



Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution 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 Renewable Energy Generation and Electricity Transmission & Distribution

Table of contents

1	Introduction.....	2
2	Definitions.....	2
3	Purpose	4
4	Scope	4
4.1	Applicability within the SEB Group	4
4.2	Applicability to Business Relationships	5
5	General.....	5
5.1	General Restrictions.....	5
5.2	General Expectations.....	5
6	Renewable Energy Generation.....	6
6.1	Requirements.....	6
7	Electricity transmission & distribution.....	6
7.1	Restrictions.....	6
7.2	Expectations.....	6
8	Social Expectations.....	7
9	Governance Expectations	7

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

1 Introduction

Renewable Energy Generation and Electricity Transmission & Distribution are important prerequisites for carbon neutral economic growth. However, if not handled responsibly, the development, production and distribution of electricity and renewable energy can have negative impacts on the environment and society.

SEB Group has varied exposure to the Renewable Energy Generation and Electricity Transmission & Distribution sectors through lending and investments. This Sector Policy has been developed to ensure that business decisions are aligned with SEB Group's overall sustainability ambitions, as expressed in SEB Group's Sustainability Policy.

Key risks related to the Renewable Energy Generation and Electricity Transmission & Distribution 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

Biodiversity: The total variety of all Earth's species, their genetic information, and the ecosystems they form.¹

Business Relationship: A commercial relationship 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.

Deforestation: The conversion of forest to agricultural use, with the exception for agroforestry projects.²

Electricity Transmission & Distribution Sector³: Companies directly involved in the transmission and distribution of electricity.

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

¹ As defined by the Science-Based Targets Network (SBTN)

² Considering the Regulation (EU) 2023/1115 on deforestation-free products.

³ Subsectors under the following NACE sector codes: 3512 – Transmission of electricity; 3513 – Distribution of electricity'. In case of conflict the policy takes precedent.

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

Mitigation Hierarchy: A method which provides guidance on how to limit the negative impact on Biodiversity as far as possible and includes the following sequential steps: “Avoid”, “Minimize”, “Restore”, and lastly “Offset”.⁴

Natural Habitats: A place where plants or animals normally live, characterized primarily by its physical features (topography, plant or animal physiognomy, soil characteristics, climate, water quality, etc.) and secondarily by the species of plants and animals that live there.⁵

New Projects or Capacity Expansion: An identified location where any new commercial, industrial or infrastructure undertaking is taking place or any existing undertaking that is undergoing material change in output or function, which may result in changes to the operation’s sustainability impacts.

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

Renewable Energy Generation Sector:⁶ All Companies directly involved in the generation of solar, wind, hydro, marine, geothermal, non-fossil gaseous fuels and bioenergy and cogeneration activities.

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 position.

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 Group: Skandinaviska Enskilda Banken AB (publ) and its subsidiaries, branches and representative offices. Foundations related to SEB are not part of the SEB Group.

Sensitive Environmental Areas: National parks and nature reserves, Natura 2000 areas, UNESCO World Heritage sites, and Wetlands covered by the Ramsar Convention.

⁴ The Biodiversity Consultancy.

⁵ European Environment Agency.

⁶ Subsector under the following NACE sector codes: 3511 – Production of electricity. In case of conflict the policy takes precedent.

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

3 Purpose

The purpose of this Sector Policy is to define SEB Group's position on Business Relationships with Companies involved in the Renewable Energy Generation and/or Electricity Transmission & Distribution sectors.

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 SEB Group invests and distributes investment products are exempt from this policy:

- 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,⁷
- 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 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.

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

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

4.2 Applicability to Business Relationships

The Sector Policy covers Companies with a material share of revenues, i.e. more than 15% of Company turnover, combining any of the following sectors calculated at SEB Group global limit holder level:

- Renewable Energy Generation Sector,
- Electricity Transmission & Distribution Sector.

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.

5 General

5.1 General Restrictions

SEB Group avoids Business Relationships with Companies with material negative impact on Sensitive Environmental Areas. If an activity is approved by an official legal/licensing body within the EU, EEA, Switzerland or UK, the activity is not considered having material negative impact. If outside these geographical areas, an independent Environmental Impact Assessment of the activity must show that the mitigating actions taken will result in non-material negative impact.

5.2 General Expectations

SEB Group Expects Companies to:

- Identify potential adverse impact through direct drivers of Biodiversity loss and set relevant targets,⁸
- Have a process to ensure that - in case of identified negative Biodiversity impact or conversion of Natural Habitats - the Mitigation Hierarchy is applied,
- Have an environmental management system, in line with an international accepted standard,⁹
- For bioenergy projects: minimize use of food and feed crops as biofuels.

⁸ As defined by IPBES; Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species.

⁹ ISO 14001/50001 standard certification or similar.

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

6 Renewable Energy Generation

6.1 Requirements

6.1.1 New Projects within the EU, EEA, Switzerland or UK

The SEB Group Requires New Geothermal Projects to have lower life-cycle GHG emissions from the generation of heat and power than 100gCO₂e/kWh.

SEB Group Requires New bioenergy Projects to:

- Have lower life-cycle GHG emissions from the generation of heat and power than 100gCO₂e/kWh,
- Have a biomass sourcing plan,
- Ensure that the supply of raw materials for biofuels and/or biomass are covered by a commitment to no Deforestation from 2025.

6.1.2 New Projects located outside of the EU, EEA, Switzerland or UK

SEB Group Requires New Projects to:

- Perform an Environmental Impact Assessment based on international standards,¹⁰
- For bioenergy projects: Have a biomass sourcing plan, and a policy to handle toxic chemicals such as pesticides, mercury or arsenic when relevant,
- For hydropower projects: Apply the Hydropower Sustainability Assessment Protocol or equivalent standards.

7 Electricity transmission & distribution

7.1 Restrictions

SEB Group avoids providing any Dedicated Financing to New transmission line Projects connecting new fossil fuel power plants that are not in line with SEB Group's Sector Policy on Fossil Fuels.

7.2 Expectations

SEB Group Expects Companies to have a plan to:

- Minimize energy losses and maximize efficiency through grid upgrade or network optimisation,
- Manage the increased amount of renewable electricity that the grid can support.

¹⁰ Such as IFC – Performance Standards or other Multilateral Development Bank Standard or equivalent

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

8 Social Expectations

General

SEB Group Expects Companies to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of the following:

- Human rights and labour rights policies including a Human Rights Due Diligence , HRDD,
- Health and safety policy based on industry safety guidance or, within the OECD, national legislation,¹¹
- Established grievance and whistle blower mechanism.

New Projects or Capacity Expansion

- Active community consultation based on life-cycle perspective,
- In case of physical or economic resettlement: Policies in order to appropriately acknowledge, compensate and respond to community priorities,¹²
- In case of activities conducted in areas with indigenous people: Free, prior and informed consent (FPIC) principles to ensure the rights of indigenous people as well as transparent and culturally adapted communication.

9 Governance Expectations

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

- Sustainability report (annually published) or similar comprising, at a minimum, disclosure of overall climate impact as well as other material sustainability impact,
- Anti-corruption policy in proportion to the size and risk-exposure of the Company,
- Tax reporting according to country-by-country principle, when relevant.¹³

¹¹ E.g. World Bank Group Environmental, Health, and Safety Guidelines.

¹² The International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement.

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

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

Appendix A: Sector Risks

Renewable energy generation – Key sector risks (non-exhaustive list)

- Air emissions,
- Marine and terrestrial habitat alteration with impacts on ecosystems and biodiversity,
- Water quality and stress,
- Hazardous materials and oil,
- Health and safety of workers and nearby residents,
- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous people etc.

Electricity transmission and distribution – Key sector risks (non-exhaustive list)

- Air emissions from project site (dust and emissions from vehicle traffic or land clearing activities),
- Marine and terrestrial habitat alteration,
- Soil erosion and sediment control,
- Hazardous materials and oil spills,
- Electric and magnetic fields,
- Health and safety of employees and nearby residents,
- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous people etc.

Sector Policy on Renewable Energy Generation and Electricity Transmission & Distribution

Appendix B: Policy Application Levels

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

Application levels	Company size		
	Retail Companies	SME	Large Companies
SEB Group Expects	-	-	✓
SEB Group Requires	-	✓	✓
SEB Group Restricts	-	✓	✓

- ✓ Implementation level applicable
- “-“ Implementation level not applicable, but can be used as guidance
- *For investment related activities, listed Companies are considered as large Companies, 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 Group 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.