Sustainability report

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We accelerate change

At SEB, we are convinced that we can be a positive force for change in the sustainability transition. Innovation and responsible behaviour go hand-in-hand, which is also how we aim to conduct and develop our business. By partnering with our customers and supporting them on their transition journeys we believe we can make the greatest positive impact. We aim to accelerate the pace towards a sustainable future for people, businesses and society.

Sustainability at SEB

SEB wants to be a leading catalyst in the sustainability transition. We have a strong ambition to accelerate the pace towards a sustainable future for people, businesses and society and believe we can make the greatest positive impact through global cooperation and by partnering with our customers on their transition journeys.

As a bank, SEB has the power, opportunity and responsibility to positively impact the world it operates in. We have a strong ambition to accelerate the change that is needed to combat climate change and limit global warming. We recognise our role in the important work of closing the EUR 3,000bn investment gap that is estimated by the EU to meet near-term needs.

We believe that global cooperation and partnerships between the private and the public sectors are prerequisites to succeed. By committing to the Paris Agreement through the signing of the UNEP FI Principles for Responsible Banking, the Net-Zero Banking Alliance and the Net Zero Asset Managers initiative, we strive to reorient capital flows in line with the bank's updated vision and business strategy. See p. 46 and p. 57.

Integrating sustainability into the business

Our banking services contribute to the transition towards a sustainable society. We serve private, corporate and institutional customers in our home markets and international network. Integration of environmental, social and governance (ESG) factors is fundamental and encompasses climate and environment, human rights, social relations and anti-corruption. We strive to integrate these factors into everything we do – into products, advice and business processes. In line with SEB's Corporate Sustainability Policy we work with short-, medium- and long-term perspectives.

Impacts in two dimensions

SEB has both direct and indirect impacts on stakeholders, and we regard impacts in two dimensions. On the one hand are SEB's and our stakeholders' impacts on the planet and society, and on the other are the impacts that the planet and society have on SEB and SEB's stakeholders, including on our customers' business models and thereby their repayment capacity.

Our material focus areas

Our main focus areas are sustainable financing and investments, where we aim to have a positive impact on the environment and to create value for people and society. We strive to avoid causing, contributing or being directly linked to negative impacts on people and the environment from our activities, products and services.

Several areas serve as the foundation for our long-term achievements. Financial strength and resilience, risk management, business ethics and conduct, and crime prevention are all considered to be important in the long term for our stakeholders and are thus material for our business.

Meeting stakeholders' expectations

In 2021 SEB further developed its sustainability work. To meet increased demands and expectations from customers, investors, employees and society at large we put considerable efforts into product innovation and on strengthened policy frameworks, which together with strong governance are important cornerstones in our business.

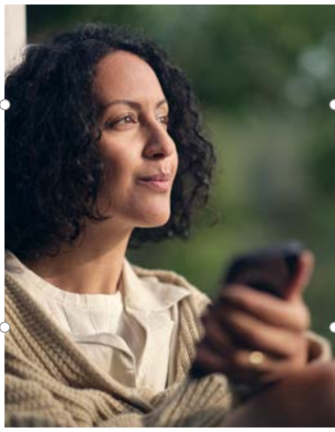
Another essential cornerstone is the transformation of our credit portfolio, work that was initiated in 2020 and where we use SEB's Customer Sustainability Classification model. This tool enables us to engage in active dialogues with our customers (see p. 62). By advising and supporting our customers' transition journeys, we believe we can make the greatest positive impact, and we are convinced that companies that actively work to integrate sustainability into their operations and business decisions will be better equipped for the future.

Our role

Mirrored in the sustainability strategy and goals (see p. 46), SEB has high ambitions for how to contribute to the transition. This is how we believe we can be a leading catalyst in the transition towards a sustainable society:

Financing the transition
We support our customers, share our knowledge and offer advisory services as well as sustainable financing and investment products.

Being a corporate citizen
We fulfil our critical role in society and always strive to take an active part in building for the future.



Acting as a thought leader
We develop innovative products and services and set standards for how banks can contribute to a more sustainable society.

Transforming our own business
We develop our own business, communicate our policies and goals, and transparently and continuously report on our position and progress.

Impacting the UN Sustainable Development Goals

By signing the UNEP FI Principles for Responsible Banking (PRB), we have committed to aligning our business strategy to international goals such as the UN Sustainable Development Goals (SDGs). Our key impacts, positive and negative, are related to the exposure we have through our financing and investment activities.

In 2021 SEB conducted a PRB impact analysis, linked to the SDGs, which is based on sector exposures in the bank's credit portfolio (see below).

From an SEB Group perspective we prioritise five of the SDGs that are clearly linked to our business strategy and our sustainability ambitions. They are related to our strong heritage of creating long-term growth and innovation as well as maintaining responsibility and an international outlook.

Climate action (SDG 13). Climate action is addressed throughout our business, from our pioneering role in green financing to our current work on helping our customers to transition and reduce their climate impacts.

Decent work and economic growth (SDG 8). Through our business we drive economic development both directly and indirectly, and contribute to the creation of new jobs and growth in society, for example by supporting entrepreneurs and providing individuals and companies access to capital and financial services via our microfinance funds.

Industry, innovation and infrastructure (SDG 9). Innovation, entrepreneurship and long-term relationships with industrial companies are part of our DNA, thereby contributing to a strengthening of infrastructure. We have long been active in standard-setting bodies such as the International Capital Market Association (ICMA). Through SEB Greentech we support companies in the green technology sector.

Peace, justice and strong institutions (SDG 16). Our business contributes to financial stability. We are committed to preventing corruption and bribery in all forms, money laundering, cybercrime, sabotage, intrusion attempts and financing of terrorism.

Gender equality (SDG 5). Gender perspectives shall be taken into account in the advice we provide to corporate as well as to private customers. In our microfinance funds, one focus area is financial inclusion, which ensures support especially to women in emerging markets. Internally, gender equality is an integrated part of our work with inclusion and diversity.

Impact analysis of SEB's credit portfolio

In 2021 SEB conducted an impact analysis – in line with our commitments to the Principles for Responsible Banking – on which SDGs we impact the most through our credit portfolio.

The impact analysis was performed based on SEB's own advisory tool, the Impact Metric Tool (IMT). The IMT is a quantitative portfolio analysis tool that measures ESG factors, impacts on the SDGs, alignment with the EU Taxonomy and the exposure to climate risks. The tool's SDG module, which has been developed in collaboration with the Royal Swedish Academy of Sciences, identifies and measures impacts of investments on the SDGs from a sector impact perspective.

SEB's impact analysis was based on SEB's exposure to each sector in its credit portfolio. The exposure was combined with the impacts each sector has, positive and negative, on the SDGs.

Based on this approach, and considering that the bulk of SEB's activities lie within northern Europe, the analysis showed that the areas where SEB's sector exposure has a potential negative impact are climate change (SDG 13), biodiversity (SDGs 14 and 15) and fresh water (SDG 6). In these areas SEB's commitments and engagements are particularly relevant. The areas with the most significant positive impacts were for example SDG 8 and SDG 9.

SEB is actively developing its work in the identified areas. In spring 2022 SEB is updating its Environmental Policy – to cover climate change, biodiversity and fresh water – and several sector policies. The Green Bond Framework has been updated to support SEB's second green bond of EUR 1bn, which was issued and positively received in February 2022.

SEB will continue to develop its businesses, products and services, striving to contribute to positive development in the areas where we have most impacts.

→ See SEB and the Principles for Responsible Banking Reporting and Self-Assessment Template 2021, on p. 228.

Strategy and goals

In 2021 SEB presented an updated sustainability strategy that outlines the bank's role in the transition towards a sustainable society, which is part of SEB's business plan for 2022–2024 and a cornerstone of SEB's 2030 Strategy.

With the updated sustainability strategy, we have further raised our ambition level, clarified our role and taken the next step in accelerating the sustainability transition.

As a key part of the updated sustainability strategy, we have defined new ambitions and goals, including laying out a path for reducing our fossil fuel credit exposure and at the same time setting growth ambitions for our sustainable products, advisory services and investments.

Carbon Exposure Index – The Brown

This index is a volume-based metric that captures our fossil fuel credit exposure within the bank's energy portfolio. SEB's goal is to reduce the fossil fuel credit exposure within power generation and distribution (by >30 per cent), oil and gas exploration and production (by >70 per cent) and refining and distribution (by >30 per cent), for a combined reduction of 45–60 per cent by 2030 compared with a 2019 baseline.

Reaching this goal means that we will be in line with or outperform the strictest 1.5-degree scenario assumptions provided by the International Energy Agency and Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

Sustainability Activity Index – The Green

This index is a volume-based metric that captures our sustainability activity. It measures:

- sustainable financing
- sustainable finance advisory
- greentech venture capital investments
- Article 9 investment products (in line with the EU's Sustainable Finance Disclosure Regulation, SFDR) as a share of SEB's fund offering, own and external.

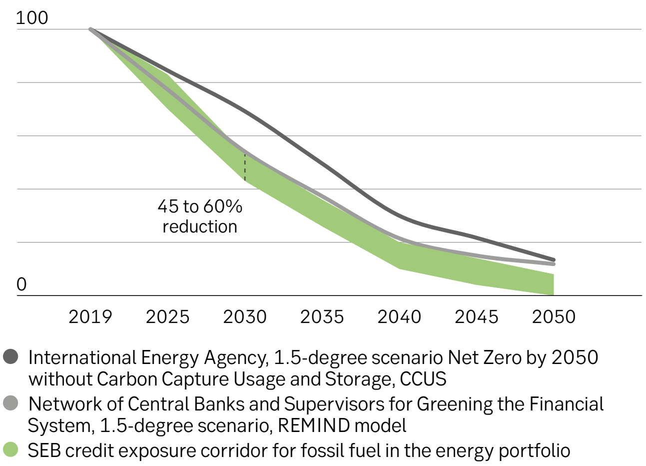
The ambition is to increase average sustainability activity 6–8 times by 2030 compared with a 2021 baseline.

Transition Ratio – The Future

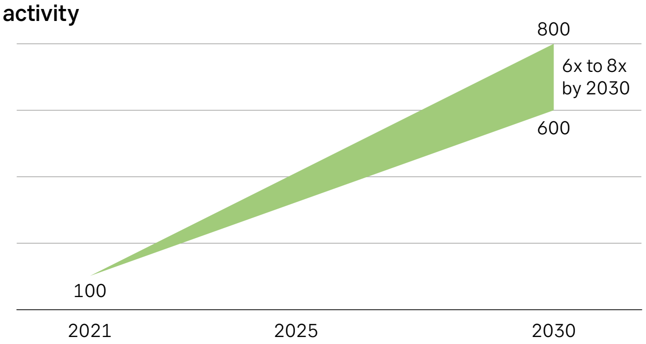
We will transition together with our customers as reflected in a Transition Ratio, which is a ratio based on our internal Customer Sustainability Classification model. This entails that we assess our customers' climate impact and alignment with the goals set out in the Paris Agreement, thereby classifying our credit portfolio.

By using this tool we gain a better understanding of our customers' transition journeys and can support them in reducing their carbon footprints and ensuring their transition over time. We aim to complete the classification of our credit portfolio in 2022 and to set targets for 2030. See p. 62, the Climate Report.

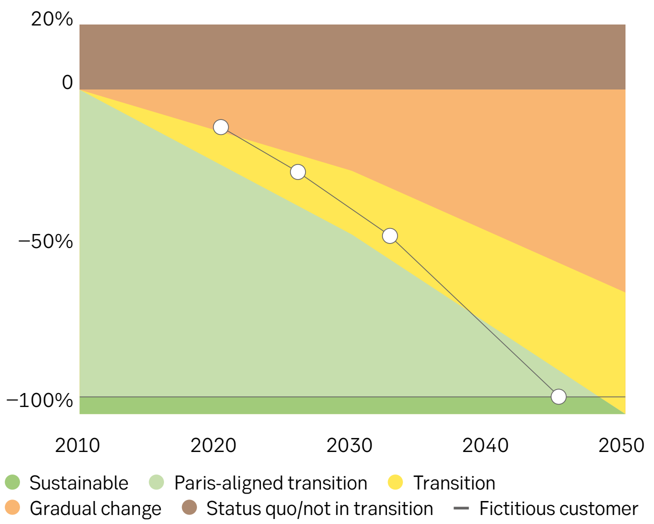
The Brown – Reduce our fossil fuel credit exposure in the energy portfolio



The Green – Increase average volume-based sustainability activity



The Future – Assess our customers' greenhouse gas emissions
A fictitious customer's transition journey



Goals 2025 and 2030

In line with the updated sustainability strategy, SEB has introduced three new goals: The Brown, The Green and The Future (see p. 46). These three goals will henceforth replace the corresponding targets that SEB has presented since 2017. The goals for the areas People, Business ethics and conduct, and Environment, direct impact, will still remain, however the date has been adjusted to align with SEB's new goals.

Area	Description	Baseline	Goal 2025	Goal 2030
The Brown	Carbon Exposure Index, measuring the fossil fuel credit exposure in our energy portfolio (index)	Index=100, 2019	Decrease towards target 2030	Reduce by 45–60 per cent
The Green	Sustainability Activity Index, measuring our activities that support sustainable development (index)	Index=100, 2021	Increase 3–4 times	Increase 6–8 times
The Future	Transition Ratio, measuring our corporate and real estate credit portfolio's anatomy from a climate perspective	Baseline to be established in 2022		

Goals and outcome

Area	Description	Outcome 2021	Outcome 2020	Goal 2021	Goal 2025
Innovation	Create sustainable finance innovation centre to develop and launch new sustainable products and services	9 sustainable products or services	12 sustainable products or services	5 sustainable products or services	Included in goals 2025 and 2030 above
Sustainable financing	Green loans[1]	SEK 29bn	SEK 25bn	Increase	Included in goals 2025 and 2030 above
	Green mortgages	SEK 8bn	SEK 4bn	Increase	
	Green bonds, underwriter, Nordic bank ranking[2]	#2	#2	#1	
	Gradually transform our credit portfolio towards increased sustainable financing	50% of relevant credit exposure assessed, 30% classified. See p.63	Sector-based climate-impact classification of corporate credit portfolio performed	Gradual transformation of credit portfolio to increase share of transitional and sustainable assets	
Sustainable investment	Total funds (AuM) with sustainability criteria / SFDR article 8 & 9, as share of SEB's total AuM[3]	27%	14%	Increase	Included in goals 2025 and 2030 above
	SEB funds with sustainability criteria / SFDR article 8 & 9, as share of SEB's fund company's total AuM[3]	82%	45%	Increase	
	SEB funds with human rights criteria as share of SEB's fund company's AuM	100%	100%	100%	
	SEB Impact and Thematic funds, total AuM[4]	SEK 13bn	SEK 12bn	Increase	
People	Integrate sustainability into KPIs for Top Senior Management[5]	90%	67%	Implement for all direct reports to GEC	Increase towards 100%
	Gender by management type, (men/women):				
	• Group Executive Committee (GEC)	67/33%	64/36%	Increase balance in senior management towards long-term ambition of 50/50±10%	Increase balance in senior management towards long-term ambition of 50/50±10%
	• Top Senior Management[5]	56/44%			
	• Senior Management	64/36%	64/36%		
Business ethics and conduct	Employees who have completed global mandatory training[6], average	95%	81%	Increase towards 100%	Increase towards 100%
Environment, direct impact	Absolute CO_2 emissions reduction by 66% by 2025 (compared with 2008)	Gross 9,389 tonnes Net 0 (through compensation)	9,734 tonnes	Reduce to 17,137 ±5% tonnes by 2025. Net zero emissions from 2021	Not to exceed 17,000 tonnes ±5% by 2025

1) Green loans include project financing in the EU, the UK and the Nordic region, in line with SEB Green Bond framework sustainability criteria.
2) Bloomberg (ranking by volume).
3) SFDR, Sustainable Finance Disclosure Regulation applies from March 2021; article 8 funds are environmental and socially promoting and article 9 funds have a sustainable investment objective.
4) Includes SEB Micro Finance Funds, SEB Impact Opportunity Fund, SEB Green Bond Fund and Lyxor SEB Impact Fund.
5) Top Senior Management, GEC+GEC direct reports.
6) SEB global mandatory trainings: Code of Conduct, AML and Combating Financing of Terrorism, Fraud prevention, Cyber Security, GDPR, Sexual Harassment and Sustainability Training on Climate Change. Includes consultants, excludes employees on leave of absence. See p. 212.

Sustainable financing

The financial sector can be regarded as one of the main drivers in the transition towards a more sustainable economy. At SEB we are convinced that we can accelerate the pace of this transition by supporting our customers through close collaboration, providing first-class advice and innovative financial solutions that are tailored to their needs.

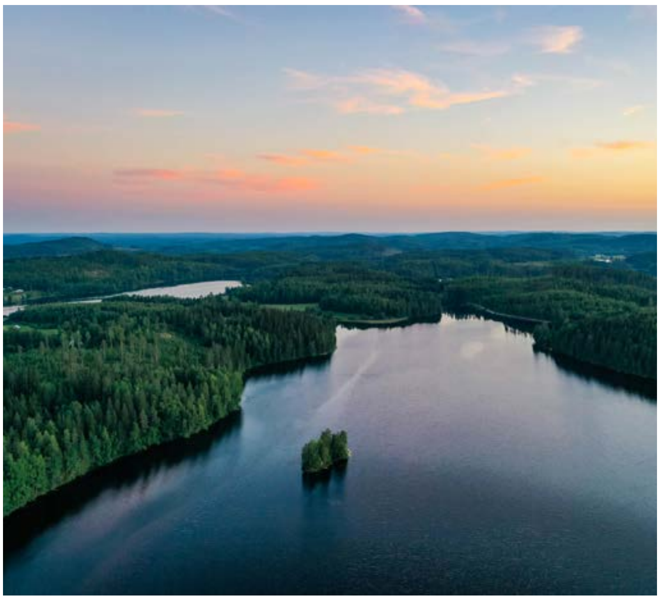
Focus on sustainable development, especially on climate change, intensified across the globe in 2021. Extreme weather events, the Sixth Assessment Report of the IPCC and the COP26 climate summit in Glasgow all contributed to heightened attention. Also, SEB saw a clear increase in expectations from corporate customers, financial institutions and private individuals on how we can support them with services and advice.

Responsible lending

Responsible financing and lending are important cornerstones of our business. We take a restrictive approach to doing business in industries with a high risk for corruption, negative impacts on human rights and labour rights, and businesses that operate in jurisdictions with low or no respect for human rights, and where proper mitigation is lacking. For private customers we adapt our advice and services to their specific needs and circumstances in processes and decisions.

SEB's Customer Acceptance Standards include environmental, social and governance (ESG) factors in what the bank considers to be critical requirements when accepting new customers and retaining existing ones. SEB's group-wide policies define how the bank is to take sustainability risks into account in financing activities. All transactions are to adhere to these policies.

→ See p. 57.



Our processes aim to ensure that material sustainability risks are identified, assessed and incorporated into the credit analysis and considered from SEB's compliance and reputational risk perspective. Particularly sensitive matters are to be discussed and approved within the divisional Sustainability Business Risk Committees before they are assessed in the Credit Committees.

→ See p. 56.

Dialogue and advice

We engage in constructive and concrete dialogues about our customers' needs in relation to sustainability challenges and opportunities. The Customer Sustainability Classification model is a hands-on tool for SEB's client teams that enables us to deepen our relationships and mutual understanding of our corporate customers' decarbonisation journeys, see p. 62. We strive to proactively offer solutions that we identify as relevant for them, based on a structured analysis.

The Impact Metric Tool (IMT) continued to be an appreciated advisory service by our customers. This quantitative analysis tool, developed by SEB, consists of modules that measure ESG aspects of companies' performance on a portfolio level. It also assesses positive and negative impacts with respect to the SDGs as well as the alignment of investment portfolios to the EU Taxonomy. More than 150 customer portfolios were analysed using this tool during the year.

We are convinced that we can make the greatest positive impact by being engaged in our customers' transition journeys. A proof that our customers appreciate our advisory services are the Prospera surveys, published in 2021 and 2022, focusing on banks' sustainability advice. SEB was two years in a row ranked number one by companies as well as institutions in the Nordic region.

Sustainable and sustainability-linked bonds and loans

Sustainability aspects are incorporated across a broad range of financial solutions in the bank. Among the products we offer are green bonds, social bonds, sustainable bonds, sustainability-linked bonds, green loans and sustainability-linked loans.

In 2021 SEB was the first bank in the Nordic region to start offering sustainability-linked supply chain financing. For private customers in Sweden, green mortgages continued to grow, reaching SEK 7.9bn, and loans for solar panels were increasingly appreciated. In late 2021 SEB also began offering green mortgages in the Baltic countries.

Among corporate customers, performance-based solutions such as sustainability-linked loans and bonds saw particularly strong growth in the Nordic market and especially in Sweden. The financing cost for these products is linked to the customer's ability to perform on pre-defined sustainability-related KPIs such as climate impact mitigation or social issues. In 2021 SEB was involved in several transactions, including H&M, SSAB, Maersk and EQT.

The market for green bonds saw its strongest year ever with USD 474bn in new issuances globally, up 56 per cent from 2020. This type of funding is earmarked for low carbon and/or environmentally sustainable investments. SEB is a pioneer and has been a global thought leader in green bonds for close to 15 years. In 2021 SEB had a leading position in the Nordic market with an 18 per cent share of global transactions by Nordic banks and underwrote an aggregate volume of USD 6.2bn.

SEB aims to continue the development and creation of new financial services. As part of its sustainability strategy, SEB has set goals for growing sustainable products and advisory services by 2030.

→ See p. 46.

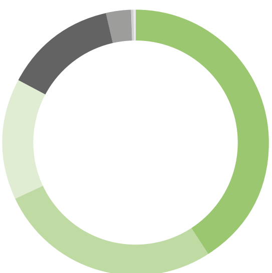
Updated Green Bond Framework

To finance projects and assets that support an environmentally sustainable society, SEB issues green bonds. In January 2022, SEB published its updated Green Bond Framework which defines eligible assets that can be financed by green bonds issued by SEB.

The updated framework, which is in line with the 2021 ICMA Green Bond Principles, has been made more inclusive to also support areas such as biodiversity and the transition to a circular economy. It is also broadly aligned with the technical screening criteria of the EU Taxonomy as of December 2021. To ensure that the framework meets high climate and environmental ambitions and international standards, SEB has obtained an independent, research-based, evaluation from Cicero Shades of Green. Cicero's second opinion rates the framework Medium Green and SEB's governance Excellent. In February 2022, SEB issued a green bond of EUR 1bn under the updated framework, refinancing its first green bond from 2017.

As per 31 December 2021, eligible green assets under the 2016 framework amounted to SEK 23bn. SEB's goal is to continue to grow its green lending as part of the ambition to increase sustainability-related financing.

SEB's green loan portfolio by sector 2021 Per cent



Poseidon Principles

In 2021 SEB reported on the climate alignment of our loan portfolio in the shipping sector, according to the Poseidon Principles, signed by SEB in 2020.

The Poseidon Principles establish a global framework for responsible ship finance that aims to quantitatively assess and disclose whether financial institutions' lending portfolios are aligned with climate targets set by the International Maritime Organization (IMO), a specialised agency of the UN responsible for regulating shipping. The IMO's ambition is to reduce total annual greenhouse gas (GHG) emissions from international shipping by at least 50 per cent by 2050, based on 2008 levels. The ambition is presented as a trajectory with annual emission values until 2050.

SEB's result shows a climate alignment score for the bank's shipping portfolio for 2020 that was 2.5 per cent above target. Excluding the Cruise segment, which was an outlier in 2020 due to the Covid-19 related layup of vessels, the score would have been 3.8 per cent below target, implying that the bank's portfolio is aligned with the Poseidon Principles trajectory.

The results will be helpful in the process of aligning the bank's decision processes, and thereby the lending portfolio, with the shipping industry's transition towards a low carbon future.

Equator Principles

For project financing, since 2007 SEB has been adhering to the Equator Principles (EP), a voluntary set of guidelines used by financial institutions to assess the social and environmental impacts of large projects and assist customers in managing them.

In 2021 we conducted eight project finance transactions under the Equator Principles – four in category B (projects with potential limited adverse environmental and social risks) and four in category C (projects with minimal or no social or environmental impacts).

Sustainable investments

SEB is one of the largest institutional investors in the Nordic region. As an asset manager, we have high ambitions to contribute to sustainable development by investing in companies and other assets that can contribute to the transition to a more sustainable economy, meeting the expectations and requirements from customers and regulators.

We aim to have a comprehensive and competitive offering to private, corporate and institutional customers where environmental, social and governance (ESG) factors are fully integrated into the investment processes. Our offering covers a broad variety of products and services, including funds managed by SEB Investment Management, funds managed by external fund managers, equities and certificates, discretionary portfolio management and self-service investment solutions. The offering is evaluated on an ongoing basis. SEB Investment Management became a signatory of the UN Principles for Responsible Investment (PRI) in 2008. All external fund companies have signed the PRI. SEB Investment Management managed assets worth SEK 831bn at year-end 2021.

Sustainability at SEB Investment Management

SEB Investment Management strives to integrate sustainability aspects into all types of investments and asset classes. This is done by investing in companies that have integrated sustainability into their business models or have well-defined transition plans, by excluding industries and companies that do not meet SEB Investment Management's sustainability criteria, and by continuously engaging with the companies in which we invest or might invest.

In 2021 SEB Investment Management joined the Net Zero Asset Managers initiative, to commit to achieving net zero greenhouse gas emissions by 2040 and aligning all investments with the Paris Agreement. To achieve this, SEB Investment Management has set interim targets to reduce financed emissions by 50 per cent by 2025 and 75 per cent by 2030[1]. This commitment is formalised in SEB Investment Management's Climate Statement. In addition, the fund company will increase investments in companies that contribute to sustainable solutions or enable transition (see Sustainability Activity Index, p. 46), and will work to support companies on their transitional journeys. SEB Investment Management continuously evaluates its product offering and strives to improve its work by updating strategies and improving processes. In 2021 an updated Sustainability Policy was implemented.

Focus on integration

SEB Investment Management invests in companies that actively manage environmental, social and governance factors in their operations. We aim to identify companies that work to solve global sustainability challenges, for example by investing in line with the UN Sustainable Development Goals. To strengthen its analyses, in 2021 SEB Investment Management launched a proprietary sustainability model that assigns each potential investment a sustainability rating. It is used as a tool to create a fundamental view of companies' sustainability work.

Criteria for exclusion

SEB Investment Management's funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Universal Declaration of Human Rights, the UN's Guiding Principles on Business and Human Rights, the ILO Core Conventions on Labour Standards and Children's Rights and Business Principles. In 2021 all of SEB Investment Management's funds were managed in accordance with human rights criteria.

These funds are also managed in accordance with the same, strict exclusion criteria. The funds exclude companies that produce fossil fuels, including unconventional extraction, and companies that generate electricity from fossil fuels. Exemptions can be made for companies that demonstrate clear transition plans, as many of these will be crucial for realising the sustainable transition. Companies that produce pornography or tobacco or have more than five per cent of their turnover from alcohol and commercial gambling are also excluded. SEB Investment Management's Exclusion Committee makes the formal decision regarding which companies are to be excluded from investment. The exclusion list is reviewed at least quarterly, and the screening is done through the external advisor ISS ESG.

Active ownership

SEB Investment Management works actively to influence the companies in which it invest, in their effort to achieve positive change. In Swedish and Nordic companies, where we are often one of the largest shareholders, this commitment is implemented directly through dialogues with the company's executive management and board. Moreover, we vote at shareholder annual general meetings and serve on nomination committees. During 2021, SEB Investment Management voted at 331 annual and extraordinary general meetings and served on 35 nomination committees in listed Swedish companies.

Collaboration initiatives and partner-led dialogues

SEB Investment Management is a signatory of or has joined more than 20 collaboration initiatives focusing on various themes and issues, together with other investors. Among these are the UN PRI, the Institutional Investors Group on Climate Change (IIGCC), the CDP and the Investors Policy Dialogue on Deforestation (IPDD). These engagements are reviewed and evaluated on a case-by-case basis by SEB Investment Management's sustainability team together with relevant investment teams to ensure the objectives are aligned with our priorities and those of our customers. Federated Hermes EOS is one of the world's leading organisations within corporate engagement, maintaining

1) Baseline year 2019.

continuous dialogues with corporate executives. During the year, Federated Hermes conducted more than 2,700 dialogues on various sustainability-related issues on behalf of SEB and other investors. Our collaboration with the IIGCC is part of the Climate Action 100+ initiative. The aim is to influence the 167 companies that account for the largest carbon emissions globally. BP, Repsol and Royal Dutch Shell are among the companies that in recent years have made long-term climate-related commitments.

In 2021 SEB Investment Management was engaged in the CDP's water programme, urging companies to disclose environmental data on climate change, deforestation and water security. SEB Investment Management is also actively focusing on matters related to biodiversity. As an example, the matter was raised through the IPDD where SEB Investment Management discussed sustainable land use and management of natural resources with the Brazilian government, with the aim to combat accelerating deforestation.

Impact investments

Starting in 2013, SEB Investment Management has been a pioneer in offering microfinance funds and is today one of Europe's largest managers of this type of impact funds. SEB Investment Management launched its ninth microfinance fund in 2021, and through the local microfinance institutions, the current funds reach nearly 20 million entrepreneurs in 55 developing countries with more than SEK 7bn in total assets under management[1].

In 2021 SEB Investment Management launched the Global Climate Opportunity Fund – a thematic fund focusing on companies that are assessed to have solutions to global climate challenges. The fund is classified as "dark green" according to the EU's Sustainable Finance Disclosure Regulation (SFDR), which means that it has sustainable investments as its goal, see p. 58.

SEB's Impact Opportunity Fund also works with impact investments, but with a broader mandate to invest in various sectors with a positive impact on sustainable development and the environment.

The Lyxor SEB Impact Fund invests in companies that, through their products or services, offer innovative solutions to environmental or social challenges. The fund invests in five focus areas, including sustainable energy and resource efficiency.

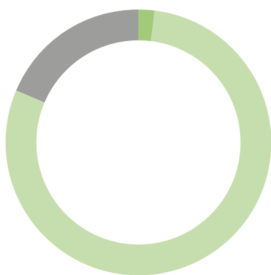
The SEB Global Equal Opportunity Fund, launched in 2021, is a thematic fund that invests in companies that outperform peers in terms of gender equality and diversity in their organisations. The fund also invests in companies delivering services or products that directly or indirectly support equal opportunities from a gender perspective.

SEB Life and Pension

SEB's life insurance company offers insurance and savings solutions for customers mainly in Sweden and the Baltic countries. Sustainability is integrated into the investment process through close collaboration with SEB's asset management organisation with resources that are dedicated entirely to working with sustainability and active ownership.

In 2021 several new investments were made within SEB Traditional Insurance, offered by the Swedish life insurance company. Among the examples are an investment in infrastructure that focuses on technology for fossil-free energy. The aim is to support the transition to lower carbon emissions in sectors such as transport and the industrial sector. Another example is an investment in unlisted companies whose main purpose is to find solutions to environmental and climate challenges, but also to matters such as food waste, health and education.

SEB Investment Management assets under management 31 December 2021



831

SEB Investment Management assets under management, SEKbn

20

million entrepreneurs are reached by microfinance loans

1,250

Number of companies engaged with

1) Includes the Impact Opportunity Fund.

People and community

SEB is committed to having a social impact to enable people and communities to prosper and grow. Through our expertise, products and services we have direct and indirect impacts on employees, customers, portfolio companies and suppliers.

Respecting human rights and labour rights is part of SEB's responsible business practice. We believe in equal rights for children, women and men, and that diversity is a resource that is to be supported, respected and applied. Equal rights and opportunities shall be supported irrespective of gender, national or ethnic origin, religion or belief, age, transgender identity or expression, sexual orientation or disability.

Inclusion and diversity

Inclusion and diversity are high on SEB's agenda, not least with respect to our employees, and we strive to be a role model in all countries in which we operate. SEB has an Inclusion and Diversity Policy in place, and we work in a structured way to actively recruit women to leadership roles, promote equal pay, recruit, develop and promote people with an international background, and increase diversity within teams and management groups.

Through clear routines we ensure a wide selection of applicants when positions are to be appointed, we set key performance indicators and targets at the senior managerial level, and we continuously monitor our progress. Our aim is to ensure diversity in SEB's talent pool and in succession planning for people who in the future are relevant to the bank's various managerial roles.

In 2021 a new recruitment system was introduced, based on various tests to match the right person to the right role. Instead of information about a person's background, gender and age, the manager receives the results from the candidate's test and can therefore make a more objective assessment.

Mandatory training in the prevention of sexual harassment was also introduced for everyone who works for SEB. The purpose is to increase knowledge about what can be considered as sexual harassment and give employees tools to act if something were to occur to oneself or a colleague. At year-end, 93 per cent of all employees had completed the training. Moreover, we became a member of Diversity Charter Sweden, a non-profit organisation that works to promote diversity in the workplace.

Building competence among employees

We have a strong focus on expanding sustainability competence among employees. In collaboration with Stockholm Resilience Centre, SEB offers a training on climate change, which is mandatory for our 15,500 employees globally. In 2021 we also introduced a sustainability training for employees working with private customers as well as small and medium-sized corporate customers. The training aims to lay the foundation for sustainable finance knowledge from an ESG perspective with a key focus on sustainability risks and opportunities and the changing regulatory environment. For several years we have also been offering training in sustainable finance, developed by SEB in collaboration with the United Nations.

Through continuous learning we aim to ensure that employees have the skills needed to perform and develop. In doing so we have been able to avoid major reorganisations with redundancies as a result. In situations where lay-offs for organisational reasons must be implemented, SEB in Sweden works according to a process that is regulated in collective agreements with the trade unions.

Health and work environment

SEB works long term and preventively to ensure a safe and healthy workplace where employees have a good balance between work and private life. In 2021 a new global employment policy was introduced. A majority of all employees can now choose to work from home for up to two days a week.

During 2021, another year marked by the Covid-19 pandemic, sick leave at SEB in Sweden remained low, at just below three per cent. SEB offers a range of measures to promote both mental and physical health among employees, including digital training sessions and lectures on mental health. For a number of years, we have also been offering employees the opportunity to speak anonymously with a psychologist, free of charge.

Sustainability Key Performance Indicators (KPIs) linked to remuneration

SEB recognises the importance of aligning incentive structures with its sustainability ambitions. The bank has group-wide as well as specific goals for the various divisions and units, targeting environmental, social and governance areas, for example carbon emissions, diversity and regulatory compliance.

Sustainability KPIs are integrated in the allocation process of long-term incentive structures for members of SEB's Group Executive Committee (GEC), for managers who report to GEC, as well as for other eligible positions.

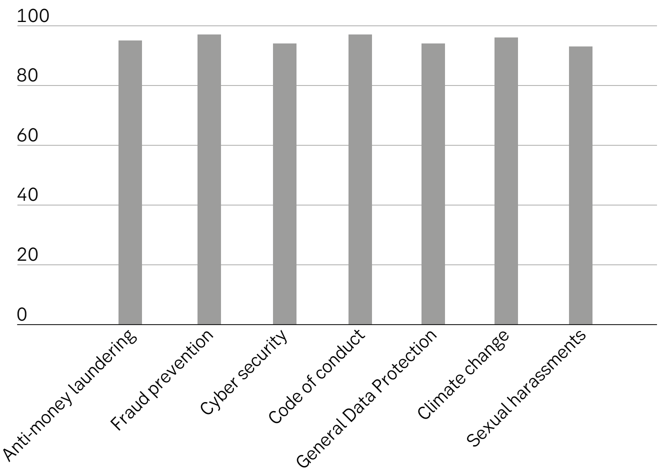
SEB aims to integrate the bank's updated ambitions and goals (see p. 46) into evaluations of SEB's senior managers.

→ For more information on SEB's remuneration principles, see p. 106.

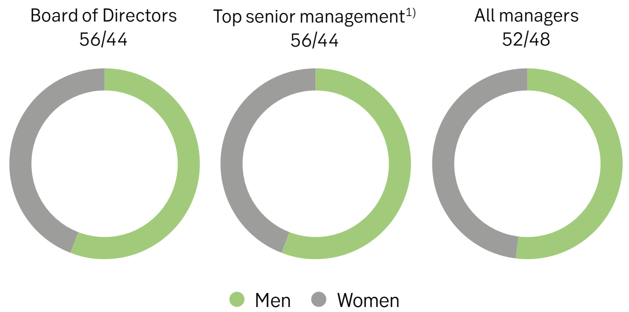
Labour law and trade unions

Cooperation with employee representatives of trade unions and works councils, for example, is an integral part of daily operations and something that is encouraged. We cooperate through the European Works Council (EWC) and with local employee representatives. In Sweden, SEB cooperates with the trade unions at the workplace, at both the divisional and group levels. Trade unions are represented on SEB's board. We adhere to a number of industry-wide collective agreements, and we have entered into local collective agreements to regulate conditions for employees in several countries where we operate.

Mandatory training completed, % of all employees, 2021



Gender distribution (men/women), %



1) Includes the Group Executive Management (GEC) and managers who report directly to GEC.

Human rights risks in our business

SEB assesses the risk for human rights violations in accordance with the group's Human Rights Policy and international agreements. We aim to avoid causing, contributing to, or being directly linked to adverse human rights impacts, and we strive to identify and assess areas where we could potentially have a negative impact in financing or investments through our business relations.

A customer with low human rights ambitions, that might expose people to, for example, danger or violations, could in addition to the risk of causing negative impacts on human beings present a credit risk for the bank. There is also high reputational risk associated with investing in such companies. This type of risk is to be assessed and monitored in the credit and investment processes. SEB Investment Management has strict criteria for how its actively managed funds are to relate to holdings that verifiably breach international norms regarding human rights criteria.

Our approach to child labour and forced labour

SEB is committed to the principles of protecting children and other vulnerable groups from any form of exploitation, including child labour and forced labour. We acknowledge that we, through our business activities, have a potential impact on child labour and forced labour issues. We strive to identify and mitigate our exposure to risks related to these areas and to influence our customers and portfolio companies to have appropriate labour policies and monitoring systems of sufficient quality.

We are also a member of the Swedish Financial Coalition against Commercial Sexual Exploitation of Children which seeks to prevent and impede payments associated with child abuse through the Swedish financial system.

Business ethics and conduct

Trust in the financial system is crucial for SEB to do business that benefits customers, shareholders, economic development and society at large.

It has always been a priority for SEB to maintain the highest standards of business ethics and we strive to continuously improve processes and procedures. We are guided by global initiatives and international standards, and over the years we developed own documents that steer and support our work.

Code of Conduct

SEB's Code of Conduct describes SEB's way of working, the bank's values, ethics and standards of business conduct and provides guidance on how employees are to abide by these values. The Code covers all employees of the SEB Group – in all markets where we operate – and helps employees in their efforts to build enduring relationships with customers and other stakeholders. Training in SEB's Code of Conduct is mandatory for all 15,500 employees.

→ See sebgroup.com

Customer data ethics

In 2021 SEB adopted a Customer Data Ethics Policy, which sets the framework for responsible handling of customer data, data-driven innovation and the use of artificial intelligence. The policy consists of eight principles for responsible business development and innovation that aim to protect customers and ensure confidence in the bank. These principles aim to safeguard human rights, protect customers and ensure that customer data is handled in an ethical and responsible manner in the continuous development of SEB's services and offering.

→ See sebgroup.com

Protecting privacy is of utmost importance to SEB when processing customers' personal data. Our customers should always feel safe in their relationship with SEB and in the processing of their personal data. We therefore always make sure that we process information provided by customers correctly and in compliance with applicable confidentiality and personal data protection regulations. Furthermore, we always require that persons who are charged with the handling of personal data on our behalf undertake by written agreement to observe a duty of confidentiality and SEB's strict IT-security requirements.

Anti-corruption

SEB works actively to prevent the risk of being used for corruption in line with applicable rules and regulations as well as its own internal rules and ethical standards. SEB does not engage in or tolerate unlawful or unethical business practices, and does not tolerate involvement in or association with corruption under any circumstances. In 2021, SEB adopted an Anti-Corruption Policy, which sets the framework for anti-corruption measures in SEB and establishes principles for analysing the risk of corruption and measures to prevent corruption. Furthermore, the policy establishes principles for managing corruption risks associated with intermediaries and other third parties. SEB's employees are required to comply with relevant external and internal restrictions pertaining to giving and accepting gifts and business entertainment, in order to avoid allegations of bribery or corruption.

Position on lobbying and unethical influence

SEB has strict guidelines for unethical influence, whether within business or society. All actions and decisions are to be in compliance with laws, regulations and other external rules as well as with internal instructions and policies, such as SEB's Code of Conduct. We may not support political parties through donations or otherwise.

Whistleblowing

SEB has a whistleblowing process for reporting irregularities. Employees or other persons who suspect potentially unethical or unlawful behaviour are to report their observations. Reports can be made completely anonymously via the digital service WhistleB. This service is entirely independent from SEB and meets the most stringent security requirements regarding encryption, data security and protection of the whistleblower's identity. All reported incidents or circumstances are promptly investigated and, when applicable, reported to the bank's CEO and the Audit and Compliance Committee.

Our approach to tax

In SEB's business, tax management and tax governance are relevant and important. With operations in more than 20 countries, SEB acknowledges the changing landscape around tax from both regulators and society and puts strong efforts in securing compliance with applicable tax laws and regulations. The bank strives to maintain high standards for tax governance, monitoring risks and ensuring tax compliance.

Products and services offered by SEB impact the tax situation for SEB and its customers and must always have business rationale. SEB must not use, encourage or facilitate – nor cooperate with external parties to facilitate – products or services that are in conflict with tax legislation or anti-tax avoidance law.

SEB has policies and procedures in place, and works actively with risk assessment, frameworks and controls, to ensure compliance with applicable tax laws and regulations related to its business. SEB is committed to meeting expectations on transparency in respect of its tax management. The Tax Policy is adopted by the Board and is reviewed annually.

SEB's income tax expense, SEKm

2019	2020	2021
4,717	4,100	5,441

The environment

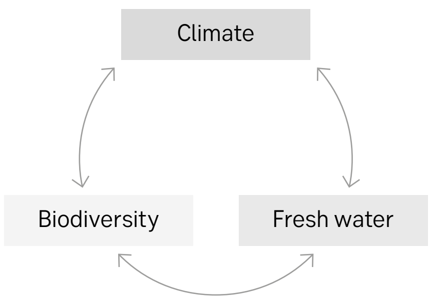
At SEB we address environmental aspects in our financing and investment activities as well as in managing our direct impacts.

Our environmental responsibility concerns the impact that we or our business partners have on living and non-living natural systems, including ecosystems, land, air and water. We are aware of and develop our abilities to manage impacts on the environment as well as the risks and opportunities that a changing environment may entail for us and our customers.

In order to better address SEB's impact on climate, fresh water and biodiversity we continuously develop policies related to this area. In late 2021 and early 2022 SEB worked with developing and updating its Environmental Policy with the aim to adopt it in the spring.

Interconnection of three areas

The interconnection between climate change, fresh water and biodiversity is inseparable, with significant impacts on society. Extreme weather events and changing habitat structures caused by climate change, are having an impact on various species. Conversely, biodiversity contributes to ecosystem services that support climate change adaptation and mitigation. The same interconnection applies to fresh water, vital as drinking source for flora and fauna, which can impact climate and biodiversity through for example evaporation and absorption effects.



The aim of SEB's Environmental Policy is to set the principles and approaches for managing environmental factors in financing and investments, primarily through sector policies. With the policy we acknowledge our role as a financial intermediary, our potential impacts and our position in each of the focus areas. Furthermore, we express what we expect from the companies in sectors with potential significant impact and how we aim to assess and engage with the customers in order to support a transition.

SEB aims to further develop its methodologies to integrate climate, fresh water and biodiversity considerations in business decisions as well as explore the integration of more environmental areas in the policy.

→ See our Environmental Policy at sebgroup.com

→ See Sustainability notes, p. 208.

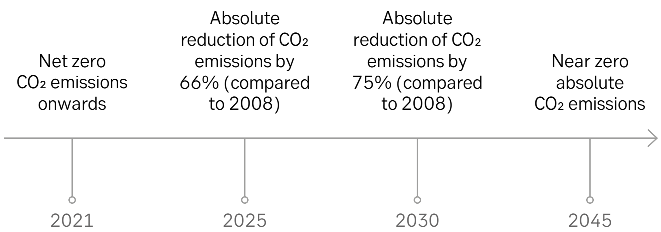
Involving stakeholders

In the development of the Environmental Policy, SEB organises stakeholder meetings with actively engaged civil society organisations to get technical input and insights on the relevant challenges and priorities that are identified in the impact analysis that is described on p. 45. SEB has also joined the network Business@Biodiversity Sweden, to gain further knowledge that can be integrated into the work with biodiversity in product development and risk management.

SEB's direct environmental impacts

SEB has a responsibility and works actively to reduce its direct environmental impacts. Since 2008 we have been measuring our carbon emissions from energy consumption, use of paper, company cars and business travel. From 2021 we also measure our carbon emissions from waste.

We have set the following direct CO_2 targets:



To achieve these targets SEB will:

- improve energy efficiency of operations and buildings
- use renewable energy in buildings owned or rented by SEB
- reduce business travel by using alternative meeting formats and reduce travel-related fossil emissions
- shift to an electrified fleet of company cars
- work together with suppliers to minimise SEB's broader carbon footprint
- provide transparent reporting on SEB's emissions profile and the actions SEB undertakes to manage and mitigate emissions. SEB is a signatory to the CDP.

In 2021 we continued to see the effects of the Covid-19 pandemic, mainly on business travel, which more than halved in terms of carbon emissions compared to 2020. SEB's total carbon emissions decreased by almost 4 percent from 9,734 tonnes in 2020 to 9,389 tonnes in 2021, which is significantly below the bank's target of limiting emissions to 17,000 tonnes ±5 percent by 2025. The long-term ambition is to reduce own carbon emissions to close to zero in 2045.

In 2021 SEB acquired emission rights corresponding to 5,000 tonnes, compensating for part of the direct emissions measured in 2020. SEB achieves the goal to become climate neutral for 2021, through climate compensation. Emission rights are acquired during 2022.

Sustainability governance

As a bank we have a responsibility for how we conduct our business, what we finance and what we invest in. With a clear governance structure, internal policies and in line with our commitments we ensure that our efforts are implemented throughout the group.

Strong and effective governance is important for successful progress. SEB has created a robust sustainability governance model that, with clear roles and mandates on different levels, covers the economic, social, environmental (including climate), and ethical dimensions of the business. This model determines how we set our strategy and work to implement it in practice. The strengthened sustainability organisation, Sustainable Banking, is now well established, and since 2021 designated sustainability managers have been appointed in all of SEB's home markets.

The *Board of Directors* is ultimately responsible for establishing a strategy for corporate sustainability and an organisation to execute this strategy. SEB's sustainability endeavours are an integral part of the business and are regularly included on the Board's agenda, together with an annual review of policies and instructions.

The Board approves SEB's strategy and business plan, including sustainability considerations, the Corporate Sustainability Policy, thematic policies and the Sustainability Report. Sector policies are approved by the Board's Risk and Capital Committee.

The *President and Chief Executive Officer (President)* is responsible for execution of the sustainability strategy and implementation of the governance structure set by the Board.

At the executive level, sustainability issues are handled within the *Group Executive Sustainability Committee (GESC)*, chaired by the President. The GESC is a group-wide decision-making body that addresses matters related to corporate sustainability activities in SEB.

The *Group Risk Committee (GRC)*, also chaired by the President, is a group-wide decision-making body that addresses all types of risk at the group level, including sustainability and reputational risks.

The *Chief Sustainability Officer* is a member of the extended Group Executive Committee (GEC), the GESC and GRC, and is also Head of Sustainable Banking. This is a first-line, operational body in the SEB Group that gathers SEB's expertise and takes a holistic approach both strategically and commercially.

Sustainable Banking is responsible for coordinating and driving the overall sustainability agenda in close collaboration with the divisions, group staff and support functions.

Assessment of new products

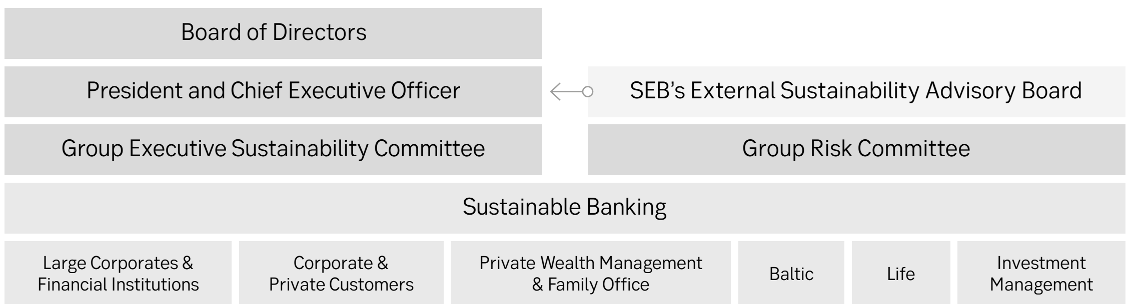
Administrated by Sustainable Banking, the *Sustainability Product Committee (SPC)* centralises assessments of new products. The SPC decides on the right for SEB units to use any sustainability reference in the marketing or distribution of products or services, such as, reference to ESG (Environmental, Social, Governance) factors, the UN Sustainable Development Goals and the EU Taxonomy. The *Environmental and Sustainable Product Steering Committee (ESPSC)* is a sub-committee of the SPC and decides on the eligibility of assets for the SEB Group's sustainability-related funding programmes.

Procedures and controls

Each Head of Division, Head of Group Support function and Head of Group Staff function is responsible for ensuring that procedures and controls are in place to implement and follow up sustainability objectives, and that strategy and policies set by the Board, the President and the GESC are adhered to. The *Sustainability Business Risk Committees* in the divisions assess and decide on new customers or transactional proposals from a sustainability risk perspective before bringing the onboarding or transaction for decision by the relevant decision-making body.

Sustainability governance in SEB Investment Management

The subsidiary SEB Investment Management is a division and is included in SEB's governance structure. As a subsidiary, the fund company is a separate legal entity with its own board of directors. The company operates in accordance with the Sustainability Policy for SEB Investment Management and Principles for Shareholder Engagement for SEB Investment Management. Within the executive management team, the Head of Sustainability and Governance is responsible for developing and coordinating this work, including climate change.



Advising SEB, upon invitation by the President. See p. 101.

Sustainability policy framework

SEB's sustainability policy framework covers the Corporate Sustainability Policy, thematic policies and sector policies. The framework provides guidelines on best practice and on the international conventions and standards that the bank encourages companies to follow.

The Corporate Sustainability Policy defines the framework for sustainability in SEB and provides a governing platform for our sustainability work for all business decisions, including investment and credit decisions. The thematic and sector policies primarily take a risk-based approach to address sustainability in financing and investment activities.

The framework is reviewed annually in order to strengthen the business and in line with regulatory, technological and industry-specific development. In 2021 SEB made a major revision of the Sector Policy on Fossil Fuels, and also updated the Policy on Mining and Metals. The Environmental Policy, covering climate change, fresh water and biodiversity, is adopted in spring 2022, after a major review. The policies on Forestry, Renewable Energy and Shipping were also updated. Moreover, SEB published its first Sector Policy on Transportation.

→ See p. 55.

Overall framework

Corporate Sustainability Policy

Corporate Sustainability Governance Instruction

Sustainability Policy Implementation Instruction

Thematic policies

Environmental Policy

Human Rights Policy

Sector policies

Arms and Defence

Forestry

Fossil Fuels

Mining and Metals

Renewable Energy

Shipping

Transportation

Tobacco

Gambling

Other group policies

SEB has several other group-wide policies that guide our employees in relation with customers as well as with colleagues. Examples include:

- Code of Conduct → See p. 54
- Customer Adoption Standards (CAS) → See p. 89
- Anti-Corruption → See p. 54
- Customer Data Ethics Policy → See p. 54
- Inclusion and Diversity Policy → See p. 52
- Modern Slavery Act See sebgroup.com
- Tax Policy → See p. 54

Sustainability commitments

SEB has committed to numerous international codes and agreements and signed frameworks that guide the work of the bank. Among the international agreements that SEB supports are the Paris Agreement, the UN Sustainable Development Goals (SDGs), the Universal Declaration of Human Rights, and the UN Guiding Principles on Business and Human Rights.

→ For the full list, see sebgroup.com

SEB has joined or publicly endorsed (year of signature):

- *The UN Global Compact* (2004) – a framework for companies to implement sustainability principles on human rights, labour rights, the environment and anti-corruption.
- *The UNEP FI Principles for Responsible Banking* (2019) – a sustainability framework for banks to positively contribute to society by integrating the Paris Agreement and SDGs in objectives and business processes. See p. 45.
- *The Net-Zero Banking Alliance, NZBA* (2021) – SEB is a founding signatory of the NZBA, which aims to accelerate the transition of the global economy to net zero emissions by 2050.
- *Net Zero Asset Managers initiative* (2020) – commitment to support the goal of net zero greenhouse gas emissions by 2050.
- *Task Force on Climate-related Financial Disclosures, TCFD* (2018) – recommendations for voluntary climate-related financial disclosures.
- *The Principles for Responsible Investments, PRI* (2008) – the UN-supported six investment principles for incorporating sustainability aspects into investment practice.
- *The Equator Principles* (2007) – voluntary framework for lenders and borrowers in project finance.
- *The Poseidon Principles* (2020) – a framework to promote international shipping's decarbonization.
- *Responsible Ship Recycling Standards* (2021) – a bank initiative for ensuring environmentally and socially responsible dismantling and recycling of ships.

EU regulatory development

To achieve the commitment set out in the EU Action Plan on Sustainable Finance, a number of interlinking regulations have been enacted to redirect capital flows to a sustainable economy.

The EU classification system, the Taxonomy Regulation, provides definitions of sustainable economic activities, and specifies reporting requirements on the proportion of environmentally sustainable economic activities in businesses, investments or lending activities. SEB is integrating the EU Taxonomy into its business strategy, processes and procedures (such as in the updated Green Bond Framework and the Customer Sustainability Classification model) and in product development and customer advice, for financing and investments (see p. 22, 45, 49, 56, 62, 64).

SEB is incorporating the sustainability reporting requirements in accordance with the current Taxonomy disclosure delegated act (see Taxonomy mandatory report below and Taxonomy Voluntary report on p. 209). As the availability of taxonomy-related data increases, banks and other financial institutions will be able to provide complete taxonomy reporting on their assets, including the Green Asset Ratio (GAR) and the Green Investment Ratio (GIR).

Sustainable Finance Disclosure Regulation (SFDR)

The SFDR is designed to make it easier for investors to distinguish and compare sustainable investment strategies and provide greater transparency on the degree to which financial products have sustainable characteristics or objectives. The first part of the regulation came into force in 2021, and at year-end all funds managed by SEB Investment Management were categorised based on whether the fund has sustainability as its objective (Article 9 or dark green), promotes sustainable characteristics (Article 8 or light green) or does not integrate sustainability-related considerations into investment decisions (Article 6 or grey). SEB has included information in its fund lists and has introduced new web pages to help its customers understand, compare and monitor sustainability characteristics in SEB's fund offering.

EU Platform on Sustainable Finance

The EU Platform on Sustainable Finance is an expert group with the mandate to advise the EU Commission on development and application of the EU Taxonomy.

SEB is one of two European commercial banks represented in the platform. SEB has actively worked with the Nordic and Baltic banking associations and their members to share the latest public information about progress and gather views regarding the development of the Taxonomy. The members of the platform advise the EU Commission in the following areas, among others:

- development of a taxonomy for the remaining four environmental objectives (in addition to climate mitigation and adaptation) – biodiversity, water and marine resources, pollution prevention and control and circular economy
- the conceptual framework for an extended taxonomy including the disclosure of activities that are harmful or have low environmental impact
- the conceptual framework for a social taxonomy.

EU Taxonomy reporting

For credit institutions the main Taxonomy-related key performance indicator will be the Green Asset Ratio, GAR, which shows the share of Taxonomy-*aligned* assets. Such assets are defined as assets which fulfill the Taxonomy criteria, including substantially contributing to at least one of the six environmental objectives stated in the Taxonomy regulation.

Full GAR-reporting is required from 2024, for financial year 2023. For financial year 2021, credit institutions are required to, among other things, report the share of Taxonomy-*eligible* and *non-eligible* assets to total assets. Taxonomy-*eligible* assets relate to economic activities covered by the Taxonomy environmental objectives, which have the potential of being defined as Taxonomy-*aligned* based on future undertaking/investee Taxonomy reporting. Credit institutions' *mandatory* Taxonomy disclosures should be based only on information reported by undertakings/issuers. Since non-financial undertakings will start reporting in accordance with the Taxonomy regulation in 2022, financial institutions have limited access to such information. However, public information and customer knowledge may be used to *voluntarily* disclose Taxonomy-eligible assets.

SEB's Taxonomy reporting covers the SEB Group, including life insurance business. The 2021 *mandatory* report includes household mortgage loans identified as Taxonomy-eligible assets, based on the underlying collaterals (real estate). Other assets, Taxonomy eligible or non-eligible, can be identified based on taxonomy reporting provided by undertakings/issuers only from 2022 onwards.

Mandatory EU Taxonomy report

Assets	Assets SEKm 2021	Share of total assets, %
Exposures to Taxonomy-eligible assets[1]	618,756	19
Exposures to Taxonomy non-eligible assets[1]	–	–
Exposures to central governments, central banks and supranationals	492,093	15
Derivatives (hedge accounting)	973	0
Exposures to non-NFRD undertakings[1) 2)]	–	–
Trading portfolio (incl. derivatives excl. hedge accounting)	350, 692	11
On demand inter-bank loans	6,745	0

1) Reported only to the extent data is reported for the underlying economic activity.
2) EU Non-Financial Reporting Directive, requiring Sustainability reporting for certain large companies (> 500 employees).

Voluntary Taxonomy report

For SEB's voluntary Taxonomy report, see p. 209.

Engaging with stakeholders

We engage with key stakeholders to ensure that we prioritise the most important issues. Among all our stakeholder groups, strong focus was on sustainability, especially on climate, change during the year.

Customers

For corporate customers, sustainable finance became increasingly important in advising, products and services. Customers appreciate that SEB has been a strong financial partner through the pandemic. However, they expressed some frustration about the administrative burden banks put on them with thorough know-your-customer (KYC) and anti-money laundering processes. SEB earned the top rating in the Prospera survey on sustainability advice (published in 2021 and 2022) among large corporates and financial institutions in the Nordic region.

Private customers in Sweden are highly engaged in sustainability. More than 7,000 customers responded to SEB's annual sustainability survey. They cited climate change, clean water and sanitation, and biodiversity as areas they want SEB's fund company to prioritise in its engagement work. Moreover, customers appreciated the improved services in the mobile bank app as evidenced by high usage.

Investors, shareholders and analysts

The effects of the pandemic continued to be in focus among investors, shareholders and analysts, however more from a point of economic recovery, both in terms of increased revenue momentum and how net expected credit losses would evolve in 2021 and 2022. With the lifting of dividend restrictions in autumn 2021, capital repatriation was a frequently discussed topic. SEB paid an additional ordinary dividend in November, and also initiated a share repurchase programme. The strong inflow of deposits and its effect on SEB's funding mix and funding plans was a topic among both equity and debt investors. Sustainability remained high on the agenda.

Employees

SEB's employees are engaged, have great confidence in SEB's future and management, and feel that they can speak their minds, develop, and contribute to change. Among areas of improvement, employees noted cross-functional collaboration, communication in connection with decision-making and further improvement of the customer experience. A survey associated with the pandemic showed that employees generally felt well-supported, knew how to prioritise their tasks, and felt that the bank had taken big steps forward in technology and collaboration tools.

→ See p. 26.

Society – regulators, media and NGOs

SEB is engaged in continuous dialogues with regulators and supervisors at the national and international levels, through bilateral and multilateral meetings and in various industry forums. Topics of focus during the year included, among others, anti-money laundering, customer protection and sustainability, such as integration of sustainability and climate risk in processes and disclosures. We had dialogues with non-governmental organisations (NGOs), consumer advocate groups and the media through direct dialogues, local engagements, round table discussions and press conferences. In 2021, among both the media and NGOs, strong focus was on our approach to climate change and fossil fuels, while the engagement on biodiversity increased among NGOs.

In the media the pandemic remained a key topic, with focus on the economic recovery and the return to the workplace. Also, fraud and crime prevention were in focus.

Our suppliers

SEB has established procedures to evaluate and select suppliers and contractors, based on financial, environmental, social and governance aspects. These aspects include environment, labour practices and human rights, fair business practices and sustainable procurement. These are to be taken into account in procurement decisions along with other risk factors and commercial aspects. We monitor suppliers' processes and performance where appropriate. These standards are described in SEB's Code of Conduct for Suppliers.

To identify sustainability risks among our suppliers, SEB starts with an initial assessment. The sustainability risk level for each supplier is determined by country, industry sector and business criticality. Suppliers that are identified as having a potential elevated risk level in the risk assessment are subject to an enhanced assessment. In 2021 SEB's Group Technology strengthened its screening of approximately 30 key suppliers with deeper assessments and enhanced ESG requirements on their products and services.

During 2022 an updated tool for the initial assessment will be launched. The tool will also enable a wider portfolio review.

Climate risk strategy

Climate change is accelerating and has become the greatest and most urgent challenge of our generation. SEB is committed to aligning its strategy with the Paris Agreement and contributing to the transition to a low-carbon society. As a bank, we have both a responsibility and the ability to create financial solutions that accelerate the transition while supporting our customers. During 2021, we intensified our efforts to manage risks related to climate change.

With this report we aim to provide a transparent overview of our strategy for reducing the bank's climate impact and share our risk management process for identifying, assessing, and managing climate-related risks. The report is prepared based on the TCFD recommendations and covers the SEB Group including the subsidiary SEB Investment Management (the fund company). The fund company's climate report is presented on p. 69.

SEB is uniquely positioned to contribute to the transition

SEB aims to contribute to a more sustainable society by supporting our customers and portfolio companies in meeting their climate-related goals. We do this by offering innovative and sustainable financing, advisory and investment solutions. As a bank we have an important role to play in channeling the vast investments required to make the transition happen.

One of the most important challenges for tackling climate change is the transformation of large industrial companies in sectors with a material carbon footprint, such as power generation, transportation, and construction. As a long-term major financial partner to large Nordic companies and a prime Nordic asset manager, SEB is uniquely positioned to support customers in this transformation. We also participate in the transformation of small- and medium-sized corporate customers. We believe that we can add value to customers in this segment as well by leveraging our experience from working with the transformation of large corporates.

Our climate change strategy includes engaging in active dialogues with customers, and in return we expect our customers to be transparent and share their transition plans and progress. SEB believes that engagement and inclusion are the best ways to achieve the necessary transformation. However, SEB orderly phases out engagements where convictions do not align.

Ambitions and goals

SEB has defined three new climate-related ambitions and goals, including laying out a path for the reduction of our fossil fuel credit exposure and at the same time setting growth ambitions for our sustainable products, advisory services and investments. The goals are presented in more detail on p. 46. The metrics can be summarised as follows:

- Carbon Exposure Index – The Brown: Measuring the fossil fuel credit exposure within the bank's energy portfolio
- Sustainability Activity Index – The Green: Measuring volumes for sustainable financing, sustainable finance advisory, venture capital investments within greentech, and Article 9 financial investment products' share of assets under management
- Transition Ratio – The Future: Assessing our customers' climate impact and alignment with the Paris Agreement, by classifying our credit portfolio using our internal Customer Sustainability Classification model.

These ambitions and goals will be followed up and reported on an annual basis.

SEB is uniquely positioned to contribute to the transformation due to its position as a large corporate bank

SEK 2,726bn credit portfolio as per 31 Dec. 2021

Measuring our credit portfolio's climate impact

To understand the climate impact of SEB's credit portfolio, assets and customers are analysed from different perspectives.

SEB's credit portfolio from a top-down climate perspective

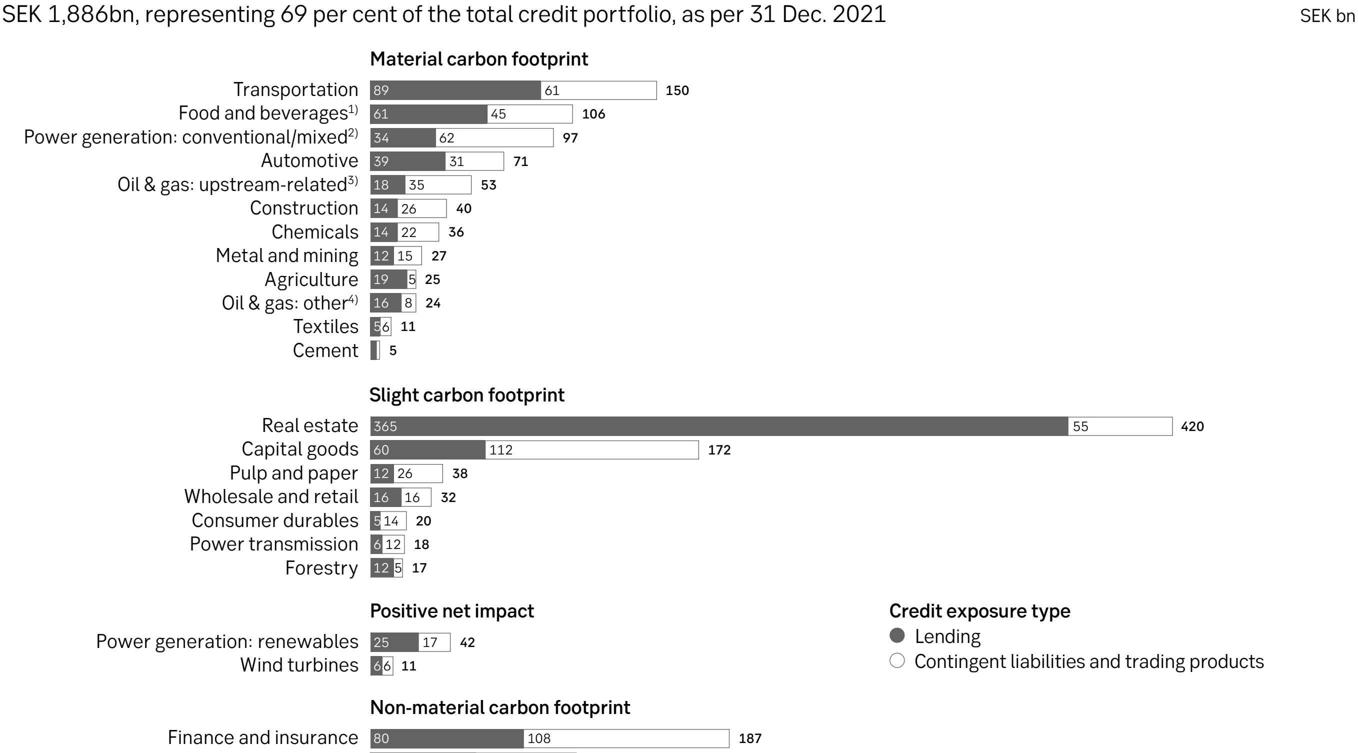
Understanding the carbon footprint of the bank's credit portfolio is the starting point for taking action on climate change and setting meaningful strategic targets. As illustrated in the chart below, SEB has categorised its corporate and real estate credit portfolio into industry sectors. The industry sectors have thereafter been sorted into four categories based on their average carbon footprint:

1. Sectors with a material carbon footprint. This includes sectors such as power generation, transportation, automotive, construction, and agriculture.
2. Sectors with a slight carbon footprint, such as real estate, capital goods, pulp and paper as well as wholesale and retail.
3. Sectors with a very limited, or even positive carbon footprint, such as producers of renewable energy.
4. Sectors that are currently out of scope due to their non-material carbon footprint. The service sector is such an example.

It is important to note that these categories only reflect the sectors' average carbon footprint, and not the individual customers' footprint. Customers within the same sector have different carbon footprints depending on, for instance, the technology used and energy sources. The customers' future climate impact may differ even more depending on their transition plans. The break-down of SEB's corporate and real estate credit portfolio is a high-level overview of SEB's credit exposure from a climate perspective.

Breakdown of SEB's corporate and real estate credit portfolio reflecting the sector's carbon footprint

SEK 1,886bn, representing 69 per cent of the total credit portfolio, as per 31 Dec. 2021



1) Production and wholesale & retail.
2) Companies with a power generation mix that is non-renewable or a mix of non-renewable and renewable.
3) Exploration and production, oilfield services and offshore.
4) Transport, distribution & storage, refining, retail and other.

SEB's credit portfolio from a bottom-up climate perspective – The Customer Sustainability Classification model

To gain a more correct and granular view of our corporate and real estate portfolio's climate impact, we have to assess each customer's actual climate impact. For this purpose, we have developed a proprietary model: the Customer Sustainability Classification model (CSC).

The CSC model assesses how aligned the customer's business activities are with the climate objectives of the Paris Agreement. The model is used in customer meetings as a hands-on tool to discuss the customers' transition plans. The CSC model will be a key component of both business strategy and risk management going forward.

The CSC model focuses on customers in the sectors that have a material or slight carbon footprint. SEB has developed its own methodologies for assessing 32 industry sub-sectors within these two categories. These methodologies currently cover roughly 70 per cent of the corporate and real estate portfolio's credit exposure.

The methodologies draw on definitions, targets, and transition indicators set in the EU Taxonomy, the Paris Agreement as well as EU or country-specific regulations, and initiatives.

To perform the assessment, SEB collects information about the customer's baseline year and current emissions, and its short-term (≤5 years), medium-term (6-15 years) and long-term (16 years–2050) reduction targets compared to baseline. This results in four data points that illustrate the customer's transition journey.

The customer's transition journey is then compared to what the sector as a whole needs to achieve in order to reach the objectives of the Paris Agreement. The outcome at each data point in the customer's transition journey is then weighted into one final overall classification of the customer.

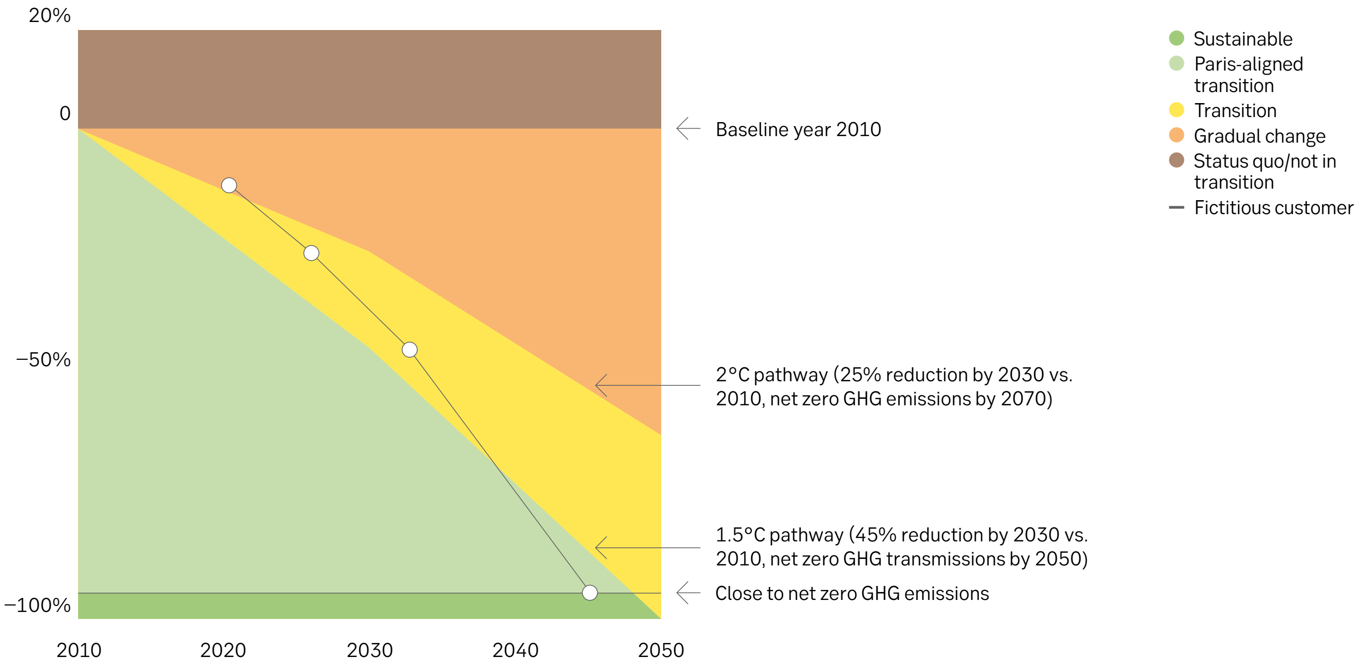
There are five customer classification categories:

- *Sustainable:* Companies with already sustainable activities and/or very limited greenhouse gas (GHG) emissions
- *Paris-aligned transition:* Companies in transition with plans aligned with the Paris Agreement target to limit global warming to 1.5°C (net zero GHG emissions by 2050)
- *Transition:* Companies in transition with plans aligned with a target to limit global warming to around 2°C (net zero GHG emissions by 2070)
- *Gradual change:* Companies in transition but with plans that are not aligned with the 2°C target
- *Status quo:* Companies with no or limited transition plans.

In the chart below a fictitious customer's transition journey between 2020 and 2050 has been plotted against what is needed for the relevant sector as a whole to achieve a Paris-aligned transition.

As a result of the individual classification, a company with a credible and ambitious transition plan but active in a sector with a material carbon footprint could still be classified as in 'transition' or in 'Paris-aligned transition'.

Sample sector transition scenarios and a fictitious customer's transition journey



Selection of sector methodologies for the CSC model

The availability and accuracy of greenhouse gas emissions data differs between companies and sectors.

For large companies in sectors where regulatory thresholds are either defined or in scope for the EU Taxonomy (e.g., power generation and automotive), indicators are often publicly disclosed, which allows for modelling of transition paths.

For other sectors like capital goods and food processing, where emissions related to the supply chain are significant, data availability, while improving, remains limited. The table below shows which indicators are used for a selection of sectors in SEB's model.

Sector	Indicators[1]
Food and beverages	Scope 1, 2 & 3 supply chain and transport
Power generation	gCO_2/kWh
Automotive	gCO_2/km
Oil & gas	gCO_2/MJ
Construction-infrastructure	Scope 1, 2 & 3 supply chain
Chemicals	Scope 1, 2 & 3 supply chain
Steel	Tonnes CO_2 per tonne crude steel
Textiles	Scope 1,2 & 3 supply chain
Cement	Tonnes CO_2 per tonne cement
Real estate	kWh/square metre
Capital goods	Scope 1, 2 & 3 supply chain
Food retail	Scope 1, 2 & 3 supply chain
Pulp & paper	Scope 1, 2 & 3 transport
Consumer durables	Scope 1, 2 & 3 supply chain

1) Scope 1: Direct emissions from sources owned or controlled by the company. Scope 2: Indirect emissions resulting from electricity, heat, or steam purchased by the company. Scope 3: Indirect emissions from sources not owned or controlled by the company, e.g. related to the supply chain.

Customer sustainability classification – 2021 progress

The CSC model was developed in 2020 and was tested in a pilot project comprising a large number of customers in sectors with material or slight carbon footprint.

In 2021, an ambitious goal to assess 50 per cent of the total corporate and real estate credit portfolio in sectors with material or slight carbon footprint was reached. In addition, the CSC model has been integrated into the business decision process by introducing a requirement to classify customers in sectors with a material carbon footprint.

To promote lending in line with SEB's sustainability strategy and targets, an internal funding cost adjustment based on the outcome of the classification has been introduced for large corporate customers. New green financing (eligible based on the criteria in the Green Bond Framework) receives a discount, while a surcharge is applied to new lending that is classified as brown or orange in the model.

Not all assessments result in an actual classification of the customer due to a lack of sufficient data and/or data quality issues. Of the credit portfolio assessed, 60 per cent had been classified by year-end 2021. As companies gradually improve their climate reporting, the quality and coverage of the classification will improve.

Once individual customers have been classified, the results can be aggregated on a portfolio level to show the climate impact of a certain sub-portfolio (for example SEB's automotive or power generation portfolio) or the whole corporate and real estate credit portfolio.

In 2021 SEB introduced a new credit portfolio goal called Transition Ratio. This ratio shows the share of SEB's corporate and real estate credit portfolio that is classified as dark green, light green, or yellow in the model. The Transition Ratio will be a powerful tool for setting strategic goals with the purpose to further develop SEB's activities in line with the objectives of the Paris agreement. The Transition Ratio is described on p. 46.

The most valuable outcome of the assessments so far has been the insight the process has provided into the challenges and opportunities our customers face when transforming their operations. This has enabled SEB's client executives to engage in constructive dialogues with customers about their transition plans and to support them with advisory services and financing.

Classification of customers will continue in 2022, and the long-term ambition is to expand the CSC model to cover a broader sustainability spectrum than climate, such as for example biodiversity and water.

Governance and management of climate-related risks

SEB's climate risk governance is an integrated part of the sustainability governance framework. Climate risk management focuses on both physical and transition risks.

Governance of climate-related risks

Climate-related sector policies

SEB has adopted sector policies as sub-policies to the thematic Environmental Policy, which is part of the overall sustainability policy framework. These sector policies have been developed to ensure that lending and investment decisions contribute toward fulfilling SEB's overall sustainability ambitions. The policies clarify SEB's expectations and restrictions for providing financial services to, and making investments in, companies involved in certain activities. As stated in the General Credit Policy, all lending should be in line with the sustainability sector policies.

In order to emphasise SEB's commitment to the Paris Agreement, one of the principles in the bank's Customer Acceptance Standards (CAS) states that "customers in industries with a high negative climate impact and without a credible plan to manage the transition to a low-carbon economy shall be avoided." SEB's CAS are described on p. 89.

During 2021 SEB continued to develop and strengthen its climate-related policy framework by sharpening its sector policy for companies with activities in fossil fuels and introducing a new sector policy for companies with activities in mining and metals. These policies are based on operational guidance on sustainable practices for certain industries, provided by the Paris Agreement and the EU Taxonomy.

In general, SEB expects customers and portfolio companies in these sectors to develop transition plans in line with the Paris Agreement and have public or non-public policies reflecting those plans.

The bank also defines risk strategies and portfolio caps for certain sub-portfolios, which are reviewed on an annual basis.

SEB's sector policy on fossil fuels strengthened in 2021

SEB's sector policy on fossil fuels is deemed to be the most important policy from a climate perspective.

SEB has long-term relationships with corporate customers that have fossil fuel-related activities such as coal-fired power generation and oil and gas exploration and production. This customer base is largely a reflection of the national energy and industry mixes in SEB's home markets (the Nordic countries, the Baltic countries, Germany, and the United Kingdom).

However, the extraction and burning of these fuels must be gradually reduced and replaced as part of a transition to a low carbon society. SEB has therefore adopted a strategy for customers in this sector, which involves a gradual shift away from companies without a credible transition plan aligned with the Paris Agreement.

Managing and reducing thermal coal exposure

SEB's policy since many years is to not provide dedicated financing to thermal coal mines. The bank also avoids entering into new business relationships with companies that operate thermal coal mines or have major business in coal-fired power generation (CFPP). With respect to existing customers SEB does not finance new projects or capacity expansion related to thermal coal extraction, greenfield and brownfield mine expansion, related infrastructure projects and new CFPPs, including lifetime extensions and capacity increases of existing plants.

In general, providing financing to or investing in existing customers with a material share of revenues from coal mining and coal-fired power generation is avoided. By 2025, SEB will have exited current customers with more than 5 per cent of revenues from thermal coal mining or coal-fired power generation. There is a time-limited exception for Germany, where the phase-out will be completed by 2038 in line with the German Coal Phase-out Act.

Managing and reducing oil & gas exposure

In 2019 SEB defined a risk appetite in absolute terms for credit exposure to the exploration and production of oil & gas and oil-field services segments. The risk appetite is revised downwards on an annual basis. In 2020 the bank also put in place an exit strategy for the offshore segment.

The bank's credit portfolio of oil & gas upstream-related activities is comprised of exploration and production (70 per cent), oilfield services (17 per cent) and offshore (13 per cent), and amounts in total to SEK 53bn.

SEB will not provide financing for or invest in projects and assets related to environmentally sensitive areas (such as the Arctic), and unconventional oil and gas (such as oil sands and fracking). In addition, the bank will not enter into new business relationships with companies that have more than 5 per cent of revenues from activates in these areas. Current business relationships with such companies will be phased out by 2030.

During the transition period, SEB aims to only work with oil companies that have the lowest scope 1 and scope 2 emissions and to primarily engage with existing core customers in home markets.

Implementation of sector policies to clarify expectations

SEB uses three different implementation levels in its sector polices to clarify expectations and requirements for providing financial services to and making investments in companies.

Implementation level	Description	Example
Expectations	Non-adherence to SEB's expectations requires actions that over time will ensure adherence. This triggers dialogue with customers about their plans and commitments.	SEB expects customers and portfolio companies to develop a Paris-aligned transition plan for scope 1, 2 and 3 GHG emissions including relevant targets.
Requirements	Non-compliance requires active decisions on SEB's engagement by a relevant committee.	SEB requires shipping companies to comply with the applicable Energy Efficiency Index (EEXI or EEDI) and Carbon Intensity Indicator (CII) when applicable.
Restrictions	SEB restricts financial services to companies in breach of certain criteria.	SEB will not provide new dedicated financing to coal mines or coal-fired power plants.

Customers are screened against the sector policies with respect to the exposure and/or size of the customer and potential sustainability risks.

→ See p. 57 for more information on sector policies and our sustainability policy framework.

Management of climate-related risks

Two climate-specific risk factors are considered in risk management: physical risks and transition risks.

Physical risks arise from acute weather events, such as floods, droughts, wildfires, and storms, as well as from chronic climate changes, such as sea-level rises and changed temperature patterns. These climate changes may lead to, for example, property damage or supply chain disruptions. Financially, this can negatively impact customers' profitability, cash flow, and asset values. In Europe, physical risks are unevenly distributed, with northern regions being more prone to flooding while southern regions are more exposed to heat stress and wildfires.

Main categories of physical risks

Risk driver	Potential impact	Horizon
Acute weather events (mainly flood related in northern Europe)	Lower collateral valuations in real estate portfolios in areas with increased flood risk. Increased default risk for companies with operating facilities in areas with elevated flood risk.	● ● ●
Changes in chronic weather patterns	Lower collateral valuations in real estate portfolios along low-elevation coastal areas. Increased default risk for companies with global supply chains.	●

● Short term < 3years ● Medium term 3-10 years ● Long term > 10 years

To mitigate physical climate risks, a transition to a low-carbon society is necessary. For our customers, the transition itself can also be a risk. Transition risk materialises through events such as changes in policies and regulations or new disruptive technologies. It can also take the form of changes in market sentiment. Depending on the nature, speed and focus of these changes, transition risks may, just like physical climate risks, pressure business models, earnings potential, and asset values.

Main categories of transition risks

Risk driver	Potential impact	Horizon
Policy and regulation	Surge in carbon price affecting the repayment capacity for companies in carbon-intensive sectors.	● ●
Technology	Rapid breakthrough in low-carbon technologies leading to stranding of fossil-related assets and thereby impacting both collateral values and default risks for companies in relevant sectors (e.g. energy, transportation, metals and mining, and manufacturing).	● ●
Market	Change in consumer preferences to low-carbon alternatives affecting business models (e.g. less air travel, less meat and dairy, energy-efficient housing, energy-efficient appliances).	● ●
Reputation and litigation	Increasing litigation against companies with certain environmental issues, culminating in increased costs and reputational damage affecting access to capital and thereby default risk.	● ● ●

● Short term < 3years ● Medium term 3-10 years ● Long term > 10 years

Climate-related risks are integrated in existing risk frameworks

SEB does not view climate-related risks as a separate risk category, but as a risk factor that drives existing risk types such as credit, market, and non-financial risk. There is an ongoing initiative to integrate climate-related risks into existing risk frameworks starting with credit risk.

	Transition risk	Physical risk
Credit risk	Energy efficiency standards may trigger substantial adaptation costs and lower corporate profitability, which may lead to a higher probability of default as well as lower collateral values.	Default risk and collateral values may be impacted within sectors or geographies vulnerable to physical risk, e.g. due to elevated flood risk.
Market risk	Transition risk drivers, e.g. carbon tax, may cause repricing of securities and derivatives for products associated with high carbon content.	Severe physical events may lead to sudden repricing and higher volatility in some markets.
Liquidity risk	An abrupt repricing of securities, due to asset stranding, may reduce the value of banks' high-quality liquid assets, thereby affecting liquidity buffers.	Liquidity risk may be affected if customers (e.g. insurance companies and financial institutions) withdraw large amounts of money due to extreme weather-related events
Non-financial risk	Changing consumer sentiment regarding climate issues may lead to reputation and liability risks for the bank. Reputational risk primarily relates to financing or investing in customers with a material climate impact.	The bank's operations may be disrupted due to physical damage to its property, branches and data centres as a result of extreme weather events.

Considering transition risk in the credit process

Industry transformation as well as sustainability-related risks have always been part of our credit analysis of corporate customers as well as an important factor in the credit approval process. In 2021 we further sharpened our focus on climate-related transition risks in the credit analysis. ESG specialists worked together with credit analysts to refine the methodology and to develop sector-specific guidance on the most material issues that need to be assessed for customers in sectors with material climate impact.

The focus of the transition risk analysis is our customers' awareness, readiness, and ability to manage the challenges they face. Do they understand the magnitude of these challenges and do they have credible transition plans aligned with their overall strategic goals? Have they taken tangible action to manage the challenges, such as securing funding for investments in research and development and in technology? Finally, the financial impact of these considerations is estimated and translated into a potential impact on the risk class the bank has assigned to the customer. Special attention is paid to capital expenditure needs over the next 7 to 10 years, repayment capacity, and refinancing risks. The integration of climate-related risks in credit analysis is continuously evaluated and will be expanded to more sectors going forward.

A requirement was introduced during 2021 to include an explicit transition risk analysis in the credit analysis of selected corporate customers, specifically in sectors with material climate impact. The analysis is part of the annual review of these customers, which means that it is evaluated by the relevant credit committee and documented as part of the credit decision. At year-end 2021 the bank had completed transition risk analyses of customers with a combined credit exposure of approximately SEK 185bn.

In addition to analyses of individual companies, SEB also performs portfolio reviews of sectors facing particularly large climate-related challenges such as automotive and power generation. These reviews are presented to the Group Risk Committee and the Board's Risk and Capital Committee, where sector-specific business strategies and risk appetite levels are defined.

Climate scenario analyses in 2021

Measuring financial risks from climate change is complex. It involves assessing the combined impact of physical and transition risks under multiple climate scenarios. The time perspective for climate-related risks is also much longer than in traditional credit analysis, which typically covers one to five years.

In 2021 SEB continued to expand its methodologies and tools for assessing climate-related risks under various climate scenarios. The transition risk pilot project for the oil & gas sector in 2020 was expanded to the power generation portfolio. An analysis of physical risks in Swedish residential mortgages was conducted during 2021 as a pilot project.

Scenario – physical climate risks in Swedish residential mortgages

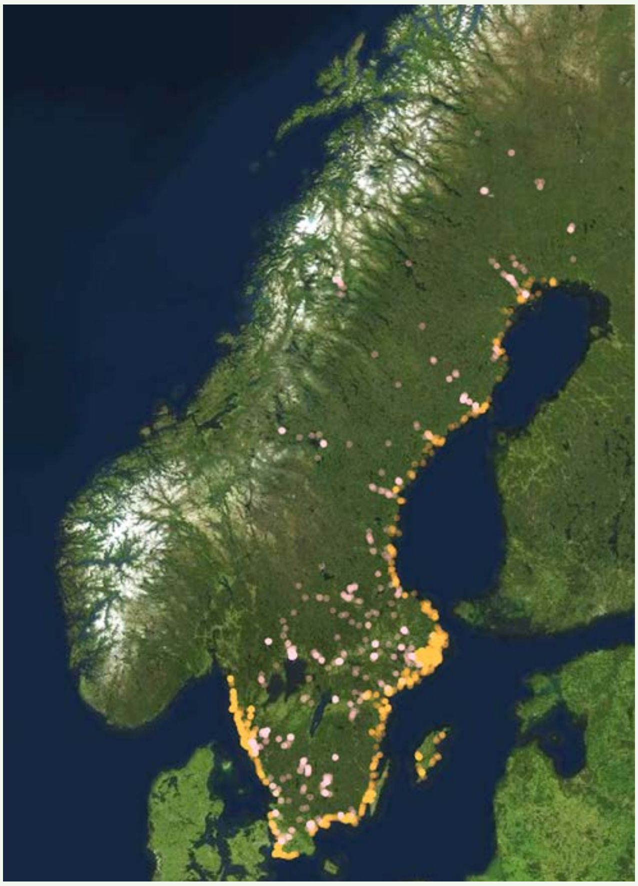
Physical climate risks vary greatly across geographical locations and types of hazards. In general, physical risks stemming from climate change are lower in Sweden compared to the European and global average. Flooding and rising sea levels are considered to be the most predominant sources of physical climate risk in northern Europe, not least in Sweden with its 3,000 km coastline. The coastal areas in southern Sweden are more exposed than the rest of the country, since in the northern part of Sweden, the postglacial land uplift counteracts most of the sea level rise.

In 2021 a record-high rain fall caused severe flooding in Gävleborg and Dalarna counties in central Sweden. Such flooding may become more frequent in specific regions if global climate mitigating actions are insufficient. The flooding in 2021 did not cause any substantial impact on SEB's asset quality; however, more frequent flooding could lead to falling property prices as a result of reduced demand or direct damage to pledged collateral. It could also lead to higher insurance costs as premiums are repriced annually, or exclusion of flood damage from general policy coverage. To better understand the potential impact of such events, SEB conducted a physical climate risk pilot project during 2021.

Portfolio scope and method

The key concept of the physical risk pilot is to match the location of properties SEB has financed with areas at risk of flooding and/or sea level rise in order to assess SEB's exposure at risk and the potential financial impact. Flood and sea level rise maps from the Swedish Civil Contingencies Agency (MSB) have been used in the analysis. These maps show areas along lakes and watercourses that would be submerged in a flood that statistically occurs once every 100–200 years, adjusted for future climate change, and coastal areas that will be submerged due to rising sea level. A conservative assumption of a two-metre sea level rise was used in the pilot, although such increase is deemed unlikely within the next century, even in a future with intensive fossil fuel use. A price decrease of at least 20 per cent of property values is assumed for flooded areas.

SEB's household mortgage portfolio amounted to SEK 594bn at year-end. Around 10 per cent of the total portfolio is located within 500 metres of the coast, indicating increased risk for both flood risk and sea level rise. However, the vast majority of coastal housing in Sweden is situated more than two metres above sea level.



Highlighted areas show where collateral is at risk of being flooded in Sweden.

Results and conclusions

The total gross exposure at risk of being flooded is estimated to SEK 6.3bn (approximately 1 per cent of the Swedish mortgage portfolio). The gross risk exposure is extensively mitigated by insurance policies and other mitigating actions undertaken by municipalities, for example flood protection infrastructure. The financial impact for SEB is therefore deemed very limited.

Next step

We will continue to develop the methodology going forward, and the physical risk pilot will be extended to other regions and portfolios.

Scenario – transition risk in the power generation portfolio

SEB has developed a methodology to integrate science-based climate scenarios with more traditional credit risk measurement approaches. The methodology was piloted on the oil & gas sector in 2020 and was expanded to the power generation (electricity and heat) sector in 2021.

Methodology overview

SEB's transition risk methodology is predominantly based on a bottom-up assessment to capture the fact that transition risk will affect individual counterparties differently, even within the same industry. The counterparty-specific results are then extrapolated to portfolio level. The assessment does not take into consideration any counterparty-specific transition plans, but assesses the transition risks based on status quo operations.

The specific power generation methodology is centered on carbon price, the generation mix of the utilities, and the overall generation mix in the respective electricity markets. As the electricity price is set at the cost of the marginal producer, a carbon price increase would ultimately lead to a higher electricity price.

Climate scenarios

The climate scenario used for assessment of transition risk has been updated to the latest suite of climate scenarios from the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), published in 2021. SEB has also developed customised short-term scenarios to assess a potential disorderly transition. The main scenario used in the pilot study was a sharp and unexpected increase in the EU carbon price up to EUR 150/tonnes CO_2.

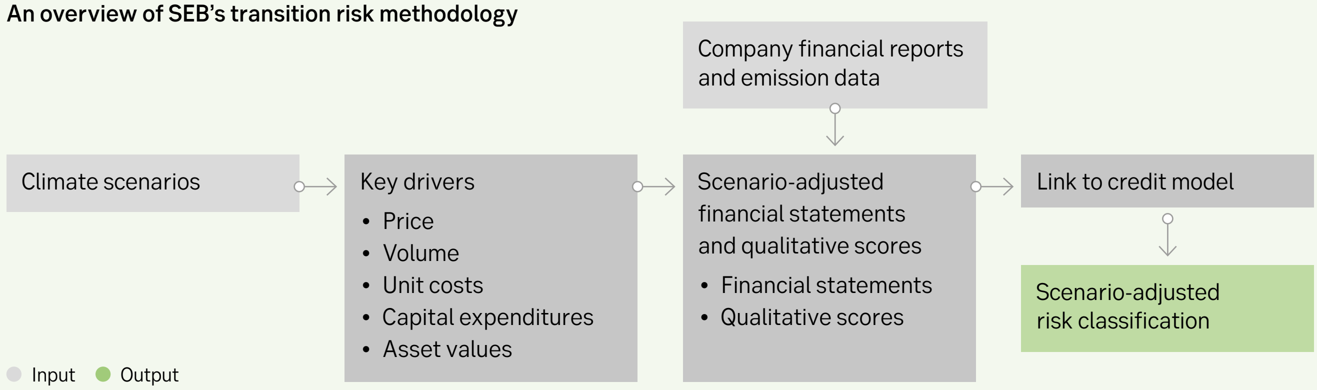
Results and conclusions

SEB's credit exposure to the power generation sector amounted to SEK 139bn at year-end. Around 20 per cent of this exposure is related to fossil-based energy production and energy-from-waste.

The creditworthiness of energy utilities is generally high, with predicable cash-flows and high barriers to entry. An increase in carbon price would impact the unit costs of utilities proportionally to the carbon content of their generation mix. In the climate scenario, utilities with a high carbon intensity (such as coal and oil-based generation) would experience negatively affected cash-flows and repayment capacity. As SEB's credit exposure to utilities with principal cash-flows from coal/oil-based generation assets is very limited, the short-term credit risk impact would also be limited for SEB's portfolio under the selected scenario.

The analysis focuses mainly on the short-term impact of a carbon price shock and, as such, assumes that the system's generation mix was held constant. In the medium- and long-term, the overall generation mix is expected to transform towards low-carbon technologies as the amplified carbon price creates strong incentives for renewable expansion. The longer-term balance sheet effects in this scenario is heavily reliant on assumptions for capital expenditures and impairments of legacy generation assets. The pilot project also included more advanced long-term simulations for a few chosen deep-dive cases. The results of these deep-dives indicate that a sharp increase in carbon price will lead to marginally deteriorating credit quality over the long-run, with limited credit losses for the bank.

An overview of SEB's transition risk methodology



Climate stance in investment management

SEB Investment Management (the fund company) has SEK 831bn of assets under management in SEB-labelled mutual funds and aims to reduce climate-related risks and enable a transition to sustainable and low-carbon fund management solutions.

In 2020 a strengthened Sustainability Policy was adopted by the fund company's board of directors. The policy was implemented in 2021 along with a statement outlining the fund company's strategy to contribute to accelerating decarbonisation of the global economy while upholding its primary fiduciary duty of delivering positive long-term risk-adjusted returns. The fund company aims to align investments with the Paris Agreement, but aims to reach net zero greenhouse gas emissions already by 2040. In addition, the aim is to reorient capital flows to climate solutions, climate-resilient and transitionary business models, and to exit investments in activities that contribute negatively to climate change. Through active ownership and dialogue the fund company shall promote climate resilience in business models. The fund company is a member of the Net Zero Asset Manager Initiative.

Managing indirect climate impact in investments

Engagement and exclusion

In line with the updated sustainability policy, the fund company has a strict approach to fossil fuels. All funds exclude companies that extract or process fossil fuels, including unconventional fossil fuels, such as oil sands and deep-sea drilling in particularly sensitive areas. Similar restrictions apply for power generation and distribution of fossil fuels. Exceptions can be made for companies that have clear targets and credible transition plans in line with the Paris Agreement.

Direct engagement with companies on their work to limit climate change is an important tool for SEB Investment Management. Through engagement, the fund company can accelerate change and support companies to include climate-related strategies and practices in their business models. This is done either directly with companies or through investor collaboration.

The fund company has been involved in dialogues with the world's largest greenhouse gas emitting companies through IIGCC Climate Action 100+. See p. 51.

Measuring the carbon footprint of funds

Carbon footprint is one method to measure climate-related risk in funds. In 2014 SEB Investment Management started to measure carbon footprint for some of the equity funds. At that time quality and quantity of data was limited. Since then data quality, methods and tools have been significantly developed. Although more companies are reporting climate-related data today, there are still limitations in what is included in the calculations and carbon footprint metrics still provide little insight into potential future exposure.

From 2021 we use ISS ESG's tool Sustainable Development Scenario (SDS). The scenario is based on World Energy Model and builds on the total remaining global carbon budget according to the International Energy Agency (IEA) distributed across industries and companies. The scenario charts a path fully aligned with the Paris Agreement: to keep the global temperatures rise to well below 2 degrees Celsius and pursuing efforts to limit it to 1.5 degrees Celsius and meets objectives related to universal energy access and cleaner air.

In 2021 an analysis was made based on 93 per cent of SEB Investment Management's equity and corporate bond funds investments. The output from the ISS Sustainable Development Scenario, as per 31 December 2021, indicates that the holdings in this scenario represented a temperature rise of 1.7 degrees Celsius, which is in line with the Paris Agreement. Our commitment and target is net-zero greenhouse gas emissions in 2040 at the latest. The measurement shows the carbon exposure at a fixed point in time, but provide little insight into the potential future exposure.

→ See SEB Investment Management Sustainability and Active Ownership Report 2021 at sebgroup.com

About the Sustainability Report

The Sustainability Report covers the SEB Group, i.e. the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries. SEB reports in accordance with the Swedish Annual Accounts Act and the Global Reporting Initiative, GRI Standards, core option. The report is aligned with the TCFD (Task Force on Climate-related Financial Disclosures) and UNEP FI Principles for Responsible Banking. Areas covered include climate and environment, human rights, labour rights and social relations, and anti-corruption. The diversity policy applied for the Board is described in the Corporate Governance Report (see p. 94). SEB has published a sustainability report since 2007. This report covers the fiscal year 2021. The previous report was published in March 2021. No significant changes have been made in the scope and boundaries. SEB's auditor EY has expressed an opinion that a statutory sustainability report has been prepared according to the Swedish Annual Accounts Act, and has performed a limited review of the sustainability report according to GRI Standards, core option. Contact: Chief Sustainability Officer, Hans Beyer, tel: +46 771 62 10 00, sebgroup.com.

Board of Directors

Stockholm, 21 February 2022

Skandinaviska Enskilda Banken AB (publ)
Corporate registration number 502032-9081