

2016

# Sustainability Report

How we create value for people,  
the business and the environment



**S|E|B**

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# 2016 in brief

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## Important events

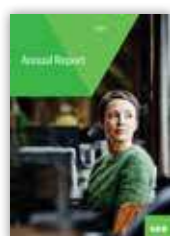
SEB has established a green bond framework and a dedicated green loan portfolio of SEK 11.8 bn.

As the only Nordic bank, SEB was included in the Dow Jones Sustainability Index.

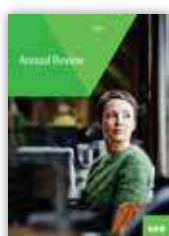
New evaluation approach to environmental, social and governance related factors in equity research – the SAFE model.

86 per cent of our employees believe that SEB's work to integrate sustainability is important for our business and the long-term profitability of the bank.

## Financial information and publications



**ANNUAL REPORT**  
Information on SEB's business, strategy, risk management and corporate governance. Detailed information on SEB's financial position and results.



**ANNUAL REVIEW**  
An abbreviated version of the Annual Report.



**INTERIM REPORTS AND FACT BOOKS**  
Quarterly reports on SEB's financial performance. Detailed information on SEB's financial position and results in fact books.



**CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT (PILLAR 3)**  
Disclosure on capital adequacy and risk management in accordance with regulatory requirements.



**SUSTAINABILITY REPORT**  
Annual report on SEB's performance and future ambitions within Responsible Business, People and Community as well as Environment.



**SUSTAINABILITY FACT BOOK AND GRI INDEX**  
The Global Reporting Initiative (GRI) Index and key non-financial data for the same areas as in the Sustainability Report.

New shareholders are automatically offered a subscription of the Annual Report or the Annual Review.

Order printed copies of the Sustainability Report at ► [www.sebgroup.com/sustainability](http://www.sebgroup.com/sustainability)

Order printed copies of the Annual Report and the Annual Review at ► [www.sebgroup.com/ir](http://www.sebgroup.com/ir)

# Who we are

Our commitment to create value for our customers is based on a tradition of entrepreneurship, international outlook and long-term perspective. As a bank we have an important role to play in the shift to a more sustainable world.

## Our purpose

We believe that entrepreneurial minds and innovative companies are key to creating a better world. We are here to enable them to achieve their aspirations and succeed through good times and bad.

## Our vision

To deliver world-class service to our customers.

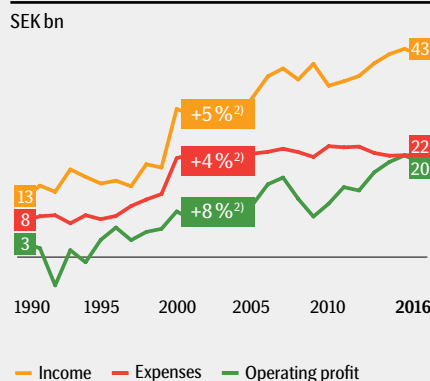
# 160

years in the service  
of enterprise

## Our strategic priorities

- Leading customer experience
- Maintaining resilience and flexibility
- Growing in areas of strength

### Our profit development 1990–2016<sup>1)</sup>



- 1) Excluding items affecting comparability.  
2) Compound Annual Growth Rate (CAGR).

### Our financial targets

	Outcome 2016 <sup>1)</sup>	Outcome 2015 <sup>1)</sup>
Dividend payout ratio at 40 per cent or more of earnings per share	75% <sup>2)</sup>	66%
Common Equity Tier 1 capital ratio of around 150 basis points over requirement	18.8% <sup>3)</sup>	18.8%
Return on equity competitive with peers	11.3% <sup>4)</sup>	12.9%

- 1) Outcome excludes items affecting comparability. See SEB Annual Report p. 30.  
2) Outcome incl. items affecting comparability is 113%. Dividend proposal: SEK 5.50 per share (5.25).  
3) Regulatory requirement at year-end 2016: 16.9%.  
4) Outcome incl. items affecting comparability is 7.8%.

# What we do

**SEB plays an active part in the development of the societies in which the bank is operating by building strong customer relationships. In Sweden and the Baltic countries we offer financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany, our operations have a strong focus on a full-service offering to corporate and institutional clients.**

**In meeting the requirements and expectations from customers, shareholders, employees and society at large...**

**...via SEB's management of its business...**



**...comprehensive services...**

In areas like:

- Commercial banking
- Investment banking
- Advisory services
- Long-term savings
- Life insurance
- Payments
- Financing

**...and various channels...**

**219**

branch offices in Sweden and the Baltic countries

**2.4**

transactions online per home bank customer per week

**3.0**

mobile bank transactions per home bank customer per week

**20**

international sites

**24/7**

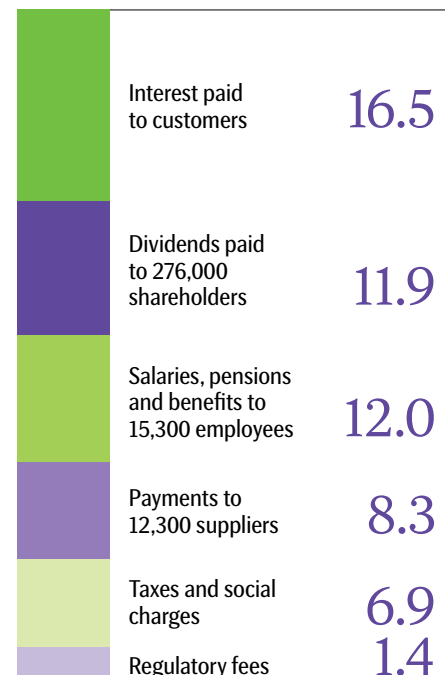
telephone bank services

**200**

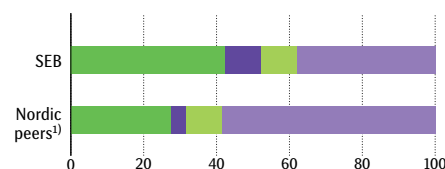
client executives for large corporates and institutions

**...value is created**

**SEB's total contribution** SEK **57.0** bn



## SEB – the leading Nordic corporate bank



Share of income 2016, %	SEB	Nordic peers
Large corporates and institutions	42	27
Life insurance (unit-linked)	10	4
Asset management	10	10
Retail banking	38	59

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



# Whom we serve

Customers always come first. Our committed and experienced 15,300 employees work as a team to serve our customers.

## Large corporations

SEB's corporate customers in the Nordic region are among the largest in their respective industries. In Germany they range from large mid-corporates to large multinationals.

**2,300**  
large corporations

## Financial institutions

SEB's institutional clients operate both in the Nordic countries and internationally.

**700**  
financial institutions

## Small and medium-sized companies

In all, SEB serves approximately 400,000 small and medium-sized companies in Sweden and the Baltic countries. Of these, some 267,000 are home bank customers.

**267,000**  
home bank customers

## Private individuals

SEB has approximately 4 million private individuals among its customers in Sweden and the Baltic countries. Of these some 1.4 million are home bank customers.

**1.4**  
million home bank customers





**THE GLOBAL GOALS**  
For Sustainable Development



»The whole SEB team will,  
step by step, continue to  
deliver on our vision. «



# 2016 – A year of sustainable progress

2016 is likely to be remembered as the year of unpredictable events, events that probably will have major impact on political, economic and social development for a large part of the world. The long-term effects of the referendum in the United Kingdom and the president election in the United States are yet to be known, but short-term they have increased uncertainty and spurred protectionism.

In light of these events, some people fear that the progress made in 2015 on climate change and global sustainable development is at risk. I am not one of those. I believe that the global community has passed a tipping point.

There is now a broad consensus worldwide that the business community plays a vital role if we are to meet the 17 Sustainable Development Goals, SDGs. Being committed to initiatives like the UN Global Compact, the Principles for Responsible Investments and the Equator Principles, we know that the financial sector plays an increasingly important role for future sustainable transformation.

Last year, SEB set an ambitious target to be a role model in sustainability within the financial industry. It is our belief that this will be one important factor towards fulfilling our vision of world class service. We have integrated sustainability even further into our business strategy, in dialogues with

our customers and in developing our offerings. Among all employees, the strong engagement has reached new levels, not least among our younger colleagues.

SEB's long-term work pays off. A clear proof is that SEB in September, as the only Nordic bank, was included in the Dow Jones Sustainability Index. In early 2017, we issued our first green bond of 500 million euros, a milestone for our sustainability work, having been a leading developer of the green bond concept since we initiated it with the World Bank almost ten years ago.

Another important achievement is SEB's new evaluation methodology for environmental, social and governance (ESG) related issues into existing equity analyses. This work recently started and is a step forward in integrating sustainability aspects into the investment evaluation process. We actively promote entrepreneurship in our daily business as a means for creating jobs and thereby economic growth.

In our investment portfolios, we raise the bar further, now offering an increased number of funds with a sustainability profile, selecting companies with effective waste management, low carbon emissions and good water usage. The focus on sustainable solutions in our savings offering will continue during 2017.

SEB's work to reduce our environmental impact proceeds. We are revising our poli-

cies on Fossil fuels and Mining and metal. Measures to reduce our own emissions related to air travel will be reinforced – this is an area that continues to be a challenge.

Within microfinance, we have taken an industry leading approach. The four funds had the largest net inflows in Europe last year, now over SEK 4 billion, impacting more than 17 million people globally.

Going forward, SEB will intensify its focus on green finance, sustainable investments, on support for entrepreneurs and job creation, and on our environmental impact. This said, with a warm heart, I wish to emphasize the important role of all employees, representing the ultimate success factor for us reaching our ambitious targets.

Shortly, I will hand over the leadership of SEB to Johan Torgeby as new CEO. I am confident that he will continue to develop SEB's sustainable business, and the bank's contribution to solutions for a better world.

Stockholm, February 2017



Annika Falkengren  
President and Chief Executive Officer



# SEB creates value

**Customer centricity, long-term perspectives and financial strength form the foundation for meeting the expectations of customers, employees and society at large. Ultimately, this creates value for the shareholders.**

## Meeting stakeholders' expectations

### Customers



#### 1.6 million corporate and private customers

The customers' needs are at the core of the bank's business. Customers' high expectations on service and quality advice as well as sustainable solutions drive the bank's business development and offerings.

### Shareholders



#### 276,000 shareholders

The capital provided by SEB's shareholders is a prerequisite for conducting the bank's business. The shareholders expect a competitive and sustainable return on their capital. Many of the major owners have a long-term perspective on their engagement in the bank.

### Employees



#### 15,300 employees

SEB's employees build and deepen customer relationships. Their commitment, skills and quality of their daily work are key success factors for the bank's business and future development.

### Society



#### Society at large

Banks play an integral role in society and are vital for creating economic growth and social value. With this comes an expectation that the bank takes great responsibility for how it acts, to enable society to continue to develop in a sustainable way.

## via SEB's management of its business

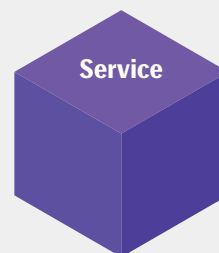
### Strategy



#### Long-term strategy

SEB's strategy is built on developing deep customer relationships with a long-term perspective. ▶ See Annual Report p. 11.

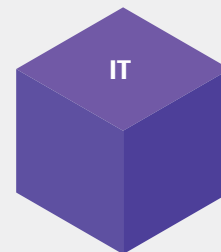
### Service



#### Customer-oriented offering

Proactive quality advice and a holistic offering are provided at the customers' convenience, based on customer insights. ▶ See Annual Report p. 18.

### IT



#### Secure and functional IT

The IT structure promotes stability in the daily operation and agile development of digital products and services. ▶ See this report p. 16–17.



creates both social

and financial value

**Resilience****Financial strength**

Financial strength gives the resilience and flexibility required to serve customers over the long term. ►► See Annual Report p. 29.

**Governance****Solid corporate governance**

Corporate governance is based on clear allocation of responsibility, a well developed structure for internal control and ownership involvement. ►► See Annual Report p. 48.

**Risk****Sound risk culture**

To meet customers' needs SEB assumes and manages risks. These are mitigated by prudence, risk awareness and expertise throughout the organisation. ►► See Annual Report p. 40.

**For customers**

By providing proactive advice and a wide range of financial services, SEB supports its customers' long-term aspirations and adds value in all phases of life of individuals and development stages of companies and institutions.

►► See Annual Report p. 14.

**For shareholders**

Dividends and potential increases in market value over time contribute to shareholders' financial security and enable new investments. SEB's competitiveness is increased and long-term risks are reduced through the integration of environmental, social and governance aspects.

►► See Annual Report p. 26.

**For employees**

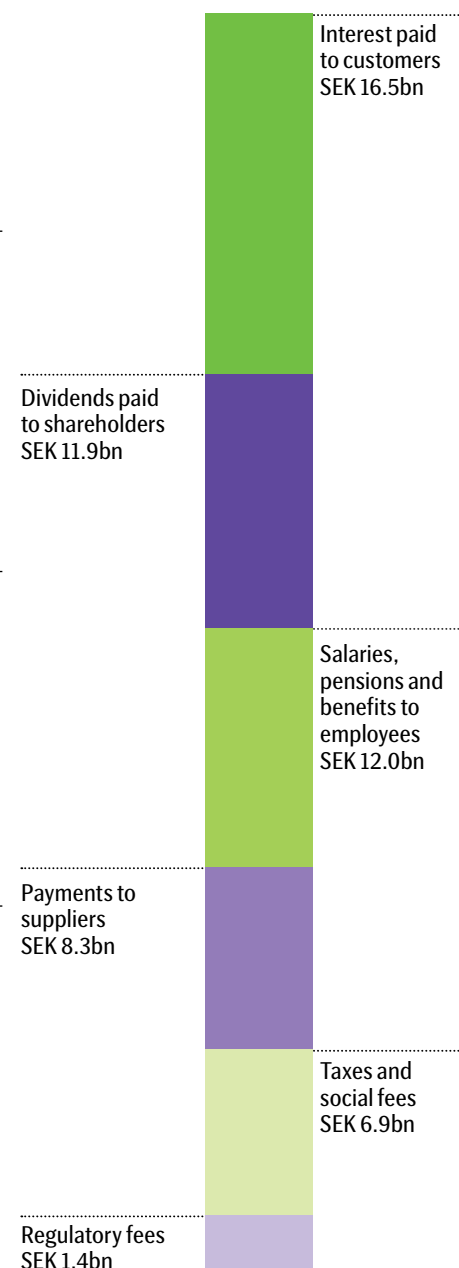
The employees take part in, and value, the opportunities for learning and further development that are integrated in SEB's business. Employees also participate in the many partnerships that SEB supports to help communities develop and prosper. ►► See p. 26–29.

**For society at large**

SEB intermediates financial solutions, provides payment services and manages risks which promote economic growth and prosperity. SEB pays taxes and fees according to local rules where it operates. SEB takes responsibility as a provider of financing and as an asset manager and works proactively with environmental, social and governance issues. ►► See p. 12–15, 18–23.

**Distribution of financial value**

SEK 57bn for 2016



# Understanding long-term trends and how they affect us

**In a rapidly changing world, there is increasing concern that living conditions are at risk for generations to come. The business community can and should contribute by acting responsibly and seizing opportunities for positive impact.**

Uncertain economic and political development provides risks that uneven growth, wealth inequalities and environmental degradation will worsen unless joint action is taken.



## Regulation

Public and media distrust means that the financial sector has to work hard to regain confidence.

In response to increased scrutiny, many banks have transitioned to simplified business models and focused increasingly on the core principles of ethics and customer trust as well as transparency.

Policy makers have continued efforts to curb risks in the financial system through regulations. There is also an ongoing discussion on how to make the financial system better aligned with sustainable development.

## Environment and climate

The Paris agreement came into effect in November 2016, earlier than anticipated. This was a step in the right direction, but insufficient. Effects of global warming are already noticeable, for example with an increase in extreme weather conditions. The unusual warm winter temperatures experienced in the Arctic region is one example. In some large growth economies like India and China, environmental degradation has reached dangerous levels.

Political decisions to curb temperature and pollution will drive change. New technologies are also rapidly changing the landscape. Renewables, especially solar, are falling in price. In some places they are already cheaper than fossil, despite the low oil price. The need for investments in green energy and infrastructure runs into trillions of dollars, world-wide. Financial resources from the private sector will play a decisive role in this transformation.

## Social

Migration from countries and regions in distress has implications at all levels. For welcoming societies, successful integration can provide positive influences and solutions to societal problems.

However, there are also a number of challenges relating to demands for housing, schools, community services and job creation. Unsuccessful integration may result in tension created by unevenly distrib-

uted unemployment and income inequalities as well as social unrest.

An ageing population also puts strains on society and implies that more resources must be allocated into health care and pension systems. There is a growing realisation that individuals themselves need to take greater responsibility for their financial security through savings and insurance solutions.

## Digitalisation

Digitalisation is leading to new customer behaviour and raised expectations on accessible, practical and convenient services. New business models and new ways of interacting are changing the game plan – also for the financial sector. This opens up

for new forms of collaboration, simplified processes and new services for payments, savings and lending. Increasing threats of terrorism and cyber-crime highlights the need for crime prevention and international cooperation.

## SEB in a turbulent world

SEB embraces change and explores opportunities while enhancing risk management. We continuously strive to improve our own governance and our way of working. We must become better at also analysing the financial effects of climate change, regulatory change, social issues and technical change.

Investors and customers, as well as employees and governments, increasingly demand that companies and financial institutions take action to limit any harm they

cause and act to increase their positive contribution. At the same time, financial regulators are starting to demand measurements of the environmental and social impact of the credit portfolio, as well as of investments. Through active partnerships and collaborations, SEB works to respond to these demands, and aims to contribute to societal development. In line with SEB's strategy, we will support our customers as they address social and environmental challenges.

# Committing to UN's Sustainable Development Goals



- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 13. Climate action
- 16. Peace, justice and strong institutions

**When the world's nations in 2015 agreed on United Nation's 17 Sustainable Development Goals (SDGs), it was a true milestone. For the first time ever, 193 nations and the business community joined forces and committed to fighting poverty, inequality and climate change.**

A year and a half later, the SDGs have become well-known and are in the process of being integrated into national development plans as well as into corporate business plans.

Calculations from UNEP FI\* show that an estimated \$5–7 trillion a year until 2030 are needed to realize the Sustainable Development Goals worldwide. Several global industry initiatives have been created, among them Positive Impact Manifesto where SEB is one of 19 international banks that have agreed on a framework providing financing with positive impact. » See p. 22.

## Creating a better world

We believe that entrepreneurial minds and innovative companies are key to creating a better world. As a financial institution and in partnership with customers, we can add value and contribute to many of the goals. However, we have identified four of them that are clearly linked to our business strategy and our sustainability approach:

- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 13. Climate action
- 16. Peace, justice and strong institutions

These four goals are closely connected to the bank's strong heritage of entrepreneurship, international outlook and long-term perspective, as well as our daily business. Over the years, SEB has developed policies and processes, as well as several sustainable products that align with the global goals.

Our work with green bonds enables climate friendly solutions (*goal 9 and 13, p. 22 and 25*) and our microfinance funds provide opportunities for new life conditions for millions of people worldwide (*goal 8 and 13, p. 20*).

## Supporting entrepreneurs

We support entrepreneurship to drive sustainable economic development and the creation of new jobs (*goal 8, p. 30*). In portfolio management, we focus on positive selection, seeking companies with effective waste management, low carbon emissions and good water usage (*goal 13, p. 20*).

By combatting financial crime we safeguard our customers' assets (*goal 16, p. 16–17*) and contribute to prevent the commercial exploitation and sexual abuse of children (*goal 16, p. 34*). In February 2017, we published our Tax policy, clarifying our approach to tax (*goal 16, p. 15*). In addition to these four goals, our business is also directly linked to several of the other goals,

»Aligning our business with the global goals will allow us to better respond to future risks as well as identify opportunities and thereby contribute to creating value for millions of people.«

which are visualized in this report.

For SEB, aligning our business with the global goals will allow us to better respond to future risks as well as identify opportunities and thereby contribute to creating value for millions of people.

Nonetheless, we are aware of the vast number of challenges facing the world, and will humbly pursue to develop our contribution to the SDGs. We will continue to identify opportunities that favour sustainable development, increase clarity around what impact our efforts have as well as identify potential conflicts that may arise between the goals.

» \* UNEP FI



# Stakeholders' views develop our business

## Dialogue and collaboration

**Addressing stakeholders' views and expectations are critical for SEB's continuous development and ability to create long-term value.**

We engage with stakeholders in the community and incorporate their feedback in order to ensure that we prioritise the most important issues and secure a responsible and sustainable business.

By listening to them we can better understand emerging trends, important issues and how to prioritise and integrate them into our business strategy.

We identified our key stakeholders in 2009, through a thorough analysis which we review each year. In line with our strong customer focus and our vision to deliver world-class service, our customers are our main focus group, but we have active dialogues with all key stakeholder groups.

In addition, we actively involve customers in our business development, in design as well as in testing of prototypes.

We use a range of mechanisms for engagement, including customer surveys and panels, roundtables, and one-on-one meetings. The diagram below contains the key mechanisms for engagement in 2016 as well as the key issues raised during the year. The information provides essential input to our materiality assessment

► See next page.

	Customers	Shareholders, investors and analysts	Employees
ISSUES	<ul style="list-style-type: none"> <li>• Customer experience and service</li> <li>• Proactivity</li> <li>• Customer service across all meeting points</li> <li>• Accessibility of e-services</li> <li>• Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable growth and return</li> <li>• Financial strength and resilience</li> <li>• Risk management</li> <li>• Sustainability management performance</li> </ul>	<ul style="list-style-type: none"> <li>• Development/career opportunities</li> <li>• Organisation and culture</li> <li>• Leadership</li> <li>• Transparency and openness</li> <li>• Health and work environment</li> </ul>
CHANNELS	Customer insight surveys, focus groups, feedback and complaints received via our customer advisors, relationship managers, telephone banks and local branch teams, social media.	Surveys such as Bloomberg, RobecoSAM, Vigeo, Sustainalytics, Oekom and Imug. Road-shows, investor meetings, briefings, engagement dialogues.	Annual employee survey, internal chats with executive management, town hall meetings, value dialogues, SEB Way transformations and weekly development meetings.

## Society at large

	Communities, civil society organisations, consumer advocate groups, media	Suppliers and business partners	Government and regulators
ISSUES	<ul style="list-style-type: none"> <li>• Job-creation</li> <li>• Ethical behaviour, transparency</li> <li>• Sustainability in financing and investments</li> <li>• Climate change</li> <li>• Local community support</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic partnerships</li> <li>• Accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation</li> <li>• Consumer debt levels</li> <li>• Anti-money laundering</li> <li>• Transparency</li> <li>• Investment advice</li> <li>• Personal integrity issues</li> </ul>
CHANNELS	Research – general public, local community engagements, round table discussions, meetings with and inquiries from NGO's, mentoring, volunteering, sustainability forums, research papers, media coverage.	Questionnaires and individual meetings, supplier screening process.	Economic and policy trend analysis, industry forums, bi-lateral and multilateral meetings.

# Identifying the issues that matter most

**Materiality is about identifying the issues that are the most important for our stakeholders and for our business. They are issues that SEB needs to address and manage in order to create long-term value for our stakeholders and for realising SEB's strategy.**

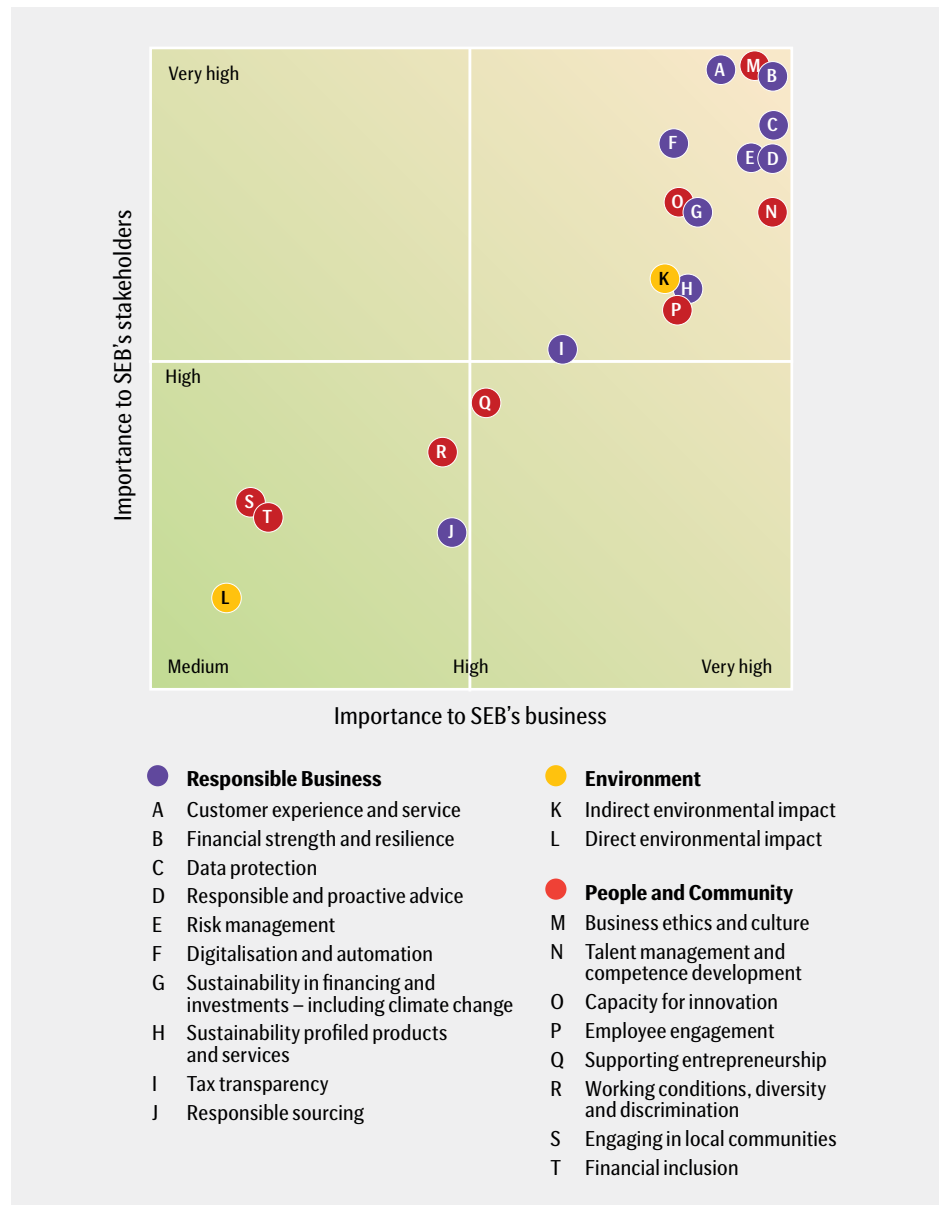
Every year we assess and summarise the issues that are the most important – material – to ensure that we identify potential emerging issues and that the prioritisations made remain relevant. Key issues and concerns raised by stakeholders are paired with SEB's long-term strategic goals. In line with our strategic direction on the base of risk management and financial strength and resilience, the most important issues are:

- provide fulfilling customer experience and good service
- maintain high standards of business ethics and IT security
- contribute to a society characterised by innovation and resource efficiency.

Crucial for our future success is our capacity for innovation and our ability to use digitalisation to achieve great service and efficient processes. SEB also needs to continue to develop talents and competences as well as to integrate sustainability into investments and financings.

## Main movers

Although many issues remain material over time, we have identified a few areas that have become more important during 2016. For example, data protection – IT security – and increasing regulations and their impact on responsible and proactive advice have become more important to stakeholders. Sustainability profiled products and services have increased in significance for the business.



## The process

SEB's process of identifying the most material issues was established in 2013 and is based on an ongoing engagement with our stakeholders as well as with the strategic business review.

The essential input gained from our stakeholders is complemented by desk research on emerging societal, economic, environmental and business trends impacting our business. The issues identified are evaluated from both a stakeholder perspec-

tive and how they influence SEB's ability to create value on a three to five year perspective. This input forms our strategic approach and serves as guidance for our reporting. The outcome of the analysis is validated in SEB's Corporate Sustainability Committee.

For more information about our material aspects and boundaries in accordance with GRI G4.

► See p. 14–21 in *Sustainability Fact Book 2016*.

# SEB's approach to deliver sustainable value

**SEB's ambition is to create long-term value from a financial, ethical, social and environmental perspective. Sustainability for us means that we take responsibility for how we conduct our business, how it affects our customers, employees, shareholders and society at large.**

SEB takes a broad business approach and we strive to address sustainability issues that are relevant and meaningful for SEB as a bank and the markets in which we operate. Our stakeholders' feedback is instrumental to the success of our sustainability work.

## »SEB aims to be a role model in sustainability within the financial industry.«

We aim to identify and seize opportunities for positive impact as well as avoiding adverse impacts through SEB's own activities or through our financial products and transactions. UN's Sustainable Development Goals are guiding tools in this work. Concurrently, we strive for simplicity and transparency and know that our engaged and knowledgeable employees are the key to success.



As a bank and financial institution we believe that we can achieve the most effective positive impact by focusing on:

- Being a leader in green finance that promotes climate friendly and resource efficient solutions.
- Sustainable investments that combine financial value and positive impact on the environment and society.
- Supporting entrepreneurship to drive sustainable economic development and new jobs.
- Reducing our environmental footprint.

SEB's sustainability work targets three areas – Responsible Business, People and Community and Environment.

SEB aims to be a role model in sustainability within the financial industry. In 2016, the bank was, as the only Nordic bank, included in Dow Jones Sustainability Index, a proof that we are on the right path.

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM

## Governance of SEB's sustainability work

Good corporate governance is essential for how we run our business. This allows us to work effectively towards the same goals, including sustainability aspects.

SEB's sustainability work is based on Swedish laws and regulations as well as on the internationally recognised guidelines and initiatives that we are committed to. The internal framework primarily consists of our core values, SEB's sustainability related policies and our Code of Conduct.



### Board of Directors

Takes decisions on SEB's strategy and sustainability approach. Adopts the Corporate Sustainability Policy.

### President and Chief Executive Officer

Takes decisions in the Group Executive Committee (GEC) on the development and the execution of the corporate sustainability approach, in line with the strategy set by the Board.

### Corporate Sustainability Committee

Steering group assigned by the president and CEO. Responsible for SEB's sustainability activities. Follows up on the development, practices and progress. Chaired by a member of the GEC, includes senior representatives from all Divisions and applicable Group Functions, including Group Sustainability. Prepares matters for decision in GEC.

### Group Sustainability

Responsible for coordinating and driving the overall sustainability agenda, ensuring implementation in accordance with the directives of the Board, and for reporting on progress.

### Local sustainability committees

Manage the sustainability work on a daily basis within the specified division, country or staff function. Report on progress.

### Managers and employees

Each head of division, business area and group function is responsible for ensuring that activities are carried out and instructions are in accordance with applicable policies.

» For information about corporate governance at SEB, see the 2016 Annual Report, p. 48–62.



# 8

## priorities guide us

The priorities are aligned with SEB's business strategy. By focusing on these priorities, we can contribute to better banking governance and protection of the environment, while enhancing our social contribution.



### Selling and advising

Page 12

Facilitate customers' own control and understanding of their financial situation. Ensure quality advice based on long-term needs and taking into consideration environmental, social and governance aspects.

**Ambition:** Leading position in our customer segments. Strengthen the sustainable profile of our customer offering and guidance. Strengthen engagement and offering to entrepreneurs.



### Cyber security and crime prevention

Page 16

Ensure cyber security, covering information security and customer integrity. Take actions to prevent money laundering, fraud and financing of criminal activity.

**Ambition:** Meeting threats by prioritising technical protection and raising awareness among employees and customers.



### Investments

Page 18

Ensure responsible investment decisions by integrating environmental, social and governance aspects into the decision process. Perform the ownership role responsibly.

**Ambition:** Be the leading Nordic supplier of sustainable investments with a comprehensive and competitive offering. ESG fully integrated in investment process in all asset classes.



### Finance

Page 21

Together with SEB's customers, reducing the risk for negative social and environmental impact related to SEB's finance activities. Increase the positive contribution by offering sustainable finance products and services.

**Ambition:** Increase share of positive impact financing and positively impact clients' sustainability focus. Expand sustainable offering. Grow green loan portfolio, according to framework, to at least SEK 20 billion by 2020.



### Environment – direct impact

Page 24

Manage SEB's direct environmental impact with the ambition to reduce the negative footprint.

**Ambition:** Be resource effective; reduce energy consumption and reduce CO<sub>2</sub> emissions with 20 per cent by 2020.



### Environment – indirect impact

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Manage SEB's indirect environmental impact, linked to our services to customers and our cooperation with suppliers.

**Ambition:** Increase the positive impact and reduce the negative. Measure portfolio footprint and set targets. Manage the carbon and water footprint of key sectors and portfolios.



### Our people

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Be a sound and inclusive workplace, attract and retain the right people that promote SEB's values, and adapt the organisation for future needs. Provide opportunities for professional and personal growth and development opportunities for all.

**Ambition:** Be the most attractive employer in the financial sector with a top number of engaged employees. Increase diversity. Raise level of competence in sustainability among employees.



### Corporate citizenship

Page 30

Engage for future generations and enhance financial literacy.

**Ambition:** Provide opportunities for SEB's employees to contribute to society in the areas of entrepreneurship, social inclusion and financial literacy. Improve measures for evaluating impact.

# Selling and advising

**SEB's ambition is to facilitate for our customers to manage their finances and plans for the future. We want to be a trustful partner with a long-term perspective. Our customers shall feel that the advice we provide is insightful and relevant, convenient and accessible on their terms.**



## Provide responsible and proactive advice

For us it is of outmost importance that our customers are satisfied with our products and services, thus we measure and report corporate reputation and customer satisfaction annually (see graphics below).

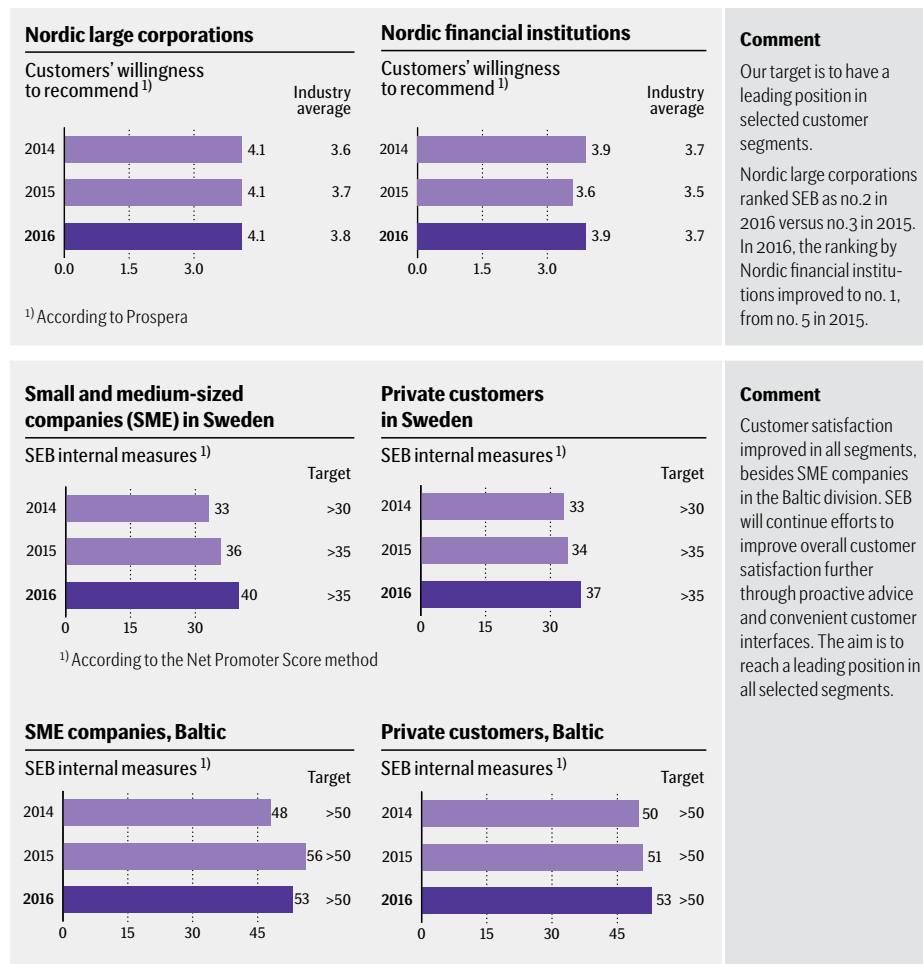
The new legal framework MiFID II will be introduced in 2018 with the aim to ensure that customers receive advice based on their situation, are offered suitable products and are able to make informed decisions. SEB is working on the transition towards MiFID II in several ways. During the year we have improved our documentation practices on our investment advice.

We require that all specialists and advisors within the division Corporate and Private Customers (Sweden) have a SwedSec license, a proof that they have relevant experience and knowledge in both investment advisory and insurance brokerage. By year-end, 93 per cent had completed the license, while the remainder were in the educational programme. In the Baltic countries, SEB works with the Baltic Financial Advisors

Association to prepare content and infrastructure for licencing advisors within the investment and insurance area.

### Complaints from customers

Should customers have complaints, we believe in addressing them directly. There is a special customer relations team that handles cases where the customer does not feel satisfied with the first response. All complaints are registered in SEB's operating risk information system. Every month, reports on selected products are presented and sent to the product and/or process owners. Analyses are made of areas for improvement. Each quarter, a larger report is produced with comparisons to the previous year. During 2016, complaints from customers increased with 5 per cent from 2015. One of the reasons might be that we have emphasized the need to register complaints to facilitate continuous improvement.



## Responsible mortgage lending

Since 2009 housing prices in Sweden have risen by nearly 50 per cent while interest rates have fallen to historically low levels. House prices have mainly been driven by low home construction over many years. In 2016, the government introduced compulsory amortisation requirements for mortgages.

SEB was the first Swedish bank (October 2015) to introduce amortisation requirements for mortgages with loan-to-value ratios above 70 per cent. Our lending is based on the borrower's repayment capacity, including the ability to manage an interest rate of seven per cent and a mortgage that is no more than five times the household's gross income.

In November 2016, we launched an online tool where customers can get a quick view of their loan capacity and a better understanding of what interest rate they can handle and still maintain sound personal finances. The tool was developed in collaboration with customers.

### Support in difficult times

Should a private or corporate customer have repayment problems, we step in early in order to support with long-term viable solutions. Special credit management units handle these issues. We work directly with customers to establish plans for full loan repayments. SEB does not resell poor loans to debt collection agencies.

### Support for housing in Latvia

In 2015, SEB signed an agreement with Altum, a Latvian government-owned development bank, to issue state-supported mortgages to families with children. The objective of the state aid programme is to reduce the first down-payment. During 2016, SEB signed 913 agreements with customers qualifying for the programme, and granted almost 51 million euros to help families obtain their dwelling.

### Relevant SDG goals

SEB's promotion of entrepreneurship and innovation is linked to Goal no. 8 (sub-target 8.2). Through our strong focus on responsible behaviours, we contribute to Goal no. 16.







## Control your finances

**Customers want to be in control of their finances and expect their bank to understand their needs and be proactive in their best interest. SEB has therefore taken several initiatives to improve customer experience.**

During 2016, SEB developed and launched several new services in all customer segments. Some solutions are developed by SEB, while others rely on partnerships with other service providers.

### Digital advising

In Sweden and the Baltics, we have upgraded our digital tools to facilitate advising and understanding of customers' finances. In Sweden, the first digital pension advice session took place in February 2015 over the phone with a shared screen. Since the start, we have conducted over 4,000 such meetings. The customer satisfaction score of around 96 per cent shows that this form of meeting is highly appreciated by our customers. As of 2016, contracts can be signed digitally.

In the Baltic countries, the bank offers digital advisory tools that help customers to gain a comprehensive picture of their



personal finances and to find the right risk diversification for their financial security. In Estonia, a remote advisory service for SME's was launched in 2016. These customers can now open an account and sign the documents digitally using their ID-card or Mobile-ID. An additional tool also allows for a high quality video-audio conversation with customers.

### Youth app

In 2016, SEB launched a Youth app where children can see their account balance, make transfers and start a saving. The app

was developed by involving young people between 10 and 18 years in Sweden. They gave their views on personal finance matters. Also parents provided input about what support they would like from SEB.

SEB has during the year initiated collaboration with Tink, a start-up who offers a digital planning tool to manage private finances. Through this, customers will gain better control over their spending and make more informed choices.

### Boosting financial skills

In Sweden, SEB engages in "Like Your Finances", a network that conducts educational projects in personal finance for different target groups such as pensioners, students and immigrants. The aim of the programme is to increase personal financial skills. In 2016, SEB contributed actively in a training project for senior citizens, called "Safer economy at an older age". The project is a collaboration with Swedish senior citizen organisations and local government budget and debt advisors. In addition, SEB's private economist Jens Magnusson, has visited around 10 schools during the year and educated around 500 students in private finances, about banks role in society and about the importance of education.

## Services accessible to all

Our ambition is that all banking services we provide are adapted and accessible to individuals with different needs and abilities and regardless of their physical, mental or technological abilities. When developing new services we continually evaluate them with relevant user groups.

Our branch offices are suitable for disabled persons and SEB's telephone customer service in Sweden is open 365 days per year, 24 hours per day and we provide personal customer service in 25 languages. We offer apps with the support of so-called "Voice over" and "Dynamic Type" to enable listening to information and to change the font size. Our security tool Digipass is adjusted for customers that are visually impaired to facilitate banking services via the Internet and the self-service Bank by Phone.

SEB's experts produce several research reports every year and involve in activities where they meet and interact with the general public.

In Estonia, SEB Life and Pension has launched a "plain language project" where they have created new contract terms and conditions that are easier to understand but still legally viable.

## Sustainability in product development

Through a group-wide New Product Approval Process (NPAP) for all new or changed products, processes and systems, operational risks are identified and mitigated. The aim is to protect SEB from entering into unintended risk-taking that cannot be immediately managed by the organisation. An additional aim is to promote and share the best practices within SEB.

Sustainability aspects are included in this process so that potential impacts are reviewed early in the process. Thus facilitating mitigation as well as raising the overall awareness about such aspects in the risk decision.

Environmental, social and governance are now seen as important drivers for product and business development. We aim to strengthen the sustainability offering throughout SEB.

## Code of Conduct

SEB aims to always conduct business in a responsible manner and we strive to make all employees aware of how we want to conduct our business and the responsibility each individual has. The Code was revised in 2015 and during 2016 several rules were strengthened and clarified. Among the examples are the rules for external assignments, the credit process for employees to identify potential conflicts of interest and the rules for employees' securities transactions.

During the year, we also launched a new education package with e-learning, films and working material. The education is mandatory for all employees over a three-year period. Almost two thirds of SEB's employees have completed the new education since the launch. We strive to reach 100 per cent within three years.



## Baltic Shadow Economy Index

Since 2009, SEB supports the research study Baltic Shadow Economy Index, conducted among enterprises in the Baltic States and carried out by the Centre for Sustainable Business at Stockholm School of Economics in Riga.

According to latest report (published in May 2016), the share of shadow economy in Estonia constituted 14.9 per cent, in Lithuania 15 per cent, and in Latvia 21.3 per cent of GDP.

A major component of the shadow economy are the unofficial "envelope" wages (approximately 60 per cent), followed by underreporting of income and as well as the number of employees (approx. 20 per cent each).

SEB is aware that this issue is important to address. In the Baltics, as well as in our other markets, client executives have training and tools how to interview and also influence clients. We avoid financing companies if we have or receive knowledge that "shady" practices are used. The dialogue with the client is crucial, both in terms of finding these topics but also for making our standpoint clear.

## Our approach to tax

Tax and tax transparency has during recent years come increasingly in focus. SEB sees tax and tax management as an important part of our contribution to society. We are committed to meeting the raised expectations on transparency in respect of our tax management and continuously work to enhance the scope of our communication around tax.

### Good corporate practice

Operating in more than 20 countries, SEB supports many customers in international trade and global cross-border businesses. Recognising that tax rules and regulations are not fully harmonised across these many different jurisdictions, SEB aims to show good corporate practice in the area of tax. Thus during 2016, SEB reviewed current practices and has developed a group-wide tax policy. The policy was adopted by the Board of Directors in January 2017.

### SEB as a tax payer

SEB is a significant payer of corporate income tax, social security contributions and bank levies in several countries. SEB is also a net payer of VAT, since a major part of the VAT paid is not recoverable. Similarly, SEB has an important role in the collection and payment of taxes on behalf of employees and customers as well as in the reporting of information related to customer taxation.

In 2016, SEB's income tax expense amounted to SEK 4,249 million (SEK 4,284 million) globally. The SEB group also paid social security fees of SEK 2,606 million and stability fees and deposit insurance amounting to SEK 1,362 million in 2016.

» Read SEB's Tax Policy

» See SEB's taxes paid per country in Annual Report p. 83 and p. 99.



# Cyber security and crime prevention



**Digitalisation is affecting every aspect of banking, and in a digital world, stability and reliability of the bank's IT platform is crucial. Interruptions or any kind of breaches into the systems can cause major problems, both for customers, suppliers and employees. SEB has strong focus on ensuring cyber security, combatting fraud and financing of terrorism, as well as securing our daily IT delivery services.**

## Relevant SDG goal

SEB's work against cyber crime supports Goal no 16 and the sub-targets 16.4 ("... reduce illicit financial and arms flows") and 16.5 ("reduce corruption and bribery in all their forms").



SEB works in a structured way to protect the bank from cyber-attacks, sabotage, intrusion attempts, crime and terrorism. We work at various levels with the aim to increase the bank's resilience against cyber threats. Our ambition is to be in tune with existing threats and in line with regulatory requirements. We have moved from being reactive and monitoring our internal IT environments and preventing attacks, into proactively building knowledge about potential threats, existing in other markets.

## Supporting the business

We focus on fraud prevention, -detection and -response as well as actions to prevent money laundering and financing of terrorism. During 2016 we have supported the business line with security in the digitalisation of different processes.

We have also continued the work with developing and broadening existing fraud monitoring systems in order to meet future threats and regulatory demands, e.g. the European Payment Service Directive. This work will continue during 2017.

## Understanding risks

In SEB we want to know our customers well. Regulations also require banks to

know their customers and to have a thorough understanding of the risks of banks being used for money laundering and terrorism financing. Procedures and resources must be in place to detect and report suspicious behaviour to the authorities.

SEB has established minimum requirements based on international recommendations and EU directives. We apply enhanced due diligence for customers, products and countries where there is a perceived risk that the bank can be used for money laundering and terrorism financing. We use a global monitoring system to detect transactions in defined higher risk areas.

The numbers of suspicious transaction reports to the Financial Intelligence Unit (Finanspolisen) have increased from 380 in 2015 to 489 in 2016.

Information from the business network is important. It remains the leading source and more than 50 per cent of the information received ends up in a report to Finanspolisen. There is also a high number of reports relating to detected suspicious activity in the transaction monitoring system; such as large ATM deposit, high frequency of Swish transactions and payments to/from high risk countries.

## Awareness

Awareness among employees is key in our efforts to prevent crime. We offer various trainings for employees. In 2016 SEB launched a new education package with e-learning, films and working material. Four new digital trainings are mandatory for all employees – Code of Conduct, Anti-money-laundering, Fraud prevention and Cyber security. All new employees must complete these trainings within the first three months of employment. Existing employees shall complete them every three years.



The dramatized film that was launched 2015 as a tool for increasing awareness among employees, is based on true stories and has become appreciated also externally.

In 2015, SEB launched a dramatised film as a new tool for increasing awareness among employees to understand the basic characteristics of fraud and money laundering. The film, which is based on real cases, has become very appreciated among employees. Also externally, it is recognized as a valuable tool.

During 2016 Group Security has attended several internal and external customer events where the film has been shown as a part of the presentation. These activities will continue in 2017.

## Whistleblowing

If employees or other persons discover suspected irregularities within SEB, possible unethical or unlawful behavior, he or she should report these observations. Most reports are made to local managers. Reports are also regularly made to the Head of Compliance and Head of Internal Audit, mostly via telephone or e-mail. Reports include areas such as conflicts of interest, employees' external assignments and potential money laundering.

It is possible to contact these persons anonymously, via an encrypted e-mail service. The identity is kept anonymous during the subsequent internal investigation, provided that we are not obliged by law to disclose it. All reported incidents or circumstances are promptly investigated and, when applicable, reported to the bank's CEO and the Audit and Compliance Committee.

## Information Security Governance

SEB follows good practice and international standards for information and cyber security.

Work is conducted in accordance with the Swedish Financial Supervisory Authority rules for the financial sector. The responsibility for SEB's Information Security Governance rests on the CEO and is delegated to Group Information Security via the Information Governance Policy.

The daily work is conducted on the basis of a management system consisting of internal control and risk management tools to identify, assess, monitor and mitigate the risks information.

## Securing solid daily IT deliveries

SEB has a robust technology environment, in which we regularly make essential system and security updates, system upgrades and implement new features and functionality.

SEB has for many years enjoyed stable operational IT systems with very few disturbances. This has been achieved through a robust structure with rigorous procedures used for e.g. production applications.

To meet the requirements of the rapid digitisation, SEB is increasingly applying agile ways of working. This means smaller and more frequent deliveries, for the benefit of the customers.

However, in 2016, a number of unplanned outages occurred, which we responded to urgently in order to minimize disruption for customers.

We take these unplanned outages seriously and take several measures to reduce and prevent similar risks in the future. Those measures include building "firebreaks" in the infrastructure and thereby limiting the incident from affecting the basic systems.

Going forward, SEB has a strong focus on maintaining the highest quality control and discipline, minimizing the risks of disturbances and to combine speed with solid stability.

>900%

At year-end, over 90 per cent of our employees had carried out the Anti-money laundering training, one of four mandatory trainings.



# Investments



## Our philosophy – from exclusion to positive selection

### Relevant SDG goals

There are clear links between SEB's products with positive impact and several of the Sustainable Development Goals. Among the examples: Gender equality (5), Clean water and sanitation (6), Decent work and economic growth (8), and Climate action (13).



**Sustainability is increasingly important, not only to us at SEB but also to our customers and society. For us it is about making better investment decisions and protecting our customers' money.**

SEB is one of the largest institutional investors in the Nordic region with more than SEK 1,780 billion in assets under management for private, corporate and institutional clients. We increasingly invest in businesses that actively manage the environmental, social and governance aspects of their business. We do this as we believe they will be more successful over time and that this will add value for our customers, the companies we invest in and for society.

Working with sustainable and responsible investments is a central aspect of the way we manage our funds and portfolios.

In 2016, SEB further strengthened the role of sustainability aspects in management of all major asset classes.

Our investment philosophy is based on continuously influencing the market, inclusion through positive selection and exclusion based on negative screening. Integration of sustainability into our portfolio management has evolved from pure exclusion of companies to integration and positive selection, i.e. actively selecting companies that perform well in terms of sustainability.

Another key aspect of responsible investments is about engaging with companies in order to influence them to change. Our investment teams hold dialogues directly with Nordic companies. We are active in nomination committees and co-operate internationally with other investors.

The number of companies that are excluded from one or more of our funds has tripled during the year. This is due to our coal policy and the exclusion of fossil fuel extraction companies in several funds.

## Top ratings from PRI

SEB signed the UN supported Principles for Responsible Investments (PRI) in 2008 and they serve as guidance for the fund company's sustainability work. Our work with sustainable investments is performed in a number of different ways, from influencing companies in the right direction to actively selecting companies based on various sustainability themes and to excluding certain companies.

From 2017, we also align our efforts to UN's Sustainable Development Goals.

►► Read more at p. 7 and p. 18.

### Signatory as asset owner

In PRI's annual grading of sustainable investments, SEB received top ratings for both its equity and fixed income management for 2016. SEB scored A and A+ in eight out of nine asset classes.

In November, SEB Life & Pension signed the PRI as an asset owner. Adding the asset-owner perspective gives SEB access to new collaboration forums and the possibility to pursue sustainability issues with other capital owners and make demands on external investment managers.

## Influencing our holdings

SEB has signed an agreement with Hermes Equity Ownership Services, a world-leading provider of ESG engagement services. Hereby, we increase our chances to be more successful with sustainability dialogues with companies outside the Nordic countries, where we normally have smaller ownership. In 2016, we more than doubled the number of direct and indirect dialogues with companies to 516 (214).

Through our involvement in the PRI and CDP (formerly the Carbon Disclosure Project), we also collaborate with investors worldwide. Our key areas for dialogues during 2016 as related to PRI and CDP were:

- Climate, with a focus on palm oil (25) and carbon emissions from European utility companies (14);
- Human rights in the extractive sector (32) and in regard to access to medicine (20).

### Female representation on boards

After last year's Annual General Meeting season, the Swedish Corporate Governance Board reported that the proportion of women nominated in listed Swedish companies' boards has increased with 2.7 percentage points to 31.6 per cent. SEB's fund management company is in the forefront.

In the approximately 30 companies where SEB is a member of the nominating committee, 37 per cent of the nominated board members are women.

### Customers engage

During recent years, we see that people increasingly show that they care about how their money is invested and ask questions about our holdings, primarily in mutual funds. Issues related to fossil fuels, carbon emissions, arms and human rights are most frequent.

Non-governmental organisations, NGO's, are part of driving the agenda in these areas, not seldom with active presence in social as well as traditional media. Customers engage through various communication channels. They ask about why we, according to them, not act swiftly enough with a certain holding or require immediate exit from a certain investment.

SEB aims to become more transparent about how we work. We try to explain facts and stand points, for example the difference between our own actively managed funds, where we can take fast decisions, and index funds where changes typically take time. An index fund mirrors a specific index and any change will have to be approved by the applicable Financial Supervisory Authority.

Some issues are complicated by nature and need deep insight and extensive explanations in order to be fully reflected.

We aim to continuously improve and welcome being scrutinized by NGO's, media and customers. That helps us to develop and get better. We know that there is more to learn and that the work must proceed.

## Improving transparency for better fund choices

Several initiatives make it easier for customers to make more informed decisions:

### • Morningstar's globes

Morningstar has launched a rating system that compares and ranks funds from a sustainability perspective. The funds' ratings are indicated by one to five globes. Our sustainability funds come out well in this ranking, and the globes are available at ►► [www.seb.se](http://www.seb.se)

### • Green checkmark for ESG profile

Sweden's Forum for Sustainable Investment (SWESIF), has launched an ESG profile, Hållbarhetsprofilen. Nearly 50 fund companies are included and over

600 funds had reported according to the new template in January 2017. The new tool increases transparency and simplifies the comparison between funds for the customer.

### • Carbon measurement

As part of the process towards greater transparency in how our funds affect carbon emissions, the carbon footprint of a majority of our equity funds will be measured annually and presented from the first quarter 2017.

►► Read more at [www.sebgroup.com](http://www.sebgroup.com)

## Reduced coal exposure

Global climate change is one of today's most serious challenges. This is why we have decided to exclude investments in companies involved in thermal coal extraction, i.e. mining activities, where coal accounts for more than 20 per cent of the company's or group's turnover. This is one factor behind the increased number of companies being excluded. We have also increased the active ownership through dialogues with European energy companies, where coal as an energy source exceeds 10 per cent.



# Products with positive impact

## Prize for Best Ethical fund



In early January 2017, SEB Hållbarhetsfond Global (Sustainability Fund) was out of 1,700 funds, awarded “Best

Ethical fund” by Sweden’s largest marketplace for funds, Fondmarknaden.se.

The fund manager Christian Darenhill appreciates the award:

“Through the management of the fund, we actively contribute to a better environment while at the same time creating value for our customers. In SEB Hållbarhetsfond Global we work with positive selection.”

“This means that the fund does not only exclude companies, but we use digitalised analysis to find companies that work actively with environmental related questions. It is particularly gratifying that we stand out in competition with both Swedish and global competitors in this area.”

► Read about SEB Sustainability Fund Global to the right.

SEB has several impact investment products with the ambition to besides financial return also generate social or environmental benefits. Such a product is the Green Bond. ► Read more at p. 25.

## Sustainable funds

The transition from ethical to our sustainability funds has proceeded during the year. Today we offer more than 15 funds with a clear sustainability profile, among them SEB Hållbarhetsfond Global (Sustainability Fund Global). The focus on positive selection in portfolio management, seeking companies with effective waste management, low carbon emissions and good water usage, has contributed significantly to our portfolios’ returns. It is now the base for integration of sustainability in the majority of our equity and fixed income portfolios and funds.

## Green Bond Fund

SEB’s green bond fund, investing in green bonds worldwide, has grown tenfold since launched in 2015. The bonds finance climate improving activities. One example of a green bond in the portfolio is tied to the KfW Renewable Energy Program. A one million euro investment in the bond tied to the program implies a carbon emission reduction of 1,200 tonnes. SEB Green Bond Fund had at year end 6 million euro invested in this project.

## Domestica funds

Through our Domestica funds we have been able to combine high risk-adjusted returns with the ability to help reducing the housing shortage. Investments are done directly in real estates and we have a strong focus on energy efficiency and choice of building material. Furthermore, all new construction projects are built to be environmentally certified. For example, investments in a geothermal heating facility for our properties in Malmö reduce energy costs significantly, decreasing the carbon emissions by almost 1,000 tons per year.

## Microfinance funds

SEB is today one of the largest manager of microfinance funds in Europe. Through investing in microfinance institutions, SEB’s microfinance funds provide financing for entrepreneurs and low and middle income households in emerging and frontier markets.

Over 4 billion SEK are invested in four funds, reaching more than 17 million entrepreneurs, via microfinance institutions, in almost 30 developing countries. An example of an investment is M-Kopa in Kenya, who provides financing for people in rural East Africa so they can purchase micro solar units, replacing kerosene lights and diesel generators. In this way, people get access to renewable energy, halve their energy costs on average, at the same time minimising the kerosene fumes in their homes.



Mrs. Juliet Njeri Mwangi and her family live outside Nairobi, an area with limited access to electricity, especially after sunset. In 2013, the family bought a solar power unit of M-Kopa. Julia’s 10-year-old son can now do his home works in the evenings and the family can recharge mobile phones at home instead of in the nearest grocery store.



# Finance

**We are convinced that we can influence the development towards a better world and that we have a role to play in the realisation of the sustainable development goals.**

We believe that organisations that actively manage the environmental, social and governance aspects of their activities are better able to reduce risks and costs as well as seize opportunities and attract capital, thus being more successful long-term.

## Responsible lending

Responsible credit granting is a cornerstone of our business, creating sustainable customer and shareholder value. Our risk culture is based on long experience, strong customer relations and sound banking principles.

SEB's credit policies reflect our view on sustainability, applicable policies and international commitments. We include risks and opportunities related to:

- *Environment aspects* (climate, waste, effluents, emissions, bio-diversity and resource usage).
- *Social aspects* (respect for human rights, working conditions, as well as good community relations).
- *Governance* (structure and processes for risk management, avoidance of conflicts of interest and prevention of corruption).

The corporate credit portfolio (excluding property management) consists mainly of large Nordic and German counterparties in

a wide range of industries, the largest being manufacturing.

► *Read more about SEB's credit portfolio in the Annual Report, p. 41.*

## Client dialogues

We engage with clients on a regular basis around social, environmental and governance (ESG) issues. Our aim is to understand our clients' strengths and weaknesses as well as their challenges and opportunities so that we can be a better business partner and make the appropriate credit considerations. In line with the growing importance of sustainability, we have enhanced our efforts to discuss that with all relevant companies.

In the Baltic division, the aim has been to have sustainability meetings with the largest clients or clients with a higher likelihood of sustainability challenges. During the year, 45 such meetings were held. Environmental, social and governance related topics have been covered as well as processes, targets and goals. A key component has been the sharing of experience and lessons learned from the respective organisations.

An example of a frequent topic is employee engagement, where we as a large employer in the Baltic region can share our

experience with our clients. These meetings have resulted in an increased understanding of the customers' business, their needs as well as an increased knowledge of what actions that need to be taken to strengthen the sustainability work.

## Pilot project in Sweden

To further improve the ESG dialogue with clients within the Corporate & Private Customer division, a pilot project was run in Sweden during 2016. 22 corporate advisors were selected to participate and received new tools for the client dialogue and the credit analysis.

The outcome was positive with many insights on how to further improve our own work. The advisors gained a broader understanding of the customers' businesses, their needs and actions.

## Transparency

As a response to increasing expectations on banks being transparent about their credit portfolios, work has been done in collaboration with the Swedish Bankers' Association. As a first step, a two page template for a "Sustainability overview for credit granting" has been developed. There we will describe the credit granting process as well



as our way of working and standards we adhere to. The first versions will be made public in April, 2017 at the respective bank's website as well as via the website of the Swedish Bankers' association.

► See [www.sebgroup.com](http://www.sebgroup.com)

### Equator Principles

In 2007, SEB adopted the Equator Principles (EP), a voluntary set of guidelines used by financial institutions to assess the social and environmental impact of large projects and to help their customers to manage them.

For 2016, we had 5 project finance transactions under the Equator Principles, 1 category A (projects with potential significant adverse environmental and social risks, 4 category B (projects with potential limited adverse environmental and social risks).

As regards project related corporate loans, SEB was involved in 1 category B transaction.

### Relevant SDG goal

SEB's sustainable work within Finance as well as Environment

(see p. 25) contributes to Industry, innovation and infrastructure (9) and Climate action (13). Our engagement in UNEP Positive Impact Finance contributes to Partnership for the goals (17).



### Policies – SEB's position

Since 2011, SEB has three position statements – on child labour, fresh water and climate – and six industry sector policies – on arms and defence, forestry, fossil fuels, mining and metals, renewable energy and shipping.

The purpose of these statements and policies is to provide a common framework for strategic dialogues around key issues with clients. They are part of decisions in the business committees and an integral part of the credit policy. During 2016, SEB has worked on a revision of the policies for fossil fuels, mining and metals and shipping. A key aspect of the revision is to include all parts of the organisation that work with companies/clients for which these policies are applicable. This has taken more time than initially envisioned and we expect the updated policies to be adopted during the first half of 2017. Remaining sector policies and position statements will be reviewed during the year, as will the need for additional policies covering other industries.



## ESG in equity analyses

In 2016, SEB introduced a new evaluation approach to environmental, social and governance (ESG) related factors in the share analysis process. SEB Equities Research developed an evaluation tool to identify hidden value impacts that are not already reflected in existing equity analysis.

"We have focused on identifying the most material ESG issues for each sector and company, and have then assessed the future value impact of those issues", says Julian Beer, ESG Financial Advisor at SEB Large Corporates & Financial Institutions.

As an example, a company, which is facing lawsuits relating to previous corrupt practices, will rank poorly in a

conventional ESG analysis, and the share's valuation may reflect fears of further lawsuits. But a more focused assessment may conclude that the company has made great progress in launching and integrating high standards of ethical conduct at all levels of its operations – thus limiting the risk of future scandals – and implying that the share is undervalued.

Initially, SEB analysts have applied this ESG evaluation methodology to the Stockholm OMXS-30\* companies.

\* Stock market index of the 30 most traded stock classes on Stockholm Stock Exchange.

### Positive Impact Principles

As the only Nordic bank, SEB and 18 other international banks and asset managers in January 2017 agreed on the Principles for Positive Impact Finance. The Principles provide financiers and investors with guidance to analyse, monitor and disclose the social, environmental and economic impacts of the financial products and services they deliver. They can serve as a common framework for financing of the UN Sustainable Development Goals.

► Read more on page 7.

Global challenges such as climate change, population growth and resource scarcity highlights the urgency for the finance sector both to adapt and to help bring about the necessary changes in the economic and business models.

SEB joined The Positive Impact Manifesto in 2015 when it was launched as a call for a new, impact-based financing paradigm to bridge the gap in financing for sustainable development. The Principles for Positive Impact Finance will help to channel hundreds of trillions of dollars managed by banks and investors towards clean, low carbon and inclusive projects.

The framework is applicable across different business lines, including retail and wholesale lending, corporate and investment lending and asset management. The innovation of the principles lies in the requirement for a holistic assessment of positive and negative impacts on economic development, human well-being and the environment.

The Principles are tool that is needed to enable the business and finance community to work and innovate together, and to address the challenge of the UN Sustainable Development Goals.

► Read more in *The principles for positive impact finance*





Photo: HH Ferries

## Ferries on battery for a cleaner environment

HH Ferries is rebuilding two of its ferries, the Tycho Brahe and the Aurora, for battery operation to make for a cleaner and more peaceful environment around the Swedish–Danish Strait. The 300 MSEK project is partly financed by SEB and INEA, the EU's Innovation and Networks Executive Agency.

The two ferries will be among the first in the world to run on pure battery power on such a high-frequency ferry route as Helsingborg – Helsingör. The ferries will be charged in

each port but not spend more time at shore than today. The only difference is that the ships turn off the diesel engines and are instead charged with electricity from the newly built charging stations at each port.

640 batteries of 6.5 kWh are installed on top of each ferry along with two deckhouses for transformers, converters and cooling of the batteries. Cables run from the deckhouses to connecting points at each end of the ship, so that the batteries can be quick-charged, in less than ten minutes.

## The greenest building in Estonia

SEB has financed the Explorer commercial building (developed by Capital Mill), which was awarded the LEED Platinum certificate for energy-efficient building. This makes it officially the greenest building of its kind in Estonia.

The LEED certificate (Leadership in Energy and Environmental Design) is an internationally recognised certification

system developed by the U.S. Green Building Council (USGBC). The LEED platinum certificate, the first ever to a commercial building in Estonia, provides the clients and the public with an assurance that high standards set for the building regarding sustainability and work environment are met.

SEB has financed the building with a loan in the amount of EUR 8 million.

## Ten hydrogen trolley buses to Riga, Latvia

The municipality of Riga, Latvia, is through its company Rigas Satiksme, carrying out a pilot aimed at replacing the existing fleet of public transportation vehicles.

The project implies purchase of ten new trolley buses with hydrogen range extender and ten fuel cell electric busses as well as providing hydrogen refuelling stations and infrastructure for hydrogen production, storage and refuelling.

Total project amount is EUR 23.4 million, SEB financing of EUR 8 million and the project is co-financed with EU funds.

The project will lead to a more flexible transport system and contribute to improved air quality in the city of Riga and to the city's green transport targets.

## Wind farm in northern Norway

SEB act as sole arranger and lender (NOK 335 million) for the project financing of the Hamnefjell Vindkraft AS wind farm in northern Norway.

The wind farm is situated in one of Europe's best onshore wind location close to Båtsfjord in northern Norway, 500 kilo-

metres north of the polar circle. The site will be equipped with 15 Vestas 3.3 MW turbines and set to be producing energy from the fourth quarter 2017.

The target for full year production is 186 GWh which corresponds to annual consumption of 12,000 households.

## Green finance



KLAS EKLUND

Senior Sustainability Economist

## Financial markets help greening the planet

*The world needs massive investments to transform the energy sector, build smart cities with efficient transportation systems, secure clean water – and, in general, preserve the planet's natural capital. The private financial sector will play a decisive role and has begun a green transformation.*

*Relative price changes – for example cheaper renewable energy – has increased demand and helped make green investments profitable. Fear of “stranded assets” – i.e. fossil assets which will not be used – have caused a re-evaluation of coal and oil companies.*

*The next step will be to scale up green finance. Supervisory agencies are discussing how to include environmental and social aspects. Regulators are starting to demand that banks and fund managers become more transparent about the environmental and social effects of their loan portfolios and investments. This will cause financial institutions to improve measuring and monitoring credits and investments.*

*We will see a move to new norms and standards. Risk disclosure has been the subject of a special FSB task force. Gradually, markets will move towards common classifications of green bonds, green credits etc. We will also see deeper co-operation between public and private funding. State-supported green banks can help “crowd in” private capital.*

*Financial centres are building green knowledge hubs. Banks will build alliances and networks, learning best practice from peers. And to an increasing extent this will take place within the common agenda set up by the UN Sustainability Development Goals.*

*All in all, the financial sector of tomorrow will be a lot different from today. And a lot greener.*



# Environment



## Direct impact

**In 2015, we outperformed our ambitious target set in 2008, to reduce the annual CO<sub>2</sub> emissions by 45 per cent. When we summarised our efforts we concluded a 54 per cent reduction over these seven years. However, climate responsiveness and CO<sub>2</sub> reduction is a continuous journey. Keeping our ambitions high, we set a new target to a further 20 per cent reduction of our emissions and electricity consumption for the period 2016 to 2020.**

### New baseline

We have decided to include more countries in our environmental reporting to cover 99 per cent of our employees, globally. Therefore, we have created a new extended 2015 baseline as regards CO<sub>2</sub> emissions, energy use, business travel, paper consumption and company cars (*for details, see SEB Fact Book, p. 2*). The new 2015 baseline for CO<sub>2</sub> emis-

sions is 21,315 tonnes, compared to reported emissions for 2015 of 19,118 tonnes. Thus, the countries previously not reported on account for 2,200 tonnes CO<sub>2</sub>.

### Energy use

The new 2015 baseline for energy consumption is 93,081 MWh, compared to 91,866 MWh (*for details, see SEB Fact Book, p. 2*). For 2016, there was a small increase in the overall energy consumption of about 1.4 per cent, compared to the new baseline. Our electricity use followed the same pattern and increased by 1 per cent compared to the new baseline. We see this as normal yearly variations. During the year, the share of renewable electricity decreased marginally from 89 to 88 per cent.

### Business travel

When summing up 2016, business travel remains the most challenging source of CO<sub>2</sub> emissions. More than half of our emissions are related to this. Compared to the new 2015 baseline, there was a 6 per cent decrease of emissions from business travel

in 2016 (*for details, see SEB Fact Book, p.3*). Focus will remain on further reductions. Going forward, we will increase efforts to offer alternatives to travel. This has also been an important aspect in the planning of SEB's new offices in Arenastaden, outside Stockholm.

### Paper consumption

The new 2015 baseline for paper consumption include countries previously not reported on as well as certain suppliers in Sweden that had not been included. Efforts to digitalise customer letters have continued (*for details, see SEB Fact Book, p. 2–3*).

### Company cars

CO<sub>2</sub> emissions from company cars were reduced by 10 per cent in 2016, compared to 2015. During the same period, the SEB average car has reduced emitted CO<sub>2</sub> by 2 per cent.

# Indirect impact

## Ten years of green bonds

This year, we celebrate the 10th anniversary of green bonds. In 2007 and 2008, SEB worked in close collaboration with the World Bank and a handful of institutional investors to design a fixed income instrument, tailored for mainstream portfolios. SEB also acted as sole lead manager on the World Bank's inaugural SEK 2.3 bn green bond. The structure of this transaction set a high standard of transparency for the market as a whole and constituted the corner stones for the Green Bond Principles – a voluntary guide for green bond issuance – that were developed by 13 banks (including SEB) and launched in 2014.

### The benefits of green investments

Over this past decade, the green bond market has grown constantly. In 2016, issuance doubled to USD 95 bn. This reflects a persistently rising awareness among both borrowers and investors about the benefits of integrating the environmental aspects into investment decisions – not least in the wake of the Paris Agreement.

2016 also saw the grand entrance of China, which became the largest single country in terms of green bond issuance as well as the first issuance of a sovereign green bond (Poland). Sovereign issuance is expected to rise significantly going forward and financial sector issuers are expected to maintain a brisk pace of growth.

In 2016, SEB was the fourth largest underwriter in volume with a market share of 4.4 per cent equalling USD 3.4 bn (Bloomberg data).

Since inception of the market until the end of 2016, SEB has underwritten green bonds to a value of USD 13.7 bn and is the second biggest underwriter globally with a market share of 8.4 per cent. The other Nordic banks have market shares in the range of 0.3–0.8 per cent.

### Support for first time issuers

While continuing to support new issues from green bond veterans such as the Multilateral Development Banks, City of Gothenburg and NWB during 2016, SEB supported the strong growth among financial sector issuers such as ABN Amro, Bank of China, BNP Paribas, DKB, Rabobank and SBAB as structural adviser and/or as underwriter.

SEB also brought a number of other first time issuers to the market including

Kommuninvest (Municipality Finance) and Entra (real estate company).

This effort is significantly invigorated by a dedicated database for green bonds. It provides investors with an easy-to-use tool to manage their green bond portfolios and for issuers to benchmark themselves. We are also developing a web-based solution to prepare a Green Bond Framework and to apply for a Second Opinion directly from the Cicero led Expert Network on Second Opinions (ENSO).

The database aims to broaden and strengthen the use of green bonds as an innovative and efficient way to mobilize human as well as financial capital for environmental investments needed to reach goals set out in Paris and elsewhere.

### Green loans

As one of the instigators of green bonds, SEB has an ambition to continue to drive the green financing market. We have therefore decided to specify and share the processes needed by a bank to create a green balance sheet. SEB's Green Bond Framework clarifies various processes for defining, selecting, verifying, monitoring and reporting on a Green Asset and Liability Management (ALM).

Green loans are made for the purpose of financing and/or refinancing projects within the European Union and the Nordic region that promote the transition to a low carbon and/or climate resilient development, as well as environmental and ecosystem improvements.

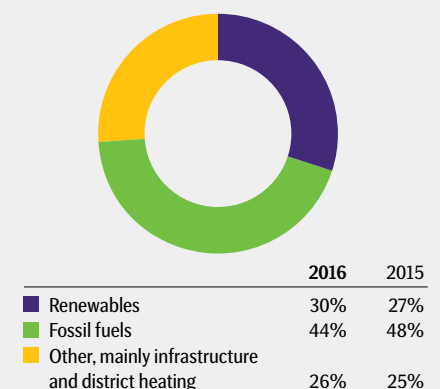
They include projects that target a) the mitigation of climate change, such as through investments in energy efficiency, renewable energy, green buildings, clean transportation, waste management and sustainable forestry, b) adaptation to climate change, such as water and waste water management or c) environmental and ecosystem improvements, such as emissions reduction, waste management and sustainable forestry.

As of the end of 2016, SEB had SEK 11.8bn in the dedicated green loan portfolio, in accordance with our green bond framework.

### Review of energy related credit portfolio

In line with SEB's updated position statement on climate change, SEB's energy related credit portfolio is gradually shifting to include more renewables, which now account for almost a third. Fossil fuels related accounted for 44 per cent, with coal less than 1 per cent. Renewable energy covers wind, bio-energy, hydro, waste disposal and solar. The portfolio, which is monitored on a regular basis from both a business and risk perspective, represents about 7 per cent of the total credit portfolio, or about SEK 144 (130) billion.

#### Total energy portfolio



### SEB issues own green bond

In February 2017, SEB issued its first own green bond of 500 million euros. The money is earmarked for loans to green initiatives and will initially be offered to large companies and institutions, municipalities, county councils and housing associations.

SEB has implemented new internal procedures to ensure the quality of green loans in accordance with the green framework. This has helped to raise the internal level of knowledge about climate risk and also offer a better overview of our loan portfolio.



# Our people

**In a changing world, SEB is impacted by technological developments, changing customer behaviours and expectations from future employees. Increased demands on simplicity, speed of change and transparency are important and leading to new conditions for SEB as an employer.**



## Committed employees

For SEB it is necessary to attract and retain dedicated employees with a strong service mind-set, who collaborate and who want to develop new competences. The bank's role in society and our aim to contribute to creating a better world is increasingly important for SEB's attraction as an employer.

The Bank's core values – customers first, commitment, simplicity and collaboration – are the foundation for our culture and our ways of working. Together with the vision – To deliver world-class service to our customers – they motivate and inspire employees, managers and the organisation as a whole. The values are described in the Bank's Code of Conduct, which provides guidance on ethical matters for all employees.

►► *Read more about the Code of Conduct at p. 15 and at [www.sebgroup.com](http://www.sebgroup.com).*



2014 to 2016, more than 2,000 employees received trainings in agile ways of working.

## Planning for future skills

The digital transformation drives the need to plan for future competences. SEB works throughout the bank to analyse and identify competence needs based on selected parameters. These form an integral part of both the short- and long-term business planning. Competences needed include digital design, data analysis and IT.

SEB has broadened its recruitment to search for these skills through new channels and arenas, and not only among individuals with a background in finance and business administration. In order to meet customers' needs for comprehensive service, many roles will be expanded. In many cases this requires training employees to work in new ways as well as broadening the knowledge base.

Many employees also need to better understand implications of climate change and social issues. Sustainability trainings will therefore remain in focus.

Simultaneously, we value and keep our strong focus on business acumen and skills in financial advice and risk management.

## Managing change

It is crucial for SEB that employees and the organisation have the willingness and ability to collaborate and to manage change. This needs to be done in an environment characterised by involvement and innovation.

SEB is developing new ways of working built on an iterative approach in the design of services. This means cross-functional teams mapping customer journeys, based on needs and feedback loops, before prototypes of new solutions are launched.

Combined, the agile ways of working are aimed at drawing full benefit of digitisation and providing an even better customer experience.

These ways of working have also been adopted in SEB's IT operations. Development and deliveries are conducted in small steps rather than in large projects over a longer time. Between 2014 and 2016, more than 2,000 employees received trainings in agile ways of working, a strategic investment to create good conditions for quick and successful adaptation to future needs.

## Promoting innovation

Technological development and customers' growing expectations for simplicity and transparency lead to new demands on SEB. SEB's Innovation Lab in Sweden and Employee Lab in the Baltics, where employees can develop their innovative ideas into real solutions, is one way to meet these expectations and at the same time involve our employees. Since the start in 2015, the Innovation/Employee Labs have generated 123 projects and over 500 employees have been involved.

Sustainability is one of the drivers for innovation and business development. According to the recent Insight survey (*read more at p. 29*), 86 per cent of SEB's employees believe that SEB's work to integrate sustainability is important for our business and the long-term profitability of the bank.





## Leadership and collaboration

Constant change in the business environment means greater demands on managers. SEB has a long tradition of identifying and developing leaders. They should inspire, be role models and establish conditions that enable employees and teams to develop the business in the best way possible.

During the year, Grow2Lead was developed, a digital portal for employees interested in a future role as a leader. The portal provides inspiration and development opportunities, and can help employees decide if a manager role is a suitable career path.

For existing managers, global programmes provide opportunities to develop their leadership qualities both as an individual and as a member of a team. Tools for strengthening collaboration within and between groups and departments are also available.

## Learning and development

Continuous learning is an important prerequisite for the ability to adapt to new circumstances. The Bank has a wide range of programmes that are visible through a digital platform that provides an overview of the entire range, both the training courses that are specific for SEB and those offered by external suppliers.

A total of 600 courses are offered in categories such as IT, project management, languages, finance, sales, leadership, sustainability and communication. Several methods and tools are offered to facilitate learning.

### Relevant SDG goals

We focus on equal opportunities in leadership at all levels (goal

no. 5, sub-target 5.5). We support innovation, labour rights and promote safe and secure working (goal no. 8, sub-target 8.2).



## Employees engage in sustainability

The sustainability engagement among SEB employees has increased considerably in recent times. An informal network of colleagues with great interest in sustainability issues was created in 2016. This is a grass root initiative with the purpose to inspire, share knowledge and to generate ideas on how to develop SEB's business.

One of the results was the arrangement of a "Sustainability Week" in Stockholm. Introduced by the head of SEB's business divisions some 15 seminars were held with both internal and external speakers highlighting various perspectives of sustainability.

Alongside this, an awareness road show has been held at several of SEB's sites in Sweden. Three of SEB's most senior sustainability profiles, Klas Eklund, Anette Andersson and Viktor Andersson gave a global perspective on sustainability, combined with a special focus on investments.

Hundreds of employees participated in these events which will be further spread during 2017.

## Health and workplace

Ensuring employee longevity is increasingly important as the population is aging and the retirement age is expected to rise.

A safe and sound work environment combined with a sense of good health and work life balance form the foundation for our employees' performance and job satisfaction.

SEB works pro-actively to prevent illness and to provide a healthy and safe workplace. Focus is on stress and workload. In Sweden, SEB has strengthened the support for managers with ill employees, related to stress and workload, by offering professional telephone support. Nurses and rehabilitation specialists with medical expertise and extensive experience, assess the appropriate way forward for a quick return to health and work. In Sweden, sick leave remained low in 2016 (3 per cent).

### Support at an early stage

Another appreciated tool, offered in Sweden and Germany is the Employee Assistance Programme. Employees can anonymously and free of charge call an unlimited number of times and talk personally to a licensed psychotherapist. The purpose is to help employees in need of temporary support at an early stage, disregarding the reasons for the support, i.e. whether it is work or non-work related.

### New office building outside Stockholm

In spring 2017, SEB's new office in Arenastaden outside Stockholm will be inaugurated, where 4,500 people will gather. During planning of the work, strong focus has been on promoting the work environment through modern and functional workplaces, extensive wellness facilities and healthy food in own restaurants.

### Health index

In 2016, SEB introduced a global health index based on the questions in the employee survey Insight. This is the first global tool to measure the working environment and health at both the divisional and national level. At group level, the index was 81 in 2016.

Going forward, this will be an important tool to further identify health and work environment related challenges and needs among employees in the organisation.

## Diversity enriches business

Diversity and inclusion among employees are important factors to build relationships with an increasingly diverse customer base and to increase the capacity for innovation. We believe that different perspectives enhance creativity and problem-solving and contribute to good decisions.

All employees shall be offered equal opportunities to develop individually, regardless of gender, ethnicity, age, sexual orientation or faith. SEB strives for gender

balance at every level within the organisation and to increase the share of employees with an international background.

The Bank is working actively, both in terms of structures and processes and in specific initiatives, to increase the number of women in higher operative positions and in senior leader roles.

**46%** of SEB's managers are women

In 2016, 46 percent (44) of the Group's managers were women. Among senior executives, the figure was 31 percent (27).

## Labour rights

All SEB's employees (100 per cent) are covered by collective or local agreements. SEB has a European Works Council (EWC), founded in 2003. The representatives are elected in accordance with the Swedish legislation and are in proportion to the number of employees employed in each EAA (European Economic Area) country where SEB is represented. The EWC gives the employee representatives the opportunity to consult with each other and develop a common transnational mind-set and view. With the EWC 97.7 per cent of employees have the opportunity to be represented. A new EWC agreement is in place since February 2016.

## Responsible conversion

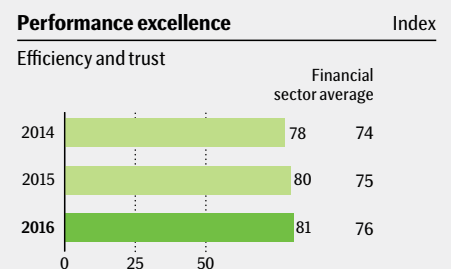
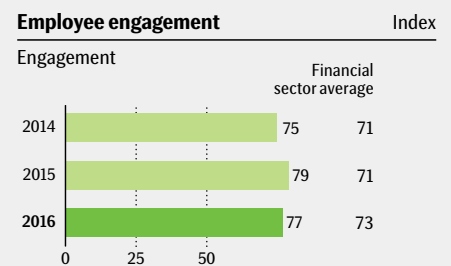
SEB constantly works to improve efficiency. If redundancies occur, we aim to in cooperation with the unions, manage them responsibly and to support employees who may need to find new challenges.

Whenever possible, SEB tries to offer jobs in other parts of the company to match the needs of the individuals who are open to new opportunities. If employees do not find a new job within SEB, the ambition is to coach and support the individual to find as good a solution as possible.

### Employee survey shows strong commitment

SEB's employee survey for 2016 shows a strong commitment to SEB's vision, and a willingness to be part of the changing environment. Employee engagement remained high, as was the level of Performance excellence (efficiency and confidence), which increased for the fourth consecutive year. The clearest areas for improvement are to strengthen the customer perspective, internal collaboration and to simplify processes and tools.

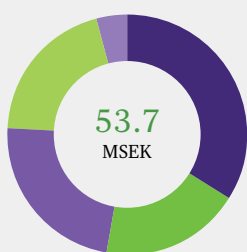
In order to develop these areas, employees have participated in workshops clarifying the link between employees' own values and the Bank's. Employees have reflected on and articulated their own values, and then connecting them to SEB's values. At year-end, this method had been used by 1,600 employees worldwide. Almost 90 percent of the participants recommended it to others.





# Corporate citizenship

## Investments



Sports and culture	18.2 MSEK	34%
Youth and education	10.4 MSEK	19%
Entrepreneurship	12.5 MSEK	23%
Donations	10.5 MSEK	20%
Memberships and in kind giving	2.1 MSEK	4%

## Relevant SDG goals

Through our partnerships, SEB supports education and training, entrepreneurship and employment for children and youth, connecting to goal no.4 (sub-target 4.4) and 8 (sub-target 8.6).



**As a bank, we are an integrated part of society. We want to share our knowledge and engagement, and contribute to empowering people. We support local communities and share both time and money, working with carefully chosen partners. Our focus is on future generations through the areas of innovation and entrepreneurship, financial literacy and social inclusion.**

## Innovation and entrepreneurship

Ever since SEB was founded 160 years ago, we have supported entrepreneurs, many of them growing their businesses into large corporates. We believe that entrepreneurial minds and innovative companies are key to creating a better world. We want to enable them to achieve their aspirations, succeed through good times and bad, and by that, contribute to creating jobs for future growth.

SEB has national and local partnerships at various levels, from inspiring young people in high school, supporting compa-

nies in a growth phase to highlighting experienced entrepreneurs as role models.

Our partnerships include established organisations such as Junior Achievement in Sweden (Ung Företagsamhet) and the Baltics, Nyföretagarcentrum, IFS, Entrepreneur of the Year and Settler of the Year.

In Sweden, SEB is a national partner to Venture Cup, the leading contest for those wanting to develop their business idea into a successful business concept.

In Estonia, we cooperate with the University of Tartu with which we have created the Vega Fund, supporting skilled students with innovative ideas. We also support Brain Hunt, the biggest entrepreneurship competition in Estonia, which has attracted around 4,500 entrepreneurs since the start in 2007.

## Financial literacy

As a bank, we see the need for sharing our knowledge with all groups in society. Thereby, we can empower people to make more informed financial decisions and contribute to better functioning societies.

As an example, SEB organised a Financial Literacy Road Show across the Baltics with the aim to educate youths to deal with their private finances and to inspire them for the future.

During 2016, SEB has started cooperation with the youth platform [ungdomar.se](http://ungdomar.se) and the initiative We Change, a broad sustainability initiative for high school students. The initiative is based on a study, done by the company Ungdomar.se in 2016, about young people's approach to sustainable development. The study shows that 75 percent of Sweden's youths feel a responsibility to take part in improving the world.

SEB will use this platform to share our financial expertise in order to increase financial literacy.

### Donations

SEB has supported the Stockholm School of Economics in establishing a professorship with the title "The Jacob and Marcus Wallenberg Chair in Innovative and Sustainable Business Development" and a new research center associated with that professorship. Among others, SEB also supported the foundation "Young Leadership" that highlights young leaders as role models.

### Social inclusion

Through a number of partnerships, SEB aims to support equal opportunities and contribute to social inclusion.

Since 1997, SEB has partnered with Mentor, a foundation focusing on drug prevention among youth, aiming to create relationships and build trust between young people and adults. Employees in Sweden and the Baltics, are involved as mentors. Through Mentor, our employees are given the opportunity to contribute to society, while developing themselves and their own leadership.

### Supporting social entrepreneurs

In 2016, SEB established a partnership with Inkludera Invest, an umbrella organisation for social entrepreneurs. These entrepreneurs run non-profit organisations with the aim to create a better world. To gain insight of business conditions, SEB supports these organisations and their development by sharing knowledge around business planning, budgeting and performance analysis. Concurrently, SEB employees gain valuable insights around operating conditions for a social enterprise.



### Music and learning

By supporting culture, we want to create long-term relationships and boost creativity and engagement in society. Since 2005, we support the Royal Philharmonic Orchestra in Stockholm and the Gothenburg Symphony Orchestra. Through these partnerships, we support the school concert concept El Sistema, a nonprofit organization that uses music education as a tool for development and integration of children and youths. In addition, we also support the Summer Musicians and SEB Young artists that supports young people's musician dreams. Since almost ten years, SEB is the gold sponsor of the Estonian National Opera and supports the Riga Sinfonietta in Latvia.

### Social Entrepreneur of the Year



**CHARLIE ERIKSSON**

### Founder of Never Alone

*Charlie Eriksson, 25, received the award Social Entrepreneur of the Year in 2016, handed out by SEB at the Universum Talent Awards. His project Never Alone highlights mental health problems, aims to erase taboos and get young people, 18–25 years old, to talk about their problems and seek help in time.*

*Never Alone started in 2013. The initiative stems from Charlie Eriksson's own experiences from anxiety attacks during the study period, which led to several suicide attempts. Frustrated over complicated medical information and jargon, Charlie Eriksson himself started to write about his thoughts and feelings in social media.*

*The information was widely spread, which led to that Charlie Eriksson today is a frequent lecturer in schools and a role model for many young people.*

*Charlie Eriksson receives proofs every day that he achieves what he wants to:*

*"All those who contact me to tell that they are fighting their illnesses and have received help through Never Alone – that is what drives me forward."*

### Pilot study on quantifying societal value

During the year we have done a pilot study on how to quantify the value that SEB contributes to society through 15 of our partnerships within entrepreneurship, financial literacy and social inclusion. They represent around 11 per cent of our total Corporate citizenship portfolio. The societal impact has been estimated by quantifying the value of education, training and jobs enabled through these 15 partnerships.

The study indicates that SEB through these partnerships enabled education worth SEK 67.6 million in the form of

lectures on personal finance, scholarships for post-secondary education, music lessons, career advice and mentorships. Entrepreneurial training such as workshops, accelerator programs, co-working events and startup competitions is estimated to provide a value of SEK 697 million.

In addition, SEB has through these partnerships contributed to 380 new jobs, at an estimated value of SEK 20.5 million, and 245 new companies being started. Thus according to the study, the total societal value is estimated to SEK 785 million.

The initial investment from SEB amounted to SEK 11.93 million, measured by sponsorship funds and dedicated volunteer hours. The total value created is derived by estimating the value created by the respective partner through education, training and new jobs and then multiplying that estimated value with SEB's contribution to the partner's total budget, as a share of the total. This study provides the start of our efforts to quantify and evaluate the impact of our engagement.



# Goals and results

**In our aim to become a role model within sustainability in the financial sector, we set ambitious goals for 2016. During the year we have made progress in several areas, but it is clear that we have more to do to reach some of our goals.**

The establishment of our green bond framework and the dedicated green loan portfolio was a highlight. The integration of sustainability in investment management continues to develop well.

Employee engagement remains high and the focus on sustainability issues among employees has increased during the year.

Measures to reduce our own emissions related to air travel will be reinforced – this is an area that continues to be a challenge. We will also continue the development of processes and tools in order to enhance our sustainability impact.

- Completed
- ◐ Partly completed
- Not completed

## Environment

Goals 2016	Results 2016
Reduce emissions and usage as appropriate to reach new 2020 target to reduce with 20 per cent.	◐ All areas have decreased except for air travel.
Secure continued reduction of distance traveled by air.	○ Ongoing work that will be accelerated during 2017.
Disclose carbon footprint for the majority of SEB:s managed equity funds	◐ >50 per cent of our equity funds measured (holdings per 31-12-2016) and disclosed Q1 2017.
Secure sustainable supply chain through continued risk assessments	◐ Ongoing work in cooperation with EcoVadis.

### Goals 2017

- Follow up on long-term goal: Reduction of 20 per cent by 2020 and secure continued reduction of distance traveled by air.
- Increase digitalisation in order to meet and reach more clients through different channels using less resource.
- Measure carbon footprint of all our equity funds.
- Start measuring the carbon footprint of parts of the loan portfolio.

## Selling and advising

Goals 2016	Results 2016
Ensuring quality advice based on long-term needs, while securing regulatory compliance.	◐ Increased control of documentation of investment advice. Ongoing work.
Facilitating customers' own control and increased understanding of own financial situation.	● New tools launched, e.g. online lending tool, Safety Planner and Youth app. Ongoing work.
Improving existing savings products from a sustainability perspective.	◐ Ongoing work to integrate sustainability into SEB's core savings offering.

### Goals 2017

- Strengthen range of sustainable products for all customer segments.
- Enhance advisory services to investors, large corporates and financial institution based on the SAFE methodology (SEB Adjustment for ESG).

## Cyber security and crime prevention

Goals 2016	Results 2016
Continue development of big data for early fraud detection.	◐ Ongoing work of developing and broadening existing fraud monitoring systems.
Develop new fraud e-learning.	● New fraud e-learning launched.

### Goals 2017

- 100 per cent of SEB's employees shall have completed the mandatory educations Code of Conduct, AML, Information security and Fraud prevention.
- Further enhance SEB's cyber security protection by introducing a cyber security framework, ensuring increased top resilience capabilities in the area.



## Finance

### Goals 2016

Develop methods to assess new climate regulations, climate related investment trends and assets exposed to climate stress.

Enhance transparency of credit portfolio composition and ways of working.

Revise three sector policies and/or position statements.

Enhance sustainability education throughout SEB.

### Results 2016

- Workshops on climate change scenarios, green bond framework and processes further developed.

- Report on energy credit portfolio and green loan book.

- Ongoing work with sector policies: Mining and Metals, Fossil Fuel and Shipping.

- 39 per cent of employees globally have completed the basic sustainability course during the year.

### Goals 2017

- Grow green loan portfolio. Baseline: SEK 11.8bn
- Develop tools and processes for impact reporting.
- Develop tools to measure client transformation

## Investments

### Goals 2016

Increase share of positive selection in traditional pension equity portfolio, e.g. 50 per cent of global equity portfolio.

Introduce ESG rating delivered by Morningstar for all relevant funds.

Better ESG guidance in fund price list, using "Sustainability Profile" and Morningstar ratings, when available.

Increase ESG engagement in Finland, Denmark and Norway.

### Results 2016

- A majority of the global equity portfolio is being managed with positive selection based on a climate model.

- Ratings available at seb.se.

- The ratings can be found at seb.se for all relevant funds.

- Increased interaction started through the Swedish/Nordic equity-team.

### Goals 2017

- Exclude companies that violate international norms from all SEB labelled funds.
- Improve reporting and information sharing of CO<sub>2</sub>-emissions in funds, and use the information in our fund managers' decision making.

## Our people

### Goals 2016

Maintain high level of employee engagement.

Improve gender balance at senior management level.

Launch of SEB's Campus Online, digital platform.

Involve all staff in dialogue around new vision, purpose and values.

Upgrade leadership training and tools.

### Results 2016

- Insight results 77 per cent. (79) Financial benchmark: 71 per cent.

- Improved to 69/31 (m/f) from 73/27.

- SEB Campus Online launched.

- Conference in November for all employees. Insight survey: 81 per cent understand how their targets are linked to SEB's vision, strategy and goals.

- Grow2Lead Portal launched on intranet. Ongoing work.

### Goals 2017

- Increased sustainability focus in internal educations. Baseline: Three sustainability focused e-learnings.
- Increase gender diversity at Senior Management Level. Baseline: 69/31 (m/f), and within division Large Corporates & Financial Institutions.
- Maintain high level of employee engagement.

## Corporate citizenship

### Goals 2016

Ensure inclusion of education and know-how in all partnership programmes – measured by # of educational hours held.

Maintain level of employee volunteering hours at about 15,000 hours per year.

Facilitate for employees, customers and partners, e.g. giving blood, winter clothing collections etc.

In partnership programmes and maintain level of financial literacy education.

### Results 2016

- We have contributed to >240,000 educational hours through our partnerships within inclusion and entrepreneurship.

- During 2016, we provided around 18,000 employee volunteering hours.

- SEB provided several occasions for e.g. giving blood and collect donated clothes for charity during the year.

- Co-operation with ungdomar.se

### Goals 2017

- Entrepreneurship: Increase the number of jobs that SEB contributes to through our partnerships.
- Entrepreneurship: Increase the total value of training that SEB contributes to.
- Financial literacy: Increase the value of training that SEB contributes to.

# Our approach to Human Rights

Managing SEB's human rights impact is important to us. Our aim is to avoid causing, contributing or being complicit to adverse human rights impact. Respecting and promoting human rights supports our business strategy and our relationships with key stakeholders.

SEB is committed to Human Rights as set out in international commitments such as the UN Guiding Principles on Business and Human Rights and the UN Global Compact. Our Code of Conduct is a key instrument to ensure that everyone at SEB acts in accordance with our standards, including areas such as diversity and equal opportunities.

## Due diligence and engagement

We seek to identify and assess actual and potential human rights impacts that may be close to or linked to our business. Based on prioritisation and leverage, we act upon the findings to prevent, mitigate and remediate potential impacts.

SEB's processes include systematic screening of companies and issuers, in order to detect possible violations of international conventions and guidelines on environmental responsibility, labour rights, human rights, controversial weapons and corruption. This is completed with external and in-house research. SEB's investment process has an increased focus on positive selection, including human rights impact evaluation, and strong engagement.

## Human rights in investments

Engagement in SEB's investment process:

- An active dialogue with Nordic companies where we are large shareholders. Participation in nomination committees.
- A thematic pro-active approach for international holdings. In the area of human rights, focus was on the extractive sector (32 targeted companies) and access to medicine (20 companies).
- Dialogues regarding norm violations and other key issues, held through our ESG provider and Hermes Equity Ownership Service.

When applying SEB's human rights process within corporate banking, transactions and counterparties are identified for further due diligence. Based on this assessment, some proposed transactions are declined at an early point. For others, the need for continuous monitoring is identified. Most of these transactions are monitored through reporting/assessments via our service providers, such as RepRisk.

When deemed necessary actions are taken. For a limited number, SEB retains



engagement dialogues on a regular basis, for example biannually, to closely follow the progress within the company or project to be able to impact the development. Examples include strengthening of the grievance mechanism and the divestment of a critical business area.

## Supply chain management

SEB's supply chain management includes a first screening through our risk model which covers industry, geography and importance to SEB. Through this we cover around 90 per cent of all our supplier costs. The next level is a screening through EcoVadis where human rights are one of the criteria evaluated. To date we have evaluated 202 company groups this way, representing 55 per cent of supplier spend.

➤ See CS Fact Book p. 6 for results.

## Training and guiding policies

The training policy which also covers some key human rights aspects was completed by almost 300 employees during the year. Key specialists participated in ICC/UN Global Compact Swedish network training on Children's rights and other trainings/workshops on decent work.

Among our guiding principles are:

- Code of Conduct; Code of Conduct for suppliers
- Human Rights Policy; Position statements on Child Labour, Climate Change and Freshwater
- Sector policies on Arms and Defence, Mining and Metals, Forestry, Fossil Fuels and Renewable Energy; Credit Policy on Corporate Sustainability.

## Preventing commercial sexual exploitation of children

SEB is since 2009 an active member of the Swedish Financial Coalition against Commercial Sexual Exploitation of Children. Swedish banks and financial institutions here cooperate with IT- and telecom companies and interact with ECPAT (End Child Prostitution and Trafficking), the Swedish Police, the Swedish Financial Supervisory Authority and the Swedish Departments of Justice and Finance.

A number of colleagues from SEB have taken part in the semi-annual updates provided to the members, gaining insight on ways to prevent our payment systems from being used in unwanted ways. A key aspect is to increase awareness both within SEB and among our customers about these issues.

To safeguard that SEB's computers can in no way be used for handling of child pornographic material, the bank has installed ProActive software that supervises and alerts appropriate managers in SEB if such material appears on SEB Computers or networks. This software was installed on Swedish computers in 2013 and in the Baltic countries during 2016.

# Years of engagement

2017

MEMBER OF

**Dow Jones  
Sustainability Indices**
In Collaboration with RobecoSAM 

2016

Launch of fourth microfinance fund.  
Established SEB Green Bond Framework.

2015

Reduced CO<sub>2</sub> emissions by 54 per cent, exceeding the target.

Strengthened position statement on climate change.

Launch of third microfinance fund.

Increased index for employee engagement for third year in a row.

2014

Launch of second microfinance fund.  
Revised sector policy on Arms and defence.  
300 employees attend CS Summit 2014.  
Engagement with El Sistema.



2013

SEB launched microfinance fund.

Facilitated first ever corporate green bond as well as first green bond for a Nordic municipality.

Human Rights policy approved by the Group Executive Committee (GEC).

2012

Updated Code of Business Conduct.  
Launch of whistle-blowing process.  
Renewed agreement with Mentor.



2011

Revised OECD Guidelines for Multinational Enterprises.

Sector policies and position statements approved by the Group Executive Committee.

2010

Support Young Enterprising (Ung Företagsamhet).  
Support Mentor in Latvia and Lithuania.  
External web site Sustainable Perspective launched.



2009

Joined the Swedish Financial Coalition against child pornography.

First group-wide CS strategy and framework decided upon by the Group Executive Committee.

CS Report in line with Global Reporting Initiative guidelines.



2008

Adoption of the UN Principles for Responsible Investments.  
Signatory of the Carbon Disclosure Project.  
First issue of green bonds – developed in co-operation between the World Bank and SEB.

2007

First Nordic Bank to adopt the Equator Principles.

SEB's first Corporate Sustainability Report published.



2006

SEB published Code of Business Conduct.

2004



SEB signed the UN Global Compact.



# Independent Auditor's Limited Assurance Report on the Sustainability Report

To Skandinaviska Enskilda Banken AB (publ)

## Introduction

We have been engaged by the Group Management of Skandinaviska Enskilda Banken AB (publ) ("SEB") to undertake an examination of SEB's Corporate Sustainability (CS) Report for the year 2016 with corresponding Sustainability Fact Book and GRI index on SEB's website ([www.sebgroup.com](http://www.sebgroup.com)). We refer to these publications collectively as the "Sustainability Report".

## Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 37 in the CS Report, and are the parts of the Sustainability Reporting Guidelines (published by Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 3rd March 2017  
PricewaterhouseCoopers AB



**Peter Nyllinge**  
Authorized Public Accountant



**Fredrik Ljungdahl**  
Expert member of FAR





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### Sustainability awards and recognitions 2016/2017

#### Awarded by

Included in The Sustainability Yearbook  
Global 100  
Global Woman's Index Fund

RobecoSAM  
Corporate Knights  
Pax Ellevest

### Sustainability indexes

#### Index provider

OMX GES Sustainability Sweden and Nordic Index  
SIX Sweden SRI Index  
FTSE4Good  
ECPI Indices  
STOXX Global ESG Leaders Indices  
Ethibel Sustainability Index Excellence Europe  
Dow Jones Sustainability Indices

Nasdaq OMX/GES  
SIX Financial Information  
FTSE  
ECPI  
STOXX  
Forum Ethibel  
S&P Dow Jones/RobecoSAM

### International commitments

UN Global Compact  
Principles for Responsible Investments (PRI)  
UN Environment Programme Finance Initiative (UNEP FI)  
OECD Guidelines for Multinational Enterprises  
Equator Principles  
UN Guiding Principles on Business and Human Rights  
Carbon Disclosure Project (CDP) and CDP Water Disclosure  
ICC Business Charter on Sustainable Development  
Montreal Carbon Pledge  
Swedish Financial Coalition Against Commercial Sexual Exploitation of Children (national)

## About this report

This report describes SEB's approach and present targets, guidelines, measures and key achievements related to the Group's contribution to sustainable development. The process to define what to include in this report includes feedback from previous reports from internal and external stakeholders, the identification of material issues (described on page 9), best practice within sustainability reporting and important events during the year.

The reporting organisation's name is Skandinaviska Enskilda Banken AB (Publ) ("SEB"), headquartered in Stockholm, Sweden. The report comprises the entire organisation of the SEB Group, except as specifically stated in connection with certain indicators.

SEB has published a Sustainability report annually since 2007. The report covers the preceding fiscal year, January to December 2016. In some cases information for early 2017 is included. The previous report was published in March 2016.

There has been no significant change from the previous report in scope and boundary. Applicable organisational changes for the SEB Group are described in the Annual Report 2016 (AR), page 30. For details on accounting policies, please see AR pages 74.

Our main reporting framework is the Global Reporting Initiative, GRI, G4 guidelines for the Financial Services Sector. SEB reports in accordance with the G4 core. Key aspects of SEB's sustainability work, such as risk management, corporate governance and staff composition, remuneration and benefits, are included in the annual accounts of SEB. SEB's auditor PwC has been engaged to perform a limited review of the full report, including a GRI application check. Our GRI index is found in Sustainability Fact Book (CS Fact Book) on pages 16–23.

►► Annual Report

# Welcome to SEB

Our vision is to deliver world-class service to our customers. We assist 2,300 large corporations, 700 financial institutions, 267,000 small and medium-sized companies and 1.4 million private individuals with advice and financial solutions.

In Sweden and the Baltic countries, we offer comprehensive financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany, we have a strong focus on a full-service offering to large corporate and institutional customers.

The international scope of the operations is reflected in SEB's presence in some 20 countries with 15,300 employees.

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

## Our responsibility

We know that the way we act affects the world in which we operate. It is our responsibility to make sure that we do business in an ethical and sustainable way, attending to our customers' needs and protecting people and the environment.

By being a well-managed and profitable company, we can use our resources, time, money and knowledge of our people to contribute to society.

This report presents our company from a sustainable perspective and covers our performance 2016 – how we govern and manage our business responsibly in order to create value for our stakeholders. Our actions span the spectrum from small details to complex questions on the global business agenda.

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