

2019

SEB Green Bond Impact Report

This is SEB

SEB enables people to realise their dreams, ambitions and business ideas. Being the Nordic region's leading corporate bank with an international perspective, innovation and entrepreneurship are part of our DNA.

We are driven by engagement and curiosity about the future. This has been our approach ever since we welcomed our first customer more than 160 years ago.

Our vision is to provide world-class service to our customers. We do this by building long-term relationships, providing personal and proactive advice and serving our customers on their terms – face to face or in the digital realm.

We take responsibility for how we conduct our business and how we affect our customers, employees, shareholders and society at large. We support our customers in the transition to a more sustainable world and we contribute to the development of the communities in which we operate.

Return on equity

13.8%

excluding items affecting comparability

Cost/income ratio

0.46

Earnings per share

9.33 SEK

Dividend per share

6.25 SEK

as proposed by the Board of Directors

Business bank
of the year 2019

According to Finansbarometern



About this report

This report provides an overview of SEB's green loan portfolio as well as the environmental impact achieved by the use of proceeds from SEB's inaugural green bond issued in February 2017.

SEB's approach to sustainability

SEB is committed to the integration of economic, social and environmental aspects in the short-, mid- and long-term perspectives. SEB aims to avoid or minimise negative impacts of its products and services and strives to identify business opportunities to create positive impacts in line with the bank's purpose, vision and strategy. Through its sustainability framework, SEB strives to integrate sustainability aspects into the business, which is a strategic initiative in the business plan.

SEB's sustainability framework

Sustainability is integrated in SEB's business activities through the sustainability framework, consisting of success factors and fundamental enablers. Four success factors are prioritised:

- Responsible and proactive advice – SEB seeks to facilitate customers' control and understanding of their financial situation. SEB is also committed to understanding its customers' needs and preferences in their transition to a more sustainable society.
- Sustainable financing – SEB strives to contribute to reorienting capital flows to low-carbon and sustainable activities, to increase the share of green and transition financing, and to support its customers' sustainability focus.
- Sustainable investments – SEB aims to have a comprehensive and competitive offering where environmental, social and governance factors are fully integrated into all investment processes. SEB performs its ownership role responsibly.
- Innovation and entrepreneurship – SEB is guided by a strong belief that entrepreneurial minds and innovative companies are key to creating a better world. SEB supports innovation and entrepreneurship to drive sustainable economic development and contribute to the creation of new jobs and growth in society.

Environmental and climate aspects are essential parts in all four success factors, both from risk and opportunity perspectives. The fundamental enablers – financial strength and resilience, risk management, business ethics and conduct, crime prevention and people aspects – are at the core of SEB's long-term success. As a company in the business of trust, shortcomings in any of these areas would limit the bank from being able to create long-term value for stakeholders.

For further details on SEB's sustainability framework, please see the [Sustainability Report in the Annual Report](#), pages 32–38.

SEB and green bonds

As one of the innovators behind green bonds, SEB has an ambition to drive the green financing market. The green bond market continued to perform well in 2019 and reached a total issuance of USD 263 billion (182) globally. In 2019, SEB's global share of underwriting was 3.8 per cent (3.7), corresponding to a volume of USD 7 billion. This makes SEB the leader in the Nordic market with a market share of 32 per cent and the seventh largest underwriter globally. The bank's aim is to remain a global thought leader within the field and to continue to develop sustainable financing solutions together with customers. Processes and networks are continuously developed within SEB to increase internal engagement across the bank and to identify new green business opportunities.

As part of its funding strategy, SEB issued its first own green bond of EUR 500 million in 2017. Backed by SEB's sustainability strategy, Environmental Policy and accompanying sector policies, the Green Bond Framework ensures that SEB's green bond is used for low-carbon and climate resilient projects and investments, by financing green loans. SEB's green loan portfolio amounted to SEK 19 billion as of 31 December 2019. The environmental impact of these assets together resulted in an approximate reduction of CO₂ emissions equivalent to 229,925 tonnes in 2019.

Impact reporting

Sustainable Development Goals

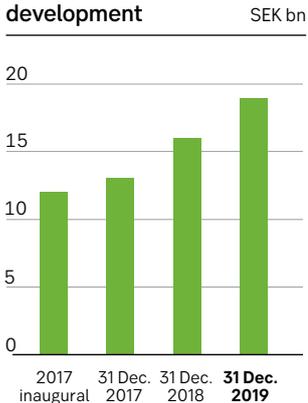
The UN's Sustainable Development Goals (SDGs) are the blueprint to achieve a better and more sustainable future for all and are increasingly integrated into action plans of nations, organisations as well as the private sector. The proceeds of SEB's green bond contributes to several of the 17 SDGs. Primary impact is deemed to be on the goals for Clean Water and Sanitation, Affordable and Clean Energy, Industry, Innovation and Infrastructure, Sustainable Cities and Communities and Climate Action.



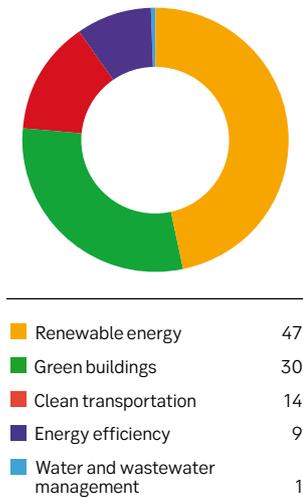
SEB's green loan portfolio

In 2019, the assets of the green loan portfolio grew to SEK 19bn (16). About half of the portfolio consists of renewable energy projects and the remainder is financing of green buildings, clean transportation and energy efficiency projects. Sweden accounts for 46 per cent, followed by Finland, Norway, the United Kingdom and Germany.

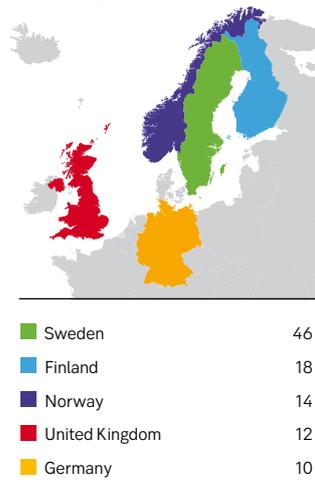
Green loan portfolio development



Green loan portfolio by sector, 31 December 2019



Green loan portfolio by geography, 31 December 2019



Quantitative environmental impact of SEB's green bond

		Use of proceeds, SEK	Impact 2019 CO ₂ e reductions (tonnes)	SDGs	Effect (MW)	Electricity/energy produced (GWh)	Energy savings (GWh)
 Renewable energy, 47%	Wind power	1,843,436,256	144,862 ¹	 	141 ²	460 ³	–
	Hydro power	592,675,288	32,629		22	104	–
 Green buildings, 30%		1,569,085,961	556 ⁵	 	–	–	1.77 ⁶
 Clean transportation, 14%	Biogas/electrical buses and cars	110,937,053	1,734 ⁷	 	–	–	–
	Electric trains	614,056,808	6,016 ⁸		–	–	–
 Energy efficiency, 9%		465,446,160	44,070 ⁴	 	63	254	–
 Water and wastewater management, 1%		27,602,474	58	 	–	–	0.18
TOTAL		5,223,240,000	229,925		226	818	1.95

1) Including 93,774 tonnes estimated future CO₂e reductions.

2) Including 76 MW under construction.

3) Including 298 GWh estimated future energy production.

4) Energy efficiency includes projects producing electricity and district heating from biofuel. For 2019, the energy production from SEB's share of the district heating sums up to 229 GWh. For district heating, an emission factor of 158 g CO₂e/kWh is used (ref. Nordic Public Sector Issuers: Position Paper on Green Bonds Impact Reporting, February 2020, Appendix B). This corresponds to a reduction of 36,253 tonnes CO₂e. The electricity production sums up to 24.8 GWh. Applying the Combined Margin of 315 g CO₂e/kWh, this results in a direct environmental impact of 7,817 tonnes of reduced CO₂e.

5) Including estimated future CO₂e reductions of 249 tonnes.

6) Including future energy savings of 0.79 GWh.

7) Distance driven by biogas and electrical buses (renewable energy, zero CO₂e/km) has been compared to diesel-driven buses with an emission factor of 1.073 kg CO₂e/km (ref. www.transportmeasures.org). Load factor buses; 16%, emission factor calculated as wheel-to-tank.

Biogas and electrical driven cars (renewable energy, zero CO₂e/km) have been compared to the average emissions (122 g CO₂/km) from a new car in Sweden taken into traffic in 2018 (ref. www.trafikverket.se). Driven distance has been set to 12,000 km/a, which is the average driven distance in Sweden for a car (ref. www.transportstyrelsen.se).

8) The energy reduction of 6,016 tonnes CO₂e includes cargo- and passenger traffic. Emission (savings) calculation of passenger travel is based on travelled distance (pkm) in electric trains compared to the same distance travelled by diesel-driven trains. For diesel-driven trains, an emission factor of 91 g CO₂e/pkm has been used and electric trains are running on renewable electricity (zero CO₂e emissions).

Emission (savings) calculation of cargo transportation is based on freight distance (tonne-km) by electric trains compared to the same distance covered by diesel-driven trains. For diesel-driven trains an emission factor of 29 g CO₂e/tonne-km has been used and electric trains are running on renewable electricity (zero CO₂e emissions).

Examples of green loan assets

Beatrice Offshore Windfarm



SEB has provided a green loan credit facility of GBP 72m to Beatrice Offshore Windfarm, a greenfield wind project owned by SSE Plc, Copenhagen Infrastructure Partners, and Red Rock Power Ltd.

Beatrice is located in Scottish territorial waters in the North Sea with installed capacity of 588MW and an annual estimated energy production of 2.4 TWh, enough to power 450,000 homes. Construction of the wind farm began in 2016 and the project was completed in July 2019 with 84 7MW turbines installed.



Bergkvarabuss



SEB has provided a green leasing facility to Bergkvarabuss for an environmentally friendly local transport solution for the municipality Trelleborg in Skåne County, Sweden. The leasing facility includes 10 Mercedes-Benz eCitaro – electrically driven buses - and 22 MAN A44 CNG – biogas driven buses – to a lease value of more than SEK 100 million. In comparison with diesel-driven buses, the buses will save about 2,800 tonnes of CO₂e emissions annually.

– This green leasing facility represents a further step forward in our contribution towards a low carbon future. It couples a green transport solution with a sustainable financing solution, says Olof Sjöstrand, Quality and Environmental Manager at Bergkvarabuss.

Impact reporting methodology

In accordance with its Green Bond Framework, SEB provides quantitative environmental impact data on a sector-based and at an aggregated level. SEB follows the methodology and recommended calculations of the Nordic Public Sector Issuers' Position Paper on Green Bonds Impact Reporting (February 2020).

SEB's key reporting aspects

- SEB reports on the basis of the share of the projects'/assets' total investment cost that has been financed with proceeds from the green bond.
- Reported impact is based on amounts disbursed and outstanding to a project (as opposed to amounts committed).
- Direct environmental impact is reported, such as renewable energy generation, energy savings and reduced emissions.
- Where applicable, indirect emissions, such as avoided emissions are reported.
- Where possible, actual impact (*ex post*) is reported. When not possible, e.g. ongoing construction of the project, expected impact (*ex ante*) is reported.
- SEB reports on a portfolio basis, and in Swedish kronor (SEK). Currency rates as per 28 December 2019.
- The reporting period ends on 31 December 2019.

Methodology

- Emission factor calculated as Combined Margin according to IFI Harmonised Framework¹ methodology, combining a Build Margin and Operating Margin. The same combination of Build Margin (50%) and Operating Margin (50%) is used for all electricity projects.
- Combined Margin applied for SEB's 2019 impact reporting: 315 g CO₂e/kWh.
- Energy savings from green buildings are disclosed as a net value, based on energy use per m² and year and compared to a baseline scenario in which buildings comply with applicable national regulations.
- European mainland mix including Norway has been used as default baseline emission factor for electricity.

1) International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting, November 2015.

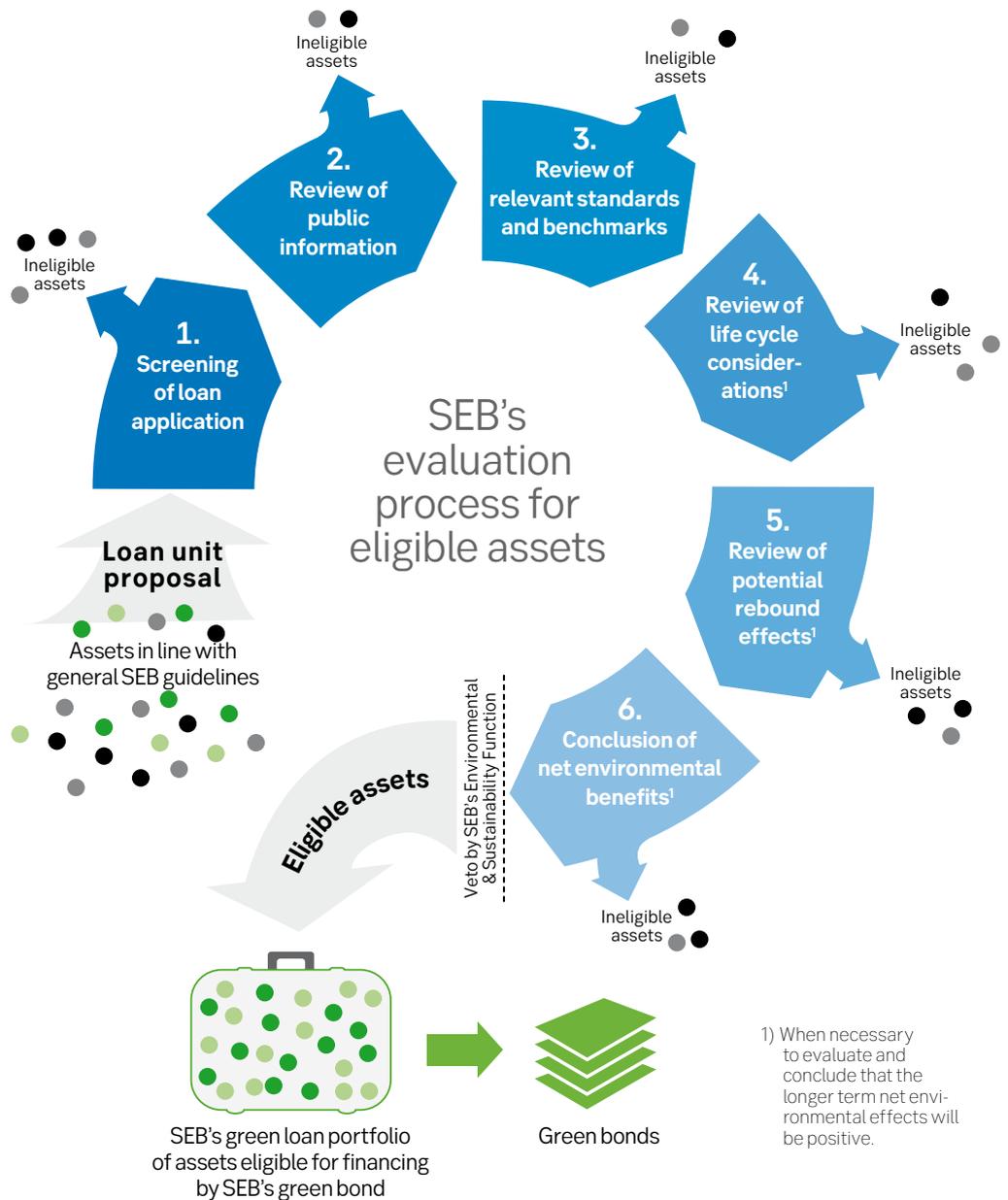
SEB's Green Bond Framework

The [SEB Green Bond Framework](https://sebgroup.com/siteassets/investor_relations1/green-bonds/seb_green-bond-framework.pdf)¹ describes SEB's approach to green bonds and defines which assets and projects are eligible for green financing. The framework is in line with [the Green Bond Principles](https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/)², guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for issuing a green bond. SEB follows the four core components of the Green Bond Principles and has obtained the recommended external review from CICERO.

1) https://sebgroup.com/siteassets/investor_relations1/green-bonds/seb_green-bond-framework.pdf
 2) <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

1. Use of proceeds 2. Process evaluation and selection

- Renewable energy**
 - Wind, solar, small scale hydro, tidal, geothermal, bio energy and related infrastructure
- Energy efficiency**
 - District heating, smart grids, energy recovery leading to energy efficiency gains of at least 25%
- Green buildings**
 - Energy use at least 25% below regulation and certain certifications (outside of Sweden)
 - Renovation with energy efficiency gains of at least 35%
- Clean transportation**
 - Non-fossil or hybrid transportation solutions/systems and infrastructure
- Water and wastewater management**
 - Drinking water production, wastewater treatment, management of water resources
- Waste management**
 - Methane capture, waste-to-energy
- Emission reduction**
 - Reduced emissions of CO₂, SO_x, NO_x, particulates, heavy metals and dioxins
- Sustainable forestry**
 - Forestry with FSC/equivalent certification or at an advanced stage of the certification process



3. Management of proceeds

SEB has established a virtual balance sheet of green loans to manage the proceeds of the green bond. This is managed by SEB's treasury function.

4. Reporting

SEB reports annually on the environmental impact of the allocated proceeds. The report also contains details on the green loan portfolio, its sector and geographic distribution and development.

External review

To ensure that SEB's Green Bond Framework meets high environmental and climate ambitions in line with international standards, SEB has obtained an independent, academic second opinion by the Expert Network on Second Opinions (ENSO) led by the Centre for International Climate and Environmental Research in Oslo (CICERO). Read the full report: ['Second Opinion' on SEB's Green Bond Framework](#).

SEB has engaged an external, independent assurance provider, Ernst & Young, to review the adherence to defined processes and use of proceeds set out in the Green Bond Framework. Please read the Assurance Report on page 10.

“SEB's Green Bonds Framework, in line with the company's broader commitment to environmental sustainability, provides a clear process for project approval. Based on an overall assessment of the project types that will be financed by the green bond and governance and transparency considerations, **SEB's Green Bond Framework gets a dark green shading.**”

CICERO (November 2016)

Auditor's Limited Assurance Report

To Skandinaviska Enskilda Banken AB (publ), corporate identity number 502032-9081

Introduction

We have been engaged by the Board of Directors of Skandinaviska Enskilda Banken AB (publ) (SEB) to undertake a limited assurance engagement of selected information in SEB's Green Bond Investor Report 2019, concerning the Green Bond issued in February 2017.

Assurance scope

The scope of our work was limited to assurance over the processes and systems for financing of eligible assets and allocating proceeds from the Green Bond to such assets, as described in the Investor Report (the "selected information"). The reporting criteria against which this information was assessed are relevant parts of the SEB Green Bond Framework per November 2016, available on the SEB website. Our assurance does not extend to any other information in the Investor Report. We have not reviewed and do not provide any assurance over any individual project information reported, including estimates of sustainability impacts.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for evaluating and selecting eligible assets, for the use and management of bond proceeds, and for preparing an Investor Report that is free of material misstatements, whether due to fraud or error, in accordance with the SEB Green Bond Framework.

Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the management of bond proceeds and the process for selection of eligible assets, and

applying analytical and other limited assurance procedures, including inspection of documentation, and limited sample testing of the selected information.

The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. 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.

Our independence and quality control

Ernst & Young AB 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. We are independent of SEB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Conclusion

Based on the limited assurance procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected information disclosed in the SEB Investor Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, 2 March 2020
Ernst & Young AB

Hamish Mabon
Authorized Public Accountant

Charlotte Söderlund
Authorized Public Accountant

SEB's Green Bond

Bond	Feb 2017, 0.3%, 5 yrs Senior
Issuer	Skandinaviska Enskilda Banken AB (publ)
Type	Senior Unsecured
Rating	Aa3/ A+ / AA- (M/S/F, all stable)
Nominal amount	EUR 500,000,000
Issue date	17 February 2017
Maturity date	17 February 2022
Listing	Irish Stock Exchange (regulated market)
ISIN	XS1567475303
Distribution by region	Germany, Austria, Switzerland (29%), Benelux (20%), Nordic countries (19%), France (19%), United Kingdom, Ireland (10%), Other (3%)
Distribution by investor type	Asset managers (45%) Pension, Insurance (35%) Banks (20%)

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