

# Sustainability Report

SEB has a strong ambition to create value for customers, shareholders, employees and society at large. Through long-term relationships SEB aims to support its customers, also in their transition towards a more sustainable world.

It is SEB's ambition to be a role model in sustainability within the financial industry and the bank is committed to the integration of economic, social and environmental aspects in its business in the short- 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. SEB strives to integrate sustainability aspects into the business – a strategic initiative in the business plan.

➤ *The sustainability work is described on the following pages, as well as on p. 20–22.*

## SEB's sustainability framework

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

- **Responsible and proactive advice** – SEB seeks to facilitate customers' understanding and control of their financial situation. SEB is also committed to understanding its customers' needs and preferences in their transition.
- **Sustainable financing** – SEB strives to contribute to reorienting capital flows to low-carbon 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 the economic development and contribute to the creation of new jobs and growth in society.

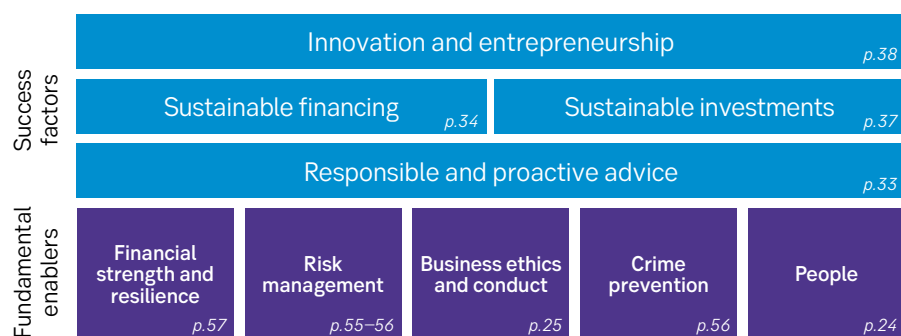
Environmental and climate aspects are essential parts in all four success factors, both from risk and opportunity perspectives.

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.

## UN Sustainable Development Goals

SEB believes that global challenges need global collaboration and recognises the importance of international commitments that

## SEB's sustainability framework



## Four prioritised Sustainable Development Goals (SDG)



SEB prioritises four of UN's Sustainable Development Goals. In addition, the bank also addresses several of the other goals, as indicated at each chapter headline.

## About this report

This report constitutes SEB's statutory sustainability report 2019. It describes the bank's work with sustainability, policies and processes as well as the indirect and direct impacts of its business, development and outcome. Areas covered include climate and environment, human rights, labour rights and social relations, and anti-corruption.

Key aspects of the bank's sustainability work are described in applicable parts of the Annual Report:

- SEB's business model ➤ p. 28
- Sustainability development and outcome related to SEB's 2019–2021 business plan ➤ p. 20–22
- The diversity policy for the Board ➤ p. 62
- Risk, liquidity and capital management ➤ p. 52–57
- Corporate governance ➤ p. 60–72
- Crime prevention ➤ p. 56.

help businesses to operate in a more sustainable way. The United Nations' Sustainable Development Goals (SDGs), launched in 2015, have set a global agenda for nations, businesses and societies on how to achieve sustainable economic growth, social inclusion and environmental protection. The financial sector has a critical role to play in this work. Many of SEB's customers work actively to support the SDGs. Thereby, the bank contributes to most of the goals directly and indirectly. Four of them, in particular, are closely linked to SEB's history and business strategy: no. 8, no. 9, no. 13 and no. 16. In 2019, SEB further developed its range of products that contribute to the SDGs. [Read more here, in the Sustainability Fact Book and at \*sebgroup.com\*.](#)

### Commitments, guidelines and policies

SEB supports the following international agreements:

- The UN Sustainable Development Goals
- The Paris Agreement
- The UN Universal Declaration of Human Rights
- The UN Guiding Principles on Business and Human Rights
- The ILO Core Conventions on Labour Standards
- The Children's Rights and Business Principles
- The OECD Guidelines for Multinational Enterprises

SEB has joined or publicly endorsed the following principles:

- The UN Global Compact
- UNEP FI Principles For Responsible Banking
- Principles for Responsible Investments (PRI)
- The Equator Principles
- Task Force on Climate Related Financial Disclosure (TCFD)

SEB has developed various guiding documents in the area of sustainability, among them the Corporate Sustainability Policy, the Environmental Policy, the Human Rights Policy, the Inclusion and Diversity Policy, the Code of Conduct, the Code of Conduct for Suppliers and the Tax Policy. SEB has three position statements (Child Labour, Climate Change and Fresh Water) and six sector policies (Arms and Defence, Forestry, Fossil Fuel, Mining and Metals, Renewable Energy and Shipping). These provide guidelines on good practice as well as on the international conventions and standards that the bank adheres to.

#### SEB's approach to tax

In SEB's business, tax management and tax governance are relevant and important. Operating in more than 20 countries, SEB acknowledges the changing landscape around tax from both regulators and society and puts strong efforts in securing compliance with applicable tax laws and regulations. Products and services offered by SEB impact the tax situation for SEB and its customers and must always have business rationale. SEB must not use, encourage or facilitate products or services in conflict with tax legislation or anti-tax avoidance law. SEB must not co-operate with external parties to facilitate products or services in conflict with tax legislation or anti-tax avoidance law. SEB's Tax Policy is reviewed annually. [See the Tax Policy on \*sebgroup.com\*](#)

## Responsible and proactive advice



Banking is based on relationships and trust. SEB aims to facilitate customers' control and understanding of their financial situation. SEB supports its customers in their transition to sustainable solutions and integrates risks and opportunities related to environmental, social and governance (ESG) aspects into customer dialogues, policies and processes.

It is crucial for SEB not only to adhere to all laws and regulations in the countries where the bank is active but also to maintain high ethical standards. The Code of Conduct describes SEB's way of working and guides employees and others in how to act in business relationships. The code is also SEB's policy on ethical matters.

### Managing potential negative impacts

SEB works to identify and assess areas related to climate and environment, human rights, labour law and social relations as well as anti-corruption where it may have negative impacts through its business relationships. Based on prioritisation, proportionality and level of influence, findings are acted upon to prevent, mitigate and remediate potential negative impacts. Provided that the customer is willing and has the financial capacity to implement the required corrective measures, SEB can maintain relationships with customers exposed to sustainability risk.

SEB expects its customers to respect all human rights and the ILO Core Conventions on Labour Standards through appropriate due diligence systems. Moreover, SEB commits to identify and manage corruption risks in transactions.

### Strengthening customer dialogues

In Sweden a pilot project was initiated during the year focusing on how to better support corporate customer advisers in their customer dialogues about sustainability-related risks. The advisers were provided with an overview of these risks with questions related to environment, human rights and labour law as well as anti-corruption adapted to specific sectors. These sectors were transportation, construction and real estate, wholesale, retail as well as business and household services. The response to this support tool from the selected customers and the customer advisers was positive, as this approach increased the risk understanding and deepened the relationship.

The Baltic division is conducting meetings with its corporate customers to gain a better understanding of their sustainability agendas and establish a dialogue on future developments. An assessment guideline was developed and integrated into the credit granting process to increase attention, knowledge and compliance with SEB's sustainability policies and to support customers regarding sustainability.

In 2019, SEB further developed advisory tools for customers. One example is the Impact Metric Tool, which is offered to institutional customers. In SEB's Life division sustainability advising has been strengthened. [See p. 21–22.](#)

## Sustainable financing



Responsible financing and lending are cornerstones of SEB's business. SEB's policies define how the bank is to take ESG risks into account in financing activities. All transactions are to meet the group-wide sustainability-related policies. SEB takes a restrictive stance to business activities in industries with a high risk for negative human rights or labour rights impacts and businesses that operate in jurisdictions with weak, low or no respect for human rights, without proper mitigations in place.

Tools for analysing, documenting and monitoring SEB's exposure to ESG risks were further developed in 2019. As an example, SEB started to develop an ESG classification framework to assess customers' ESG impacts. The framework will inform and support SEB's ambition to gradually shift its credit portfolio towards more sustainable financing, among other things by identifying climate related risks and transition risks in particular.

➤ See p. 55.

## Green financing

In the ongoing transition related to climate change, SEB is working continuously to support its customers and identify opportunities that contribute to positive impact. For more than a decade, SEB has supported large corporations and financial institutions in finding green financing solutions.

### Underwriting 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 USD 263bn (182) globally. The financial and corporate sectors continued to be the dominant issuers in the market, which has become more diversified in terms of countries and sectors, and in 2019 included record high issuances from government agencies. In 2019, SEB's global share of underwriting was 3.8 per cent (3.7), corresponding to a volume of USD 7bn. This makes SEB the 7th largest underwriter globally in 2019 and the 4th largest underwriter globally since inception. In the Nordic market SEB maintained its leading position during the year, with a share of 32.3 per cent.

### The EU Action Plan on Sustainable Finance

The European Commission's Action Plan on Sustainable Finance took important steps in 2019 when its Technical Expert Group, TEG, published four reports with recommendations on what is needed to reorient capital flows towards investments made to achieve sustainable and inclusive growth:

- report on the EU Taxonomy
- report on the EU Green Bond standard
- report on Climate Benchmarks and Disclosure
- guidelines on how to report climate-related information, the EU's Non-Binding Guidelines on Non-Financial Reporting

The taxonomy report, regarded as the cornerstone for all present and future measures of sustainable finance, sets out criteria for 67 economic activities that can make a substantial contribution to climate change mitigation.

SEB, which has been one of 35 members in the TEG, considers all reports as important tools for increasing comparability and clarity of what is to be defined as sustainable, and thus creating the conditions for investors to make long-term sustainable decisions.

### Implementing TCFD recommendations

Climate change is one of the most urgent challenges facing the world today. Scientific evidence points to substantial risks to the planet. SEB recognises the importance of limiting the average global temperature rise to well below 2°C and striving for 1.5°C in line with the Paris Agreement. This makes transition to a low-carbon economy vital. Banks have a crucial role to play in enabling the transition to more efficient low-carbon alternatives.

SEB has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a global initiative that aims to increase and harmonise companies' climate-related financial disclosure to stakeholders. As part of this endorsement the bank is working to implement the recommendations, under the sponsorship of the Chief Risk Officer, targeting four main areas – governance, strategy, risk management, and metrics and targets. During 2019 SEB enhanced its method for estimating the consequences of climate change. ➤ See p. 55–56.

### Climate change governance at SEB

The Board of Directors oversees SEB's sustainability work and has adopted the Corporate Sustainability Policy, which includes SEB's environmental commitment. The Board of Directors also oversees SEB's risk management framework. SEB's position statement on Climate Change is approved by the President.

### Climate change strategy

SEB is committed to supporting its customers in the transition to a more sustainable world and actively participates in the global green transformation. Activities include international initiatives such as implementing the TCFD recommendations

### SEB's own green bond is financing green credits

As part of its funding strategy, SEB issued its first green bond in 2017 of EUR 500m. Backed by SEB's sustainability strategy, Environmental Policy and accompanying sector policies, the Green Bond Framework ensures that SEB's green bond, by financing green loans, is used for low-carbon and climate change-resilient projects and investments. In addition, green bonds should promote environmental and ecosystem improvements and thereby support the UN Sustainable Development Goals.

In 2019, SEB launched a green construction loan, which is a form of financing that is suitable for companies and tenant-owner associations that want to take environmental considerations into account in the new production of real estate. Since 2018 SEB offers green mortgages to private customers. In 2019, SEB's green loan portfolio grew from SEK 16bn to SEK 19bn.

### Sustainability-linked loans

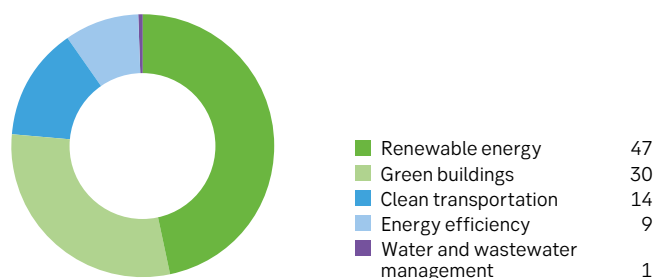
2019 saw growth for other sustainable financing products, such as sustainability-linked loans. These loans include sustainability features in the loan documentation, but unlike the criteria for

bonds, the use of proceeds is not specified, rather one or more sustainability-linked targets are outlined by the borrower. The performance in relation to the targets is assessed once a year, where the outcome may trigger either a reduction or premium on the margin of the loan, as determined in cooperation with the lender.

SEB provides such loans to customers in the Nordic countries and Central Europe in the energy, construction, chemicals, technology and municipality sectors. The loan volume globally increased to USD 121.5bn in 2019 (46.1bn).

SEB's green loan portfolio by sector

Per cent



and the UNEP FI's Principles for Responsible Banking. Furthermore, SEB participates in the work of EU's Action Plan on Sustainable Finance, and recognises the importance of the proposed EU taxonomy.

In SEB's business, addressing climate change means for example that lending, investments and business development decisions should take climate impact into account. In line with the 2019–2021 business plan, SEB aims to further develop ways of working, to focus on managing risks and opportunities related to climate change and to classify its credit and investment portfolios. The goal is to gradually align the credit portfolio with the Paris Agreement. In addition SEB is exploring how to quantify its credit exposure in line with TCFD guidance on carbon-related assets.

SEB does not enter into new business relations with companies with major business in coal mining and aims to lower its exposure to coal producers in its fund holdings. Moreover, SEB works to grow the green loan portfolio and to continuously launch new green products. SEB is also enhancing its advisory capacity to capture opportunities in a transforming energy sector. [See p. 15.](#)

### Managing climate-related risk

Climate change can have an impact on SEB's credit portfolio and assets under management, and it is important that this is taken into account in the bank's risk analysis and management. The bank works strategically with two equally important aspects of climate risks: assessing customers' climate impact, and assessing the effect of climate change on SEB's customers' repayment capacity and how this impacts the bank's asset quality. Two main factors are taken into account in this work: transition risks and physical risks. During the year, SEB

has developed a draft for an ESG classification framework to assess customers' climate impact. The framework will initially be applied for large corporate customers, but will eventually be used throughout the bank. SEB is developing methods to measure the climate impact of the credit portfolio and assets under management. The Impact Metric Tool is developed for customer use and measures sustainability, including carbon emissions, of equity portfolios.

### SEB's climate disclosure based on TCFD recommendations

- Governance**
  - Climate change governance [See p. 34](#)
  - Sustainability governance [See p. 67](#)
  - Environmental Policy and Climate Change position statement [See p. 33 and sebgroup.com](#)
- Strategy**
  - Climate change strategy [See p. 34](#)
  - Sustainability in the business plan [See p. 20](#)
  - Sustainability and climate-related products and initiatives [See p. 21–22](#)
- Risk management**
  - Sustainability and climate-related risk [See p. 55](#)
  - Managing climate-related risks [See p. 56](#)
- Targets and metrics**
  - SEB's targets are set in relation to the bank's indirect and direct impact. [See p. 36 and SEB Sustainability Fact Book & GRI Index.](#)

## Project financing – Equator Principles

SEB has adhered to the Equator Principles (EP) since 2007, a voluntary set of guidelines used by financial institutions to assess the social and environmental impacts of large projects and to support their customers in managing them. In 2019, an updated version of the Equator Principles, EP4, was adopted by the Equator Principles Association. SEB has been part of the climate change working group. In 2019, SEB had three project finance transactions under the Equator Principles, all in category B (projects with potential limited adverse environmental and social risks). SEB had no projects in category A (projects with potential significant adverse environmental and social risks).

## A marketplace for reducing CO<sub>2</sub> in the atmosphere

During the year, SEB together with a group of other Nordic companies initiated Puro, a pioneer project aimed at creating a marketplace for reducing CO<sub>2</sub> in the atmosphere. The marketplace trades CO<sub>2</sub> removal certificates (CORCs), which are independent documents that confirm that one tonne of carbon dioxide has been removed from the atmosphere. Sellers develop technology for removing and binding carbon dioxide for example, and buyers are entities interested in offsetting their carbon emissions. SEB is the only bank participating in the initiative and is serving as an adviser and is providing financing for the certificates. SEB used CORCs to offset flights for attendees to the Sustainable Finance Summit in Frankfurt, which the bank hosted in 2019. [Read about more activities on p. 21.](#)

## Targets and outcome for sustainability

SEB's 2019–2021 business plan has a strengthened focus on sustainability. SEB has started to classify and gradually transform its credit and investment portfolios. This will be underpinned by

increased transparency and disclosures of progress. Metrics and targets will continuously be developed and aligned with future national and international requirements and expectations.

Area	Description	Outcome 2019	Outcome 2018	Outcome 2017	Target 2019	Target 2020
<b>Innovation</b>	• Create sustainable finance innovation centre to develop and launch new sustainable products and services	Established	Decided	-	Establish	Develop and launch 5 new sustainable products or services
<b>Sustainable finance</b>	• Green loan portfolio	SEK 19bn	SEK 16bn	SEK 13bn	Increase	Increase
	• Green mortgage portfolio	SEK 1.5bn	SEK 0.2bn	-	Increase	Increase
	• Green bonds, underwriter, Nordic bank ranking <sup>1)</sup>	#1	#1	#1	#1	#1
	• Gradually shift credit portfolio towards increased sustainable financing	Framework for classification established and pilot tested in automotive sector	Decided	-	Classify and set targets	Gradual transformation of credit portfolio to increase share of transitional and sustainable assets
<b>Sustainable investment</b>	• Total Assets under Management (AuM) managed with sustainability criteria, share of total AuM	13%	11%	8%	Increase	Increase
	• SEB funds managed with sustainability criteria, share of Fund company AuM	35%	30%	25%	Increase	Increase
	• SEB funds assessed with human rights criteria, share of Fund Company AuM	100%	100%	100%	100%	100%
	• SEB impact and Thematic funds <sup>2)</sup> (AuM), SEKbn	SEK 11.2bn	SEK 8.0bn	SEK 5.6bn	Increase	Increase
<b>People</b>	• Integrate sustainability into KPIs for senior managers	Implemented for GEC	Decided	-	Define and launch	Implement for all direct reports to GEC
	• Gender by management type, (male/female):					
	- Group Executive Committee (GEC)	69/31% <sup>3)</sup>	77/23%	83/17%	Increase balance in senior management	Increase balance in senior management towards long-term ambition of 50/50 ±10%
- Senior management	64/36%	66/34%	69/31%			
<b>Business ethics and conduct</b>	• Employees that have completed training in Code of Conduct <sup>4)</sup>	88%	90%	85%	Increase towards 100%	Increase towards 100%
<b>Environment, direct impact</b>	• Reduce total carbon emissions with 20% 2016–2020 <sup>5)</sup> , tonnes	22,525	23,606	24,487	Decrease towards target	18,500

1) Bloomberg (Ranking by volume).

2) Includes SEB Micro Finance Funds, SEB Impact Opportunity Fund, SEB Green Bond Fund and Lyxor SEB Impact Fund.

3) As of 1 January 2020.

4) Includes consultants, excludes employees on leave of absence.

5) Results recalculated for 2018 and 2017 mainly due to improved calculation of carbon dioxide emissions for air travel and paper consumption.

## Sustainable investments



SEB is one of the largest institutional investors in the Nordic region with SEK 2,041bn in assets under management for private, corporate and institutional clients. SEB has been a signatory of the Principles for Responsible Investments (PRI) since 2008 and has been reporting yearly on its compliance with the six principles. In PRI's grading of sustainable investments in 2019, SEB's fund company, with assets under management of SEK 736 bn, received an A.

In line with the business plan, SEB continued to strengthen its sustainable investment offering during the year. At year-end, close to 35 per cent (30), SEK 256bn, of SEB's fund company's assets under management were managed according to the fund company's highest level of sustainability criteria. Of SEB's total assets under management, approximately 13 per cent (11) were managed according to the same criteria.

SEB's fund company strives to integrate sustainability into all types of investments and in all asset classes. The investment strategies are based on the inclusion of companies that perform well in sustainability or have well-defined transition plans, exclusion of sectors or companies that do not abide by SEB's fund company's sustainability criteria and continuous engagement with the companies in which it invests.

### Focus on inclusion

Customer interest in sustainable mutual funds is high. SEB invests in businesses that actively manage the environmental, social and governance aspects of their operations. The belief is that in doing so they will be more successful over time, which will add value for customers, companies and society. In SEB's sustainability funds, the fund managers focus on companies that have a reduced climate impact in areas such as carbon emissions, water use and management of toxic waste. [Read more about the transition of the mutual funds offering on p. 22.](#)

### Exclusion criteria

All of SEB's mutual funds exclude companies involved in the production or marketing of controversial weapons and the development or production of nuclear weapons. In addition, SEB's funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Universal Declaration of Human Rights, the UN Global Compact, the eight ILO Core Conventions on Labour Standards, and the OECD Guidelines for Multinational Enterprises. In 2019, 100 per cent (100) of SEB's funds were managed with respect to human rights criteria. SEB does not invest in companies involved in thermal coal extraction, i.e., mining activities in which thermal coal accounts for more than 5 per cent of the company's or group's turnover. From 2020, SEB's funds also exclude tobacco companies and companies that produce cannabis for non-medical use.

SEB's sustainable and ethical funds also exclude companies that derive more than five percent of their turnover from alcohol, weapons, commercial gambling or pornography. Furthermore, SEB's sustainability funds do not invest in companies that extract fossil fuels. SEB reviews the fund holdings with its adviser ISS-ESG semi-annually. [The results are presented on sebgroupp.com.](#)

### Engaging as an owner

SEB's fund company works actively to influence companies at the Swedish, Nordic and international levels. In Swedish and Nordic companies in which SEB is one of the largest shareholders, this engagement is conducted directly through dialogues with the company's executive management and board of directors. SEB also actively participates in companies' annual shareholder meetings by voting and in 2019 was represented on 33 nomination committees of Swedish companies.

For investments outside the Nordic region, SEB cooperates with other investors through organisations such as the Institutional Investors Group on Climate Change (IIGCC), PRI Clearinghouse and Hermes Equity Ownership Services, one of the world's leading actors in corporate dialogues. In total during the year SEB conducted 1,564 engagement dialogues (direct and indirect) with portfolio companies. [Read more on p. 22.](#)

### Water and human rights

SEB works together with CDP (formerly the Carbon Disclosure Project) on water issues. Through this engagement approximately 840 companies around the world have reported to CDP on their water management, risks and opportunities. This was an increase of more than 10 per cent compared with 2018.

In 2019 SEB signed the Access to Medicine Index Investor Statement, certifying its commitment to an initiative that promotes access to medicine in developing countries and supports human rights. The index is one of many tools for assessing pharmaceutical companies' license to operate globally and the measures they are taking to improve access to medicine. Total assets under management for all signatory investors were in January 2020 more than USD 13 trillion.

### Carbon footprint disclosures

SEB is a signatory of the Montreal Carbon Pledge and has thereby committed to reporting yearly on its carbon footprint. In 2019, 94 per cent of SEB's equity funds were measured and reported on SEB's website. SEB reports on the carbon footprint from all three central emission areas (scope 1–3) according to the Greenhouse Gas Protocol. For the remaining 6 per cent of the equity funds, there is no official benchmark and in some funds the underlying data is currently insufficient for accurate reporting of carbon footprint.

### Evaluation of external funds

SEB offers mutual funds that are managed by external parties (external funds) and are evaluated by a special fund analysis team at SEB. The sustainability evaluation is integrated in the entire decision-making process, both in the selection of external funds and the monitoring of selected managers. The evaluation currently covers 64 funds in various asset classes and the managers are located all over the world. All new external fund management companies are required to sign the Principles for Responsible Investments (PRI) and to exclude companies involved in controversial weapons. At year-end 2019, 100 per cent (100) of these companies had signed the PRI. SEB also actively engages with external fund managers and discusses their performance. Furthermore, in 2019 an evaluation of SEB's own funds was initiated to achieve harmonisation between SEB's internal and external offering of sustainable funds.

## Impact investing

➤ Read about impact investment products on p. 21.

## Innovation and entrepreneurship



SEB believes that thriving businesses lead to growth and new jobs, as well as opportunities to solve environmental and societal challenges. SEB has supported entrepreneurs and innovative ideas for more than 160 years, and is committed to assisting companies to develop new ideas that create value for society.

SEB can play a key role in financing and investing in the innovative long-term solutions that are needed. SEB's 2019–2021 business plan has a strong focus on accelerating innovation in sustainable financial services. This is illustrated, for example, by SEB's emphasis on product launches, advisory leadership in renewable energy and new technologies, and partnerships with academia and social entrepreneurs dedicated to solving societal challenges. Additionally, SEB strives to strengthen the business climate through partnerships with Sweden's leading entrepreneurship organisations at all levels. ➤ See p. 23.

### Facts

The Sustainability Report covers the SEB group, that is the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries. SEB reports in accordance with the Swedish Annual Accounts Act, Chapter 6, and the Global Reporting Initiative, GRI Standards, core option. A description of SEB's materiality analysis, stakeholder dialogues, a wide range of KPIs and the GRI Index are presented in SEB Sustainability Fact Book on [sebgroupp.com](http://sebgroupp.com). EY has performed limited assurance procedures for both SEB's Sustainability Report and SEB's Sustainability Fact Book & GRI Index. ➤ See Auditor's report on p. 178.

## Ways of working

### Strengthening policies

SEB continuously reviews its policies and work procedures as part of its efforts to strengthen the business and be aligned with international and national requirements. The policy on climate change is being significantly reworked in order to reflect the strategy and commitments in this area.

### Integrating sustainability KPIs

SEB sees the importance of aligning its incentive structures with its sustainability ambitions. This work was developed in 2019 when the allotment of long-term incentive programmes was further integrated with sustainability KPIs for members of SEB's Group Executive Committee (GEC).

### Building competence

As sustainability is a critical concern for SEB and its customers, the need for high competence in this area among employees is of vital importance. On SEB's digital platform, SEB Campus, the bank offers an in-depth training on sustainability, developed in a strategic collaboration between SEB and a number of international players and with the UN as a host. This interactive and practice-oriented course covers the basics of sustainable finance. In 2019, the bank also launched a refreshed e-learning for all employees globally on how SEB works in the area.

### Suppliers

SEB has established procedures to evaluate and select suppliers and contractors, based on financial, environmental and social aspects. These aspects include human rights, labour rights, social relations and anti-corruption and are to be taken into account in procurement decisions along with other risk factors and commercial aspects. SEB monitors suppliers' processes and performance where appropriate.

In 2019, SEB updated the sustainability requirements included in its supplier agreement templates and published an updated version of the Supplier Code of Conduct. During 2020 SEB will work on strengthening the related follow-up procedures of the requirements with its suppliers.

### SEB's own environmental impact

SEB recognises the importance of, and is working actively to, reduce its direct environmental impact, even though most of its environmental impact is indirect. SEB has set a goal to reduce its total carbon emissions by 20 per cent from 2016 to 2020. In 2019, the bank reduced its total carbon emissions by 4.6 per cent. During the year several measures were taken to accelerate the reduction of the bank's own emissions. Special focus was put on reducing air travel. This contributed to a 10 percent reduction of carbon emissions related to business travel (air and train), which accounted for just over 50 per cent of total CO<sub>2</sub> emissions. Emissions from energy consumption decreased slightly while emissions from paper consumption increased somewhat. Going forward, SEB will further focus on reducing emissions related to air travel. ➤ See Sustainability Fact Book for more information.



## Sustainability

The global commitment to sustainability, particularly climate change, increased strongly in 2019. Financial institutions play an important role in the ongoing transition to a low-carbon society through investments and financing activities. We are engaged in this strategically important area and have added the UNEP FI Principles for Responsible Banking to our international commitments.

During the year, international summits such as Global Climate Week, the United Nations Climate Action Summit in New York and the COP 25 Climate Change Conference in Madrid, further highlighted the need to accelerate the pace towards a low-carbon society.

Sustainability has been an integral part of our operations for many years. Since we are seeing ever-greater expectations from our stakeholders, we have increased the pace and intend to play a leading role in the transition to a low-carbon society. The three-year business plan, therefore, includes three related components: innovation, transformation as well as policies and procedures.

SEB has always developed in accordance with society and customers' needs. We now focus on innovating new products and services to meet the increasingly advanced sustainability needs of our customers. In the transformation of our business we classify the credit portfolio and assets under management according to sustainability criteria while strengthening advisory services to assist our customers in their transition. Finally, our own policies and procedures are in focus.

In parallel, we see a need for international co-operation and we are engaged in a number of ways. In 2019, SEB was one of 131 banks globally that signed the UNEP FI Principles for Responsible Banking. These principles reflect the power of collaboration between the private and financial sectors in the transition to a low-carbon society.



### Funding raised for new vaccines

In 2019, we contributed to the accelerated development of new vaccines to prevent deadly disease among children. SEB acted as joint lead manager together with Toronto Dominion Bank in the issuance of a NOK 600m bond. The funding will support research and development and make the vaccines available at affordable prices.

The bond was issued by The International Finance Facility for Immunisation, an organisation whose mission is to increase the availability of funding to support the work of the Global Vaccination Alliance.



## Innovation

We have introduced a number of new products and services in financing and investments to meet our customers' increasing expectations and needs regarding sustainability.

### Financing

#### Green bonds



SEB is a pioneer in green bonds and has been a leader globally and in the Nordic region in this area for more than ten years. We retain our strong position as an adviser. In 2019, we were given the mandate to act as adviser to the Swedish National

Debt Office when issuing their first green bond in 2020. The main criteria that underpinned the selection of adviser were expertise and experience in green bond issuance, as well as good knowledge of Sweden's environmental and climate policy and government funding – a proof of the expertise that SEB has built up in this area over the years.

#### Blue bond

In 2019, we arranged a blue bond for the first time, issued by the Nordic Investment Bank, where the capital, SEK 2bn, is earmarked for projects aimed at reducing pollution and protecting the sensitive aquatic environment in the Baltic Sea.

#### Green car leasing



In 2019, we launched green car leasing, which is yet another way for us to contribute to the shift to a low-carbon society. The solution is offered to corporate customers and organisations that choose electric or biogas cars. Apart from the

fact that the leased cars themselves are more climate friendly than fossil-fuelled cars, the financing is linked to SEB's own green bond.

#### Green construction loans

SEB now offers the possibility to apply for green construction loans when financing residential and commercial properties of any size. Previously, we have offered this funding for major building projects. SEB uses green funding to finance the properties that are classified as green.

#### Green mortgages

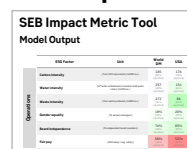


SEB was the first bank in Sweden to launch green mortgages, which offer a lower interest rate for people who live in climate-smart houses. The loans are available to anyone with housing that fulfils specific requirements, for example the Swedish National Board of Housing, Building and Planning's energy classification criteria, homes with the Nordic

Swan ecolabel, Sweden Green Building Council certification, and passive house certification. During the year the volume of green mortgages increased to SEK 1.5bn.

### Investments

#### SEB Impact Metric Tool



The SEB Impact Metric Tool, is a quantitative analysis tool that measures sustainability in equity portfolios. In 2019, the tool was further developed so that, in addition to measuring the extent to which an investment portfolio is aligned with the UN Sustainable Development

Goals (SDGs), it also measures the percentage of a portfolio that can be classified as green according to the EU taxonomy. In 2019, we measured more than 100 customer portfolios.

[Read about the taxonomy on p. 59.](#)

#### SEB FRN Fond Hållbar

The fixed income fund SEB FRN Fond Hållbar was launched in 2019. The fund, which includes investments in Nordic corporate bonds with variable interest rates, excludes companies that extract fossil fuels and invests in green bonds where the capital is earmarked for climate and environmental projects. At year-end the fund had approximately SEK 7.6bn in assets under management.

#### Lyxor SEB Impact Fund



The new Lyxor SEB Impact Fund invests in companies that contribute to solving future global challenges. The companies operate in five areas linked to the UN's Sustainable Development Goals – sustainable energy, water supply, food and agriculture, resource efficiency and social development. At year-end, the fund had SEK 1.4bn in assets under management.

#### Discretionary portfolio Responsible

For SEB's private banking customers, we offer the discretionary portfolio Responsible. It consists of three sub-portfolios in the asset classes Swedish and global equity investments as well as fixed income investments. The fund manager works actively to include securities, mainly funds, that have a clear working method based on international standards for human rights, labour law, environment and anti-corruption. Assets under management grew from SEK 194m to SEK 1.5bn in 2019.

#### Microfinance funds

SEB is one of Europe's largest microfinance fund managers. Through some 60 microfinance institutions, SEB's funds offer loans to people with lower income in developing countries, who are often excluded from financial markets. Microfinance is today the most established asset class within the field of impact investments, with its success founded on the ability to offer investors both an attractive financial return and contribute to socioeconomic development for this target group. SEB manages 7 microfinance funds (including Impact Opportunity Fund) with a total value of approximately SEK 9bn (7), reaching more than 25 (23) million entrepreneurs in 59 (40) developing countries.

## Business transformation

We focus on transforming our own business and assisting our customers in their transformation and contribution to a low-carbon economy.

### Transforming our credit portfolio

During 2019, SEB initiated a classification of the credit portfolio for large corporate customers according to an environmental, social and corporate governance (ESG) classification framework. The aim is to gain a better understanding of both the climate impact of our customers' business and how climate change affects their repayment capacity and thus asset quality. We are convinced that by conducting a more in-depth analysis of risks and opportunities we can provide better advice to our customers.

➤ Read more on p. 35 and p. 55.

### Sustainable mutual funds

In 2019, SEB's largest mutual fund, SEB Världen, was converted to be managed according to SEB's sustainability criteria and was renamed as SEB Hållbarhetsfond Världen. The fund, with approximately SEK 42bn in assets under management, is now excluding – among others – companies involved in fossil fuels and tobacco while at the same time including companies that work actively to reduce climate impact.

“Customers' SDG focus is on climate action, clean water and sanitation.”

In addition to our own funds, we offer externally managed funds in all customer segments. The funds are ranked on a four-degree scale according to how actively they integrate ESG aspects into their investment processes. The evaluation currently covers 64 funds globally.

Furthermore, in 2019, we initiated a harmonisation of SEB's internal and external offering of sustainable funds.

### Responding to customer views

For the third year in a row, customers with savings in SEB's funds were asked which of the UN Sustainable Development Goals they think are the most important for SEB to address. More than 7,000 customers responded. Additionally, this year some 600 traditional insurance customers answered similar questions.

Climate Action as well as Clean Water and Sanitation are the top areas the customers would like us to prioritise when we invest their capital.

As a result of the surveys, SEB's fund company collaborates with, among others, the Institutional Investors Group on Climate Change (IIGCC), which conducts active impact dialogues with the 100 companies that account for the largest CO<sub>2</sub> emissions

globally. These are for example companies in the oil and gas industry. In 2019 the collaboration in IIGCC contributed to the setting of long-term targets to reduce emissions, by corporations like Shell and Equinor. BP has agreed to set out how each of its major investments is compatible with the Paris Agreement. We have also engaged in organisations such as the Water Equity and the CDP's Water Security Program, both of which are working to solve global challenges related to water supply.

### Growing demand for advice

SEB strives to support customers in their ongoing transition. Customers in an increasing number of categories appreciate and request advice on sustainability matters, and SEB is developing products and services to support them in this work. A specific strategic initiative in the three-year business plan focuses on renewable energy services. ➤ See p. 15.

In 2019, employees in the Life division at the Remote Advisory Centre in Sundsvall, Sweden, underwent training in sustainability, which is now a natural part of remote advice. An internal evaluation shows that customer satisfaction in this area was 97 per cent and that a clear majority of private customers indicated a high sustainability investment preference.

Sustainability advice was strengthened for our private banking customers. More than 1,000 Swedish customers attended meetings where, among others, our fund managers provided information on SEB's offering of so-called impact investing. In 2019, some 230 private banking advisers and coordinators in Sweden underwent training in this area.

## Policies and procedures

In addition to the customer-oriented activities, we focus on our own operations. We continuously review and upgrade our sustainability-related policies and procedures. We are working to reduce our own CO<sub>2</sub> emissions and we are increasing internal training in order to build competence. ➤ See p. 38.



### Hydro's sustainability-linked financing

The Norwegian industrial group Norsk Hydro ASA, Hydro, is an aluminium company with 35,000 employees in 40 countries.

In 2019, Hydro established its first sustainability-linked financing. The margin on the 1.6 billion dollar revolving credit facility will be adjusted based on whether the company meets its target to reduce greenhouse gas emissions by 10 per cent by 2025. The margin is adjusted downwards if Hydro lives up to the goal, and vice versa in case it does not.

SEB was sustainability coordinator and lead arranger in the loan syndication. The relation with Hydro dates back to the early 1900's when SEB helped finance Hydro's start up.



“The transaction is a confirmation of the strong relationship between Hydro and our core banks, among them SEB. It reflects the trust built over many years and is a good example of the close link between profitability and sustainability”, says Pål Kildemo, CFO.