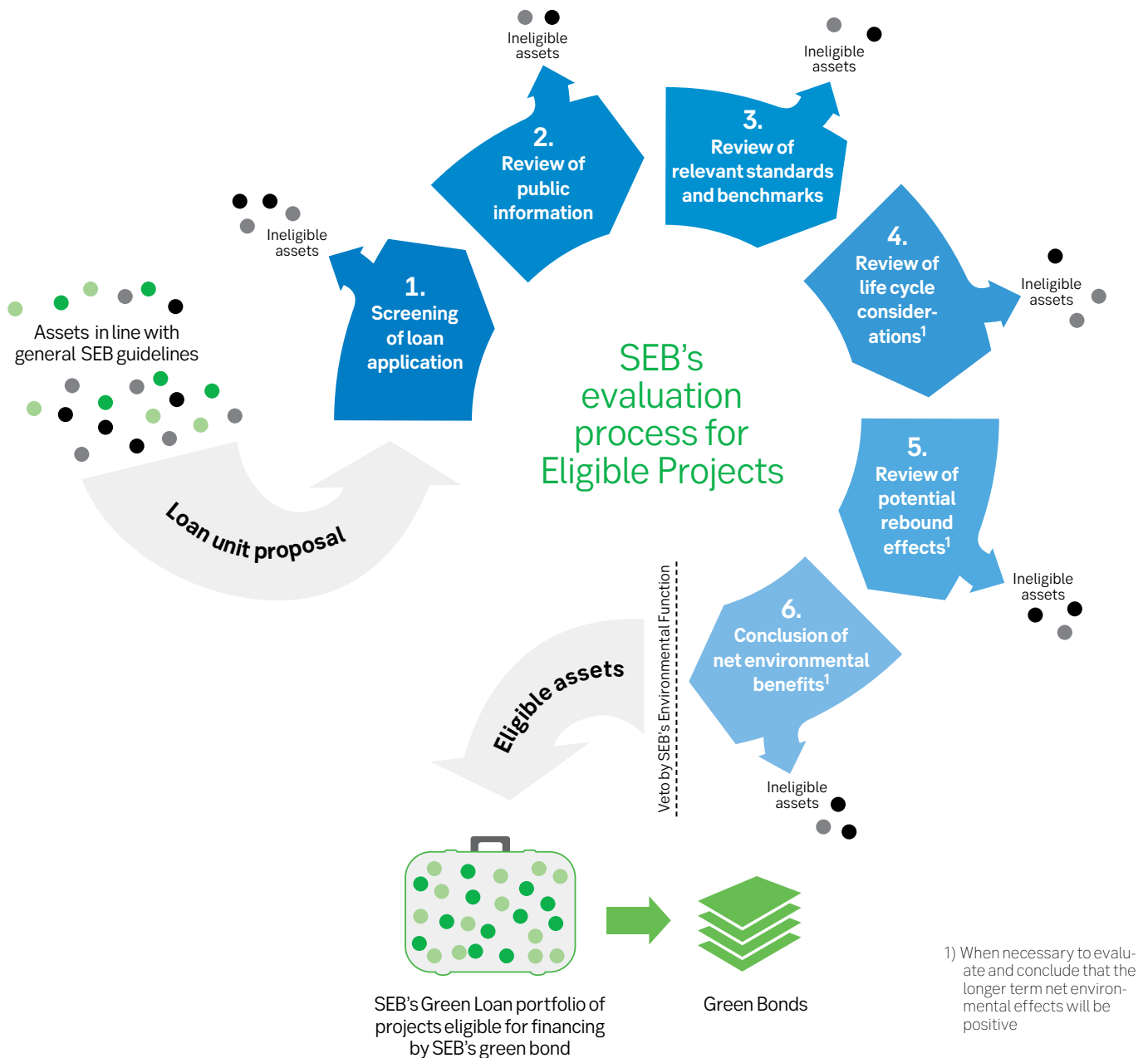
Water & wastewater management

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

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 green balance sheet to manage the proceeds of its green bond.


4. Reporting

SEB reports on the allocated proceeds as well as the environmental impact.

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](#).

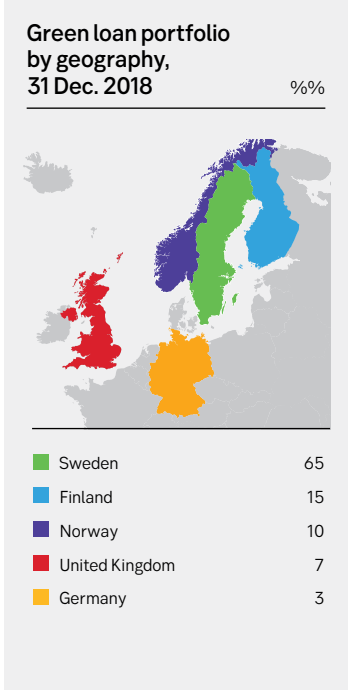
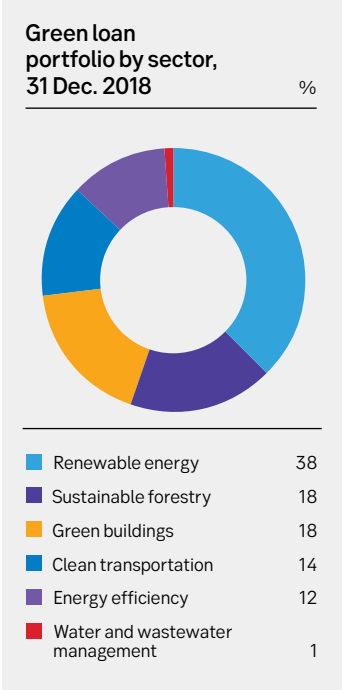
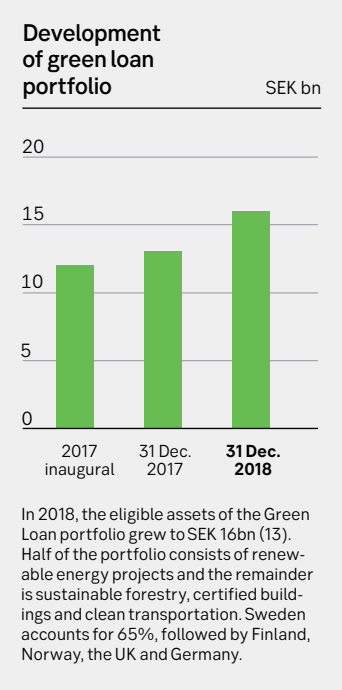
SEB has engaged an external, independent assurance provider, PWC, to review the adherence to defined processes and use of proceeds set out in the Green Bond Framework. Please read the Assurance Report on p 11.















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)

The green loan portfolio



Quantitative environmental impact of SEB's green bond

		Use of proceeds, SEK	Impact 2018 CO ₂ e reductions (tonnes)	SDGs	Effect (MW)	Electricity/energy produced (GWh)	Energy savings (GWh)
Renewable energy, 38%	Wind power	1,209,849,749	102,588 ¹	 	75 ²	319 ³	–
	Hydro power	691,820,644	40,862		26	108	–
	Biogas	36,395,599	2,841 ⁴		–	11	–
Energy efficiency, 12%		602,954,245	50,741 ⁵	 	69	263	
Green buildings, 18%		930,490,180	309 ⁶	 	–	–	0.89 ⁷
Clean transportation, 14%	Biogas buses	52,646,295	881 ⁸	 	–	–	–
	Electric trains	668,548,362	398 ⁹		–	–	–
Water and wastewater management, 1%		32,032,031	81 ¹⁰	 	–	–	0.21 ¹¹
Sustainable forestry, 18%		912,912,894	33,533 ¹²	 	–	–	–
TOTAL		5,137,650,000	232,234		170	701	1.1

1) Including 18,668 tonnes estimated future CO₂e reductions.

2) Including 12 MW under construction.

3) Including 49 GWh estimated future energy production.

4) SEB's share of biogas production sums up to 11.1 GWh. The biogas is used for transportation and replaces petrol to an amount of 1.2 million litres. Applying an emission factor of 2.3 kg CO₂e/litre for petrol (ref. DEFRA, 100% mineral based petrol, <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2017>) this corresponds to a reduction of 2,841 tonnes CO₂e.

5) Energy efficiency includes projects producing electricity and district heating from biofuel. For 2018, the energy production from SEB's share of the district heating sums up to 221 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, January 2019, Appendix C). This corresponds to a reduction of 34,918 tonnes CO₂e. The electricity production sums up to 41.6 GWh. Applying the Combined Margin of 380 g CO₂e/kWh, this result in a direct environmental impact of 15,824 tonnes of reduced CO₂e.

6) CO₂e emissions avoided. Including estimated future avoided CO₂e emissions of 25 tonnes.

7) Including future energy savings of 0.14 GWh.

8) Driven distance by biogas buses has been compared to diesel driven buses with an emission factor of 1.282 kg CO₂e/km (ref. NTM, 15 passenger www.transportmeasures.org).

9) Presented energy reduction of 398 tonnes CO₂e, is based on travelled distance per passenger (pkm) by electric 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. Electrical trains are running on renewable electricity.

10) Estimated future CO₂e reductions

11) Estimated future energy savings.

12) Annual CO₂ assimilation in the forest assets was calculated for 2016. Same annual rate of CO₂ assimilation has been used for 2018.

Examples of eligible projects

Småkraft



SEB has provided a green loan credit facility of EUR 61m of a syndicated loan to the Norwegian hydropower company Småkraft. Småkraft operates small-scale hydropower plants in Norway, and by end of 2018 had an annual capacity to produce over 1.1 TWh renewable energy from 106 power plants. By that, Småkraft is the largest owner and producer of energy from small-scale hydropower plants in Europe. The company was established in 2002, and develops projects in cooperation with local landowners.

“Småkraft uses natural topography to create renewable power in a sustainable way,” says Erik Røysem Sterud, CFO. “We develop projects together with local landowners all over Norway. The values we create together, we share between us, with our owners and creditors, as well as with the societies we are present in.”



Alsåker hydropower plant, 6MW

Skanska



SEB has provided a green loan credit facility of SEK 750 million to a joint venture between the Swedish construction and project development company Skanska and Nordic real estate owner and fund manager Areim. The green loan finances the construction of the property *Brf The Village Sthlm 2*, situated in Hammarby Sjöstad in Stockholm. The property will have a building certification according to *Svanen*¹ when it is completed.

“The Village quarter is visioning to be an urban eco-friendly community, with large green roof terraces and green areas in-between the houses. It is a mix of city life and small town feeling,” says Lena Hök, Senior Vice President Sustainability at Skanska. “Projects like these are an important part of building a better, more sustainable society.”



Miljömärkningslicens
nr. 3089 0001

Buildings certified according to *Svanen* have a life cycle perspective and a low energy consumption. With the *Svanen* certification, the building fulfils a high-quality standard on environmental and health aspects on construction goods, materials used and chemical product as well as on the construction process. *Svanen* also ensures a good inhouse environment and low emissions.

The property will have an expected energy consumption of a maximum of 63 kWh/m² and year to be compared to the applicable building norm of 90 kWh/m² and year.

1) <http://www.svanen.se/en/>

Independent Auditor's Limited Assurance Report

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

We have been engaged by Skandinaviska Enskilda Banken AB (publ) ("SEB") to undertake an examination of selected information in SEB's Green Bond Investor Report 2018, concerning the SEB 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 SEB management

The management of SEB is 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 extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing

standards in Sweden. 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.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm 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.

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, 28 February 2019
PricewaterhouseCoopers AB



Peter Nyllinge
Authorised Public Accountant



Fredrik Ljungdahl
Sustainability Expert Member of FAR



This is SEB

SEB is a leading Nordic financial services group with a strong belief that entrepreneurial minds and innovative companies are key in creating a better world. Our vision is to deliver world-class service to our customers. We assist 2,300 large corporations, 700 financial institutions, 400,000 small and medium-sized companies and 4 million private individuals with advice and financial solutions.

In Sweden and the Baltic countries, we offer comprehensive financial advice and a wide range of financial services. In Denmark, Finland, Norway, Germany and the United Kingdom, we have a strong focus on a full-service offering to large corporate and institutional customers. The international scope of the operations is reflected in SEB's presence in some 20 countries with 15,000 employees.

We have a long-term perspective in all of our operations and contribute to the development of markets and communities.

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