



Sector Policy on Real Estate and Construction for the SEB Group

adopted by the Risk and Capital Committee of the Board of Directors of
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Sustainable Banking

Sector policy on Real Estate and Construction

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Sector policy on Real Estate and Construction

1 Introduction

The real estate and construction sectors are important industries in terms of providing residential and commercial properties. They are also capital intensive in nature. Due to the energy consumption as well as material use and waste, the sectors can play a major role in the transformation towards a low carbon and circular economy. At the same time, the construction sector is exposed to social risks in terms of potentially poor working conditions and informal labour as well as risks of corruption.

SEB Group has varied exposure to the Real Estate and Construction Sectors. This Sector Policy has been developed to ensure that business decisions are aligned with SEB Group's overall sustainability ambitions, as expressed in SEB's Group's Sustainability policy.

Key risks related to the Real Estate and Construction Sectors are listed in Appendix A to this policy.

This Sector Policy builds on the principles defined in the thematic Environmental Policy and the Human Rights Policy, which are part of the overall sustainability policy framework in SEB Group. Sustainability-related policies in SEB Group are reviewed annually.

2 Definitions

- **Biodiversity:** The total variety of all Earth's species, their genetic information, and the ecosystems they form.¹
- **Business relationship:** A commercial relationship SEB Group has with a legal entity based on a legal agreement.
- **Circular Economy:** An economic system whereby the value of products, materials and other resources in the economy is maintained for as long as possible, enhancing their efficient use in production and consumption, thereby reducing the environmental impact of their use, minimizing waste and the release of hazardous substances at all stages of their life cycle, including through the application of the waste hierarchy.²
- **Company:** Legal corporate entity conducting business.
- **Embodied Carbon:** Carbon emissions created during the supply chain and construction of real estate.
- **Expectation:** Refers to SEB Group policy implementation levels. SEB Group Expects large Companies to adhere to Expectations stated in the sector policy, applicable to Large Companies. If no adherence, Companies are Expected to take actions that, Over Time, will ensure adherence to the Sector Policy.

¹ Definition as defined by the Science-Based Targets Network (SBTN).

² Regulation (EU) 2020/852, a.k.a the EU taxonomy, article 2.

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- **GHG (Greenhouse Gas) Emissions:** Emissions of carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrochlorofluorocarbons (HCFCs), ozone (O₃), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF₆).
- **Mitigation Hierarchy:** A method which provides guidance on how to limit the negative impact on Biodiversity as far as possible and includes the following sequential steps: “Avoid”, “Minimize”, “Restore”, and lastly “Offset”.³
- **Over time:** Defined as the initiation of actions within two years of policy Expectation being raised in effort to achieve adherence to the Expectation.
- **Real Estate:** *Commercial real estate:* factories, offices, retail, hotels, logistics and public buildings such as health care facilities, train and bus stations, libraries, schools, museums, etc. *Commercially owned residential real estate:* Multi-family dwellings in rental housing.⁴
- **Requirement:** Refers to SEB Group policy implementation levels. SEB Group Requires Companies to comply with SEB Group’s position. Non-compliance Requires active decisions on SEB Group’s Business Relationship.
- **Restriction:** Refers to SEB Group policy implementation levels. SEB Group Restricts Business Relationships with Companies that are non-compliant with this Sector Policy.
- **Scope 1, 2 and 3:** Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling. Scope 3 includes all other indirect emissions that occur in a Company’s value chain.
- **SEB Group:** Skandinaviska Enskilda Banken AB (publ) and its subsidiaries, branches and representative offices. Foundations related to SEB are not part of the SEB Group.
- **Sensitive Environmental Areas:** National parks and nature reserves, Natura 2000 areas, UNESCO World Heritage sites, and Wetlands covered by the Ramsar Convention.
- **Transition Plan:** A strategy that lays out the undertaking’s targets, actions and resources for its transition towards a low carbon economy with the objective of limiting global warming to 1.5°C.

³ The Biodiversity Consultancy.

⁴ *Acquisition and ownership of Real Estate* in this policy refers to the activity of acquiring, owning, managing, and selling Real Estate. This includes NACE code L68.

Development of Real Estate in this policy refers to the purchase of land or buildings, the addition of value through planning, designing and construction or renovation of Real Estate and the sale or lease of the finished real estate project to new owners or operators. This includes NACE codes F41.1 – Development of building projects (SNI 411).

Construction of Real Estate in this policy refers to all activities relevant for the construction of a new or renovation/reconstruction of existing Real Estate, excluding development/design or operation and maintenance of Real Estate projects Property and real estate that is directly owned by a natural person. This includes NACE codes: F41.2 Construction of residential and non-residential buildings; F43.1 – Demolition and site preparation; F43.3 – Building completion and finishing (SNI 433); F43.9.9 – Other specialised construction activities. Tenant-owned housing cooperatives and Baltic housing (apartment) associations are out of scope of this policy.

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3 Purpose

The purpose of this Sector Policy is to define SEB Group's position on Business Relationships with Companies involved in acquisition and ownership of real estate, development of real estate, and construction of real estate.

4 Scope

4.1 Applicability within the SEB Group

This Policy applies to the SEB Group (the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries) and shall be implemented in all parts of the SEB Group taking local rules into account where relevant, excluding SEB Asset Management Holding AB and its subsidiaries, and Gamla Livförsäkrings AB SEB Trygg Liv.

4.2 Exempt activities

The following investment and ancillary services related to when the SEB Group invests and distributes investment products are exempt from this policy:

- 1) Holdings of securities that are a consequence of seized assets in the ordinary course of business,
- 2) Investments in securities where SEB Group does not make the investment decision,⁵
- 3) Externally managed funds, i.e. funds managed outside SEB Group. Sustainability considerations in portfolio management and advisory and other distribution and placement activities using externally managed funds are defined in divisional sustainability instructions,
- 4) Investments in securities where external sustainability data is not available at a reasonable effort and quality.

In addition, the following activities are exempt:

- 1) Any activity that the SEB Group is obliged to provide due to law or regulation,
- 2) Trading in terms of market making and client order facilitation through the provision of liquidity in securities markets and related research activities. This includes related collateral management activities as well as financing of externally managed securities portfolios (provided the portfolios are diversified and the borrower itself is not covered by this policy),
- 3) Financial products where the employees in Companies in scope are the beneficiaries, e.g. occupational pension.

⁵ The investment might still be registered in the name of SEB Group (e.g. certain pension products).

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4.3 Applicability to Business Relationships

This Sector Policy covers Business Relationships with Companies involved in:

- Acquisition and ownership of real estate where more than 50% of gross leasable area is leased to external tenants,⁶ or,
- Development of real estate where more than 50% of turnover is derived from sales of developed real estate to external clients,⁷
- Construction and renovation of real estate where more than 15% of turnover is derived from construction or renovation of real estate.

All SEB Group sector policies have different applicability levels:

- Large Companies: Restrictions, Requirements and Expectations apply,
- SMEs: Only Restrictions and Requirements apply,
- Sector policies do not apply to Retail Companies but act as a guide.

For more details on applicability levels see Appendix B.

Sections 5, 9 and 10 apply to all three activities related to Real Estate that this sector policy covers (acquisition and ownership; development; construction and renovation).

5 General

5.1 General restriction

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

6 Acquisition and ownership of Real Estate

Acquisition and ownership of Real Estate in this policy refers to the activity of acquiring, owning, managing, and selling Real Estate.⁸

6.1 Environmental Expectations

SEB expects Companies that acquire or own Real Estate to:

⁶ Tenants outside of any group structure.

⁷ Ibid.

⁸ Subsectors under the following NACE code L68 (SNI sector code: 68). In case of conflict the policy takes precedent. Tenant-owned housing cooperatives and Baltic housing (apartment) associations are out of scope of this policy.

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- Develop a Transition Plan for Scope 1&2 use-phase emissions from heating and electricity used in the Real Estate portfolio.⁹
- Have valid energy efficiency certificates of the underlying Real Estate properties, unless a building is exempt from national regulations.
- Buy energy from non-fossil sources, if available.
- Equip assets with technological equipment that optimizes energy efficiency and maintenance.
- Conduct a climate adaptation risk analysis of portfolio properties.¹⁰

7 Development of Real Estate

Development of Real Estate in this policy refers to the purchase of land or buildings, the addition of value through planning, designing and construction or renovation of Real Estate and the sale or lease of the finished real estate project to new owners or operators.¹¹

7.1 Environmental Requirements

SEB Requires Companies involved in development of Real Estate to:

- Comply with national Nearly Zero Energy Building (NZEB) criteria for all new buildings according to the Energy Performance of Buildings Directive,¹²
- Comply with relevant regulations for substances of concern,¹³
- Ensure climate declaration for new buildings if specified in national legislation.¹⁴

7.2 Environmental Expectations

SEB Expects Companies that develop Real Estate to:

- Develop a Transition Plan, including both scope 1&2 energy efficiency of the use phase as well as embodied carbon through scope 3 purchased goods and services,

⁹ By improving energy efficiency of existing buildings, according to the latest revision of the Energy Performance of Buildings Directive (EPBD), where focus is on renovation of the least energy efficient properties.

¹⁰ For more information on climate adaptation risk analysis, see for example *European Climate Risk Assessment*, European Environment Agency Report 01/2024.

¹¹ Subsectors under the following NACE sector codes F41.1 – Development of building projects (SNI 411). In case of conflict the policy takes precedent.

¹² Local requirements and regulations as applicable. For example, in Sweden BBR29 is applicable. Outside the EU similar regional or national regulations may apply.

¹³ Such as asbestos or other substances of very high concern as identified on the basis of the list of substances subject to authorisation set out in Annex XIV to Regulation (EC) No 1907/2006, or substances hazardous to soil and water, according to according soil and water protection standards (e.g. EU water framework directive or national groundwater protection regulation); REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals); TSCA (Toxic Substances Control Act); F-GHG (Fluorinated Greenhouse Gases); ODS (Ozone-Depleting Substances).

¹⁴ Local requirements and regulations as applicable. For example, in Sweden the Swedish National Board of Housing, Building and Planning's (Boverket) climate declaration applies. A climate declaration for new buildings will be mandatory within the EU when the *Energy Performance of Buildings Directive* starts to apply.

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- Have an environmental management system,¹⁵
- Apply Circular Economy approaches including potentially material topics, such as:
 - o Water efficiency,¹⁶
 - o Sustainable raw material usage¹⁷ and waste management,¹⁸
 - o Design for building lifetime extension and its decommissioning, where possible,
 - o Digitization of planning, construction and operating phase of buildings.
- Have a process to ensure that - in case of negative Biodiversity impact/conversion of natural habitats - the Mitigation Hierarchy is applied.

When relevant:

- Identify potential adverse impact through direct drivers of Biodiversity loss and set relevant targets,¹⁹
- Conduct an Environmental Impact Assessment.²⁰

7.3 Social Requirements

SEB Requires Companies to have a Health and Safety Management System to prevent accidents.

8 Construction and renovation of Real Estate

Construction of Real Estate in this policy refers to all activities relevant for the construction of a new or renovation/reconstruction of existing Real Estate, excluding development/design or operation and maintenance of Real Estate projects.²¹

¹⁵ An environmental management system is a set of processes and tools that enable a Company to manage its environmental responsibilities. For example, ISO 14001 or similar and for new projects: ISO 20887:2020 or similar standards.

¹⁶ C(2021) 2800, which is Annex 1 to the EU Commission delegated regulation, supplementing the EU taxonomy (Regulation (EU) 2020/852).

¹⁷ Such as material that can be disassembled and reassembled elsewhere, material reuse, raw material with low CO₂ emissions.

¹⁸ Have a minimum recycling rate of 70% for non-hazardous construction and demolition waste.

¹⁹ As defined by IPBES; Land/-Sea use change, Overexploitation of natural resources, Climate change, Pollution, and Invasive alien species

²⁰ Under the EU's Environmental Impact Assessment (EIA) Directive (2011/92/EU as amended by 2014/52/EU), major building or development projects in the EU must first be assessed for their impact on the environment. If the Company is active outside the EU/EEA/UK, an EIA shall be based on standards used in international financing such as the International Finance Corporation's (IFC) *Performance Standards on Environmental and Social Sustainability* or other Multilateral Development Bank Standards or equivalent.

²¹ Subsectors under the following NACE codes: F41.2 Construction of residential and non-residential buildings (SNI sector codes); F43.1 – Demolition and site preparation (SNI 431); F43.3 – Building completion and finishing (SNI 433); F43.9.9 – Other specialised construction activities (SNI 439). In case of conflict the policy takes precedent.

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8.1 Environmental Expectations

SEB Expects Companies that construct and/or renovate Real Estate to:

- Develop a Transition Plan for emissions from transportation of building materials and other electricity and energy used during the construction phase,
- Have an environmental management system,²²
- Have an emergency response and corresponding insurances in case of environmental or social accidents and crises situations.

8.2 Social Requirements

SEB Requires Companies to:

- Ensure only formally employed workers are active at their project sites through documented site controls,
- Ensure suppliers are registered organisations,
- Provide social insurance for all employees,
- Have a Health and Safety Management System to prevent accidents.

When an SEB Group client owns/runs a construction or renovation project, the above requirements apply to the client's subcontractors, too. When an SEB Group client is a subcontractor in a construction or renovation project, the requirements apply only to the client.

9 Social Expectations

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

- Human rights and labour rights policies including a Human Rights Due Diligence process (HRDD), for own operations and relevant Business Relationships, including ensuring that tenants do not engage in illegal activities in the property.²³
- Health and safety policy based on industry safety guidance or within the OECD national legislations.²⁴
- Established grievance and whistle blower mechanism.

²² An environmental management system is a set of processes and tools that enable a Company to manage its environmental responsibilities. For example, ISO 14001 or similar and for new projects: ISO 20887:2020 or similar standards.

²³ In line with ILO Declaration on Fundamental Principles and Rights at work.

²⁴ Not applicable to housing co-operative associations.

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New Projects

- In case of physical or economic resettlement: Policies in order to appropriately acknowledge, compensate and respond to community priorities.²⁵
- In case of activities conducted in areas with indigenous people: Free, prior and informed consent (FPIC) principles to ensure the rights of indigenous people as well as transparent and culturally adapted communication.

10 Governance Expectations

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

- Sustainability report (annually published) or similar comprising, at a minimum, disclosure of overall material sustainability impact,
 - Anti-corruption policies in proportion to size and risk-exposure of the Company,
 - Tax reporting according to country-by-country principle, when relevant.²⁶
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²⁵ International Finance Corporation's Performance Standard on Land Acquisition and Involuntary Resettlement.

²⁶ OECD/G20 BEPS Project (15 actions) – Action 13: Country-by-Country Reporting.

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Appendix A: Key sector risks

Acquisition and ownership of Real Estate – Key sector risks (non-exhaustive list)

- Air emissions, including GHG emissions and other pollutants from e.g., heating or renovation work,²⁷
- High fossil-based energy consumption (heating and electricity),
- Water consumption,
- Waste in terms of toxicants, chemicals or wastewater from renovation,
- Health and safety of tenants and nearby residents,
- Extreme weather events leading to physical climate risks such as rising sea levels, flooding, excessive heat and humidity or erosion that can result in risks to people and stranded assets or non-insurance coverage,
- Unlawful activities of tenants.

Development of Real Estate – Key sector risks (non-exhaustive list)

- Conversion and destruction of land and water habitats,
- Habitat alteration with impacts on ecosystems and Biodiversity,
- Water quality and stress at project location,
- Hazardous materials and substances as well as building materials with significant climate impact (high embodied carbon) such as steel and cement,
- Energy consumption of buildings,
- Waste management for tenants,
- Negative human rights impact from, for example, physical resettlement, safety and security of residents, or bad working conditions during construction and the supply chain.

²⁷ These include fine or coarse particulate matter, volatile organic compounds (VOCs), NO_x, SO₂ and CO. Coarse particles are the relatively large airborne particles mainly produced by the mechanical break-up of even larger solid particles, such as dust, pollen, spores, fly ash, and plant and insect parts. Coarse particles have an aerodynamic diameter ranging from 2.5 to 10µm.

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Construction and renovation of Real Estate – Key sector risks (non-exhaustive list)

- Air emissions, including GHG emissions and other pollutants,²⁸
- Water quality and stress,
- Noise, vibration and visual intrusion,
- Energy consumption,
- Waste management for toxicants, chemicals, material waste and wastewater,
- Significant use of raw materials,
- Hazardous materials and substances as well as building materials with significant climate impact (high embodied carbon) such as steel and cement,
- Health and safety of workers,
- Working conditions such as discrimination, working hours and rest periods,
- Human trafficking,
- Financial crime,
- Bribery and corruption.

²⁸ Fine or coarse particulate matter (PM2.5, PM10), volatile organic compounds (VOCs), NOx, SO2 or CO.

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Appendix B: Policy Application Levels

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

Application levels	Company size		
	Retail Company	SMEs	Large companies
SEB Group Expects	-	-	✓
SEB Group Requires	-	✓	✓
SEB Group Restricts	-	✓	✓

✓ Implementation level applicable.

“-“ Implementation level not applicable but can be used as guidance.

*For investment related activities, listed companies are considered as large Companies, regardless of size.

Retail Company is defined as counterparties where SEB Group’s credit exposure is below EUR 1 million.

SME is defined as counterparties where SEB Group’s credit exposure is above EUR 1 million and not defined as large companies. Note that the material share of revenues at SEB Global limit holder level still applies.

Large Companies are defined as counterparties that fulfil two or more of the following and have not been defined as non-material Business Relationships in the divisions:

- More than 250 employees,
- Turnover above 50m EUR,
- Balance sheet value above 43m EUR.

For the real estate sector, a Company is deemed “large” by fulfilling the balance criteria alone.