SEB

Policy on the integration of Sustainability Risk and Impact in Investment Decisions and Investment Advice for SEB Group

derived from the Instruction for the President and Chief Executive Officer

adopted by the President and Chief Executive Officer of
Skandinaviska Enskilda Banken AB (publ)
on 25 February 2021

Sustainable Banking

Contents

1 Purpose and structure ... 2

2 Implementation ... 2

3 Definitions ... 2

4 Principles for integration of sustainability risks in investment decision-making processes, investment and insurance advice ... 2

4.1 Sustainability Risk in Investment decision making ... 3

4.1.1 Directly owned assets in discretionary mandates ... 3

4.1.2 Funds managed within the SEB Group (SEB Funds) ... 3

4.1.3 Funds managed by external parties ... 3

4.2 Investment and insurance advice ... 3

5 Principles for consideration of Adverse Sustainability Impact in investment decisions, investment and insurance advice ... 4

5.1 Directly owned assets and SEB funds in investment decision making ... 4

5.1.1 Policies on the identification of principal adverse sustainability impacts ... 4

5.1.2 Description of actions to address principal adverse sustainability impacts ... 4

5.1.3 Engagement policies ... 5

5.1.4 Adherence to responsible business conduct codes and internationally recognized standards for due diligence and reporting ... 5

5.2 Funds Managed by external parties ... 5

5.2.1 Description of actions to address principal adverse sustainability impacts ... 5

5.2.2 Engagement policies ... 6

5.2.3 Adherence to responsible business conduct codes and internationally recognized standards for due diligence and reporting ... 6

5.3 Investment and Insurance advice ... 6

6 Remuneration policies in relation to the integration of sustainability risks ... 6

1 Purpose and structure

The purpose of this policy is to describe the framework on how sustainability risks and adverse sustainability impacts are addressed in relation to investment decisions and investment and insurance advice in Skandinaviska Enskilda Banken AB ("SEB"). The policy builds on the SEB Corporate Sustainability Policy.

This policy is structured in four parts:
- Definitions
- Principles for integration of sustainability risks in investment decision-making processes, investment and insurance advice
- Principles for consideration of Adverse Sustainability Impact in investment decisions, investment and insurance advice
- Remuneration policies in relation to the integration of sustainability risks

2 Implementation

It is the responsibility of each division and subsidiary to apply this policy through the development and implementation of appropriate policies/instructions.

3 Definitions

Sustainability Factor: A factor is defined as a change of state (immediate or chronic) – within either the Environmental, Social or Governance area – that has an economic impact on the value of financial assets. Examples of factors are floods, loss of biodiversity, unhealthy staff, etc.

Adverse Sustainability Impact (impact out)**:** Adverse Sustainability Impact is when an issuer of an asset has a negative impact on Sustainability Factors.

Sustainability Risk (impact in): Sustainability risk is the risk of any negative financial impact on a financial asset's value. This negative impact can originate from the issuer of asset's Adverse Negative Impact or from other Sustainability Factors (e.g. floods, loss of biodiversity, unhealthy staff etc).

Transmission channels: Sequentially linked events - economic or other activities - through which sustainability risks (including shocks) can materialize. This can negatively impact the value of a financial asset.

Investment decision making: Portfolio management such as discretionary portfolio management and the management of funds.

4 Principles for integration of sustainability risks in investment decision-making processes, investment and insurance advice

4.1 Sustainability Risk in Investment decision making

The building blocks of discretionary portfolios offered at SEB Group can be directly owned assets, funds managed within the SEB Group and funds managed by external parties. The integration of sustainability risk in the decisions making process for discretionary mandates depends on the type of assets or funds included in the portfolio.

4.1.1 Directly owned assets in discretionary mandates

Directly owned assets in discretionary mandates are analyzed by assessing the asset's exposure to Sustainability Risks and the Transmission Channels that could lead to such risks. The work includes assessing materiality factors for the industry in which the issuer of the financial instrument operates to identify material exposure to sustainability factors. Integration of sustainability risks includes, but is not limited to, implementation of exclusion criteria, risk limits and corporate engagement. The analysis is built on both in-house capacity as well as external providers of data and analysis.

4.1.2 Funds managed within the SEB Group (SEB Funds)

Funds managed within the SEB Group are managed by SEB Subsidiaries. The funds' exposure to Sustainability Risks and the transmission channels that could make such risks materialize are analyzed and managed through a strategy involving integration, engagement and exclusion.

4.1.3 Funds managed by external parties

All external fund providers are signatories to the UN Principles for Responsible Investments, which have as two of the principles to integrate ESG issues in the investment decision making.

The funds available in the investment universe have been evaluated and selected through a sustainability assessment. The level of analysis for each fund is decided using a risk-based approach where the materiality of the strategy is taken into consideration by assessing volume, portfolio composition and risk level. The qualitative fund analysis, the highest level of ESG analysis, takes into consideration each externally managed fund's integration of Sustainability Risks through a methodology involving the following points of analysis:

- Organization and Resources – fund company's sustainability approach
- ESG Integration – sophistication of integration processes
- Active Ownership – voting and engagement

4.2 Investment and insurance advice

SEB provides investment advice and insurance advice to customers concerning funds, SEB Funds or external funds, by providing a fund advisory universe, where sustainability risks are taken into account as described in the investment decision making (see 4.1.2 - 4.1.3 respectively).

The SEB Group also offers products where SEB does not advise on the assets and it is the customers' responsibility to manage the assets for those products.

5 Principles for consideration of Adverse Sustainability Impact in investment decisions, investment and insurance advice

5.1 Directly owned assets and SEB funds in investment decision making

5.1.1 Policies on the identification of principal adverse sustainability impacts

The SEB Group has a sustainability policy framework with the purpose to guide credit and investment decision making. The policies are integrated in the different divisions and subsidiaries and adjusted for their specific areas of activity. The framework has three levels, where thematic- and sector policies support the identification of principal adverse sustainability impact:

1. *Corporate Sustainability Policy and Corporate Sustainability Governance Instruction*
   These policies set the overall sustainability framework and general positions of the SEB Group. They also define how sustainability related decisions are integrated in committees, roles and responsibilities.

2. *Thematic Policies*
   These policies define positions on specific sustainability themes as well as principles for identification of thematic negative impact and restrictions on certain corporate behavior. SEB has the following thematic policies:
   - Environmental Policy
   - Human Rights Policy

3. *Sector Policies*
   The Sector Policies provide expectations on corporate behavior, SEB commitment to sector-based standards and in some cases restrictions on specific activities.

5.1.2 Description of actions to address principal adverse sustainability impacts

SEB has increasingly translated sustainability related positions to restrictions in order to operationalize how the business should deal with any potential Adverse Sustainability Impact. Restrictions have been clarified for the following areas[1]:

Sector	Restriction
Controversial Weapons (sector policy)	SEB has restrictions on financing and investment in companies producing or developing controversial weapons or trading in such weapons.
Fossil Fuels (sector policy)	SEB has restrictions on financing and investments in companies engaging in the extraction, refining and power generation for the following fossil fuels: • Thermal Coal • Oil and Gas (Conventional, Unconventional, Environmentally Sensitive Areas) • Thermal Peat

[1] Note that SEB IM AB has implemented further restrictions/exclusion criteria in their funds.

Gambling (sector policy)	SEB has restrictions on financing and investments in companies whose primary revenue source is derived from products and services intended for gambling.
Tobacco (sector policy)	SEB has restrictions on financing and investments in companies engaged in manufacturing and distribution of cigarettes and e-cigarettes.

5.1.3 Engagement policies

Engagement with companies owned through SEB Funds is managed by SEB IM AB. For equities outside of the Nordic Region engagement is organized through recognized engagement partners.

Engagement with other companies owned within the SEB Group are managed by dedicated SEB representatives which are to take Adverse Sustainability Impact into consideration when exercising active ownership. SEB Group's Principles for Shareholders' Engagement apply solely to portfolio management investments made by SEB in shares issued by companies within EEA and listed on a regulated market. The principles cover the following areas:

- Exercising voting rights
- Monitoring and review
- Dialogues with Investee Companies' representatives, other shareholders and stakeholders
- Managing conflicts of interest

5.1.4 Adherence to responsible business conduct codes and internationally recognized standards for due diligence and reporting

SEB recognizes the importance of participating in and supporting internationally recognized standards that enable businesses to operate in a more responsible way. The SEB Corporate Sustainability Policy describes the international agreements and international frameworks that SEB adheres to.[2]

5.2 Funds Managed by external parties

5.2.1 Description of actions to address principal adverse sustainability impacts

External funds offered by SEB, through its portfolio management/advice, are subject to the following set of sustainability requirements pertaining to their integration of Adverse Sustainability Impact:

- The External party is a PRI Signatory, Principles for Responsible Investments. This means that the fund company has committed itself to adhere to six principles for responsible investments. The principles include, among others, that fund companies must integrate environmental, social, and corporate governance issues in their investment process and investment decisions.

[2] Some of the frameworks are state level agreements which partly or wholly relate to business, but with no formal mechanism for business to endorse or join.

- Exclusion of controversial weapons as defined by recognized international conventions

5.2.2 Engagement policies

In SEB's selection of external funds, managers that are subject to qualitative analysis are assessed on their engagement policies and practices in relation to the below areas. The level of analysis for each fund is decided using a risk-based approach where the materiality of the strategy is taken in consideration by assessing volume, portfolio composition and risk level.

- Engagements policy and activities
- Voting structure and policy
- Reporting

5.2.3 Adherence to responsible business conduct codes and internationally recognized standards for due diligence and reporting

External funds should as a minimum comply with the UN Principles for Responsible Investment.

5.3 Investment and Insurance advice

SEB provides investment advice and insurance advice to customers concerning funds, SEB Funds or external funds, by providing a fund advisory universe, where adverse sustainability impact are taken into account as described in the investment decision making (see 5.1 – 5.2 respectively).

6 Remuneration policies in relation to the integration of sustainability risks

In the remuneration policy for the SEB Group sustainability risks are included.