



Sector Policy on Tobacco for the SEB Group

adopted by the Risk and Capital Committee of the Board of Directors of
Skandinaviska Enskilda Banken AB (publ)
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Sustainable Banking

Sector Policy on Tobacco

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1 Introduction

The tobacco industry is broad and involves not only the production of tobacco products, but also the packaging and distribution thereof. A majority of the revenue in the tobacco industry is derived from smoking products such as cigarettes.

The tobacco industry is challenging from a social perspective as tobacco related products have a significant negative health impact. That is why exercising a restrictive approach to such products is important to minimize SEB's link to adverse social impact.

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

2 Definitions

Business Relationship: A commercial relationship with a legal entity based on a legal agreement including, but not limited to, holding of securities.

Company: A legal corporate entity conducting business.

SEB: Skandinaviska Enskilda Banken AB (publ)

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.

Smoking Tobacco: Mainstream smoking products such as cigarettes and e-cigarettes. For clarity – snuff is excluded.

Smoking Related Turnover: Revenues from manufacturing, packaging and distribution of Smoking Tobacco, excluding excise taxes.

Tobacco Companies¹: Companies for which 5% or more of its turnover² is derived from Smoking Related Turnover. Third-party logistics providers, are not included. For implementation see scope below.

3 Purpose

The purpose of this Sector Policy is to define SEB's position on Business Relationships with Tobacco Companies.

4 Scope

This Sector Policy is a Group Policy. As such it shall be implemented in all parts of the SEB Group, taking local or sector specific rules into account when relevant. It is noted that the fund company of the SEB Group, SEB Investment Management AB,

¹ Subsectors under the following NACE sector codes: 12 – Manufacture of tobacco products; 4617 – Agents involved in the sale of food, beverages and tobacco; 4635 – Wholesale of tobacco products; 4711 – Retail sale in non-specialised stores with food, beverages or tobacco predominating; 4726 – retail sale of tobacco products in specialised stores. In case of conflict the policy takes precedent.

² Calculated at SEB global limit holder level. For large companies where the share is close to 5%, SEB Sustainable Banking should be consulted.

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for regulatory reasons is not party to this policy and instead establishes its own sustainability related policies.

This Sector Policy covers Tobacco Companies as defined above.

Any deviations from this policy shall be escalated in accordance with the Customer Acceptance Mandate Instruction.

Implementation level

All SEB sector policies have different implementation levels, i.e.: expectation, require and restrict. This Sector Policy only applies restrict.

Restrict: SEB restricts Business Relationships with Companies that are non-compliant.

The below table shows how the policy implementation levels are applied to different sizes of Companies.

Implementation levels	Company size		
	Retail³	SME⁴	Large companies⁵
SEB Restricts	- ⁶	✓	✓

✓ Implementation level applicable

"-" Implementation level not applicable, but can be used as guidance

*For investment related activities, listed companies are in scope, regardless of size

Activities not covered (Exempt) by the policy:

when SEB lends

1) Securities financing transactions, provided the borrower itself is not covered by this sector policy;

when SEB invests and distributes investment products

1) Investments in securities that are a consequence of seized assets in the ordinary course of business;

2) Investments in securities where SEB does not make the investment decision⁷;

3) Externally managed funds, i.e. funds managed outside SEB AB. Sustainability considerations in portfolio management and advisory and other distribution and placement activities using externally managed funds are defined in divisional sustainability instructions;

³ Counterparties where SEB's credit exposure is below EUR 1 million

⁴ Counterparties where SEBs credit exposure is above EUR 1 million and not defined as Mid/Large companies

⁵ 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

⁶ Retail exceptions are not applicable for manufacturing of Smoking Tobacco and distribution of Smoking Tobacco in specialized stores:

Subsectors under the following NACE sector codes: 12 – Manufacture of tobacco products; 4635 – Wholesale of tobacco products; 4726 - Retail sale of tobacco products in specialized stores

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

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4) Investments in securities where external sustainability data is not available at a reasonable effort and quality.

Other activities:

- 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;
- 3) Financial products where the employees in companies in scope are the beneficiaries, e.g. Occupational Pension.

5 Key sector risks

Smoking Tobacco is considered a high ESG risk sector due to the range of significant non-financial risks both in terms of scale and severity of its impact on health. International studies continue to show the material impact of smoking, both direct and indirect, on life expectancy.⁸

6 Restrictions

Given the significant non-financial risks in the tobacco industry, the SEB Group will avoid Business Relationships with Tobacco Companies.

A responsible exit of any current Business Relationship in scope of this Sector Policy shall be finalized 31st of July 2023, unless exempted by the Group Risk Committee.

⁸ Every seventh death in the world (13%) was the result of direct smoking in 2017; a further 2% was the result of second-hand smoke. This means 15% – close to 1-in-6 deaths was the result of tobacco. (Our World in Data – Smoking (by Hannah Ritchie and Max Roser, updated January 2022) <https://ourworldindata.org/smoking>)