

# SEB Green Bond Framework

November 2016

The SEB logo is located in the bottom right corner of the page. It consists of the letters 'S', 'E', and 'B' in a bold, white, sans-serif font, separated by vertical bars. The logo is set against a solid green rectangular background.

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## 1. BACKGROUND AND OBJECTIVE

Skandinaviska Enskilda Banken AB (**“the Bank” or “SEB”**), being one of the instigators of Green Bonds, developed the market in close collaboration with the World Bank in 2007/08. By setting high standards for credibility and transparency, this enabled mainstream investors to engage in climate financing within their existing financial mandates.

It is a logical continuation, going in the footsteps of the Green Bond development, to specify and share the processes needed by a bank to create a Green balance sheet. Therefore, SEB has clarified various processes for defining, selecting, verifying, monitoring and reporting on a Green Asset and Liability Management (ALM) as identified and defined in this Green Bond Framework. The processes and procedures are further described in the SEB Green Bond Strategy which will be continuously updated. The Framework and the Strategy documents are available on the investor relations pages of the website of the Bank to enable other stakeholders to access our findings. It is the Bank's ambition to continue driving the market by sharing information in this way.

## 2. USE OF PROCEEDS

The proceeds of SEB Green Bonds will be exclusively allocated to Eligible Assets.

**“Eligible Assets”** means (a) loans by the Bank and/or the SEB Group (including where already disbursed) for the purpose of financing and/or refinancing Eligible Projects within the European Union and the Nordic region that promote the transition to a low carbon and/or climate resilient development, as well as environmental and ecosystem improvements, in each case as determined by the Bank and that meet the Bank's eligibility criteria for such loans (as further described below) and (b) SSA Green Bonds.

**“Eligible Projects”** include projects that target (a) the mitigation of climate change, such as through investments in energy efficiency, renewable energy, green buildings, clean transportation, waste management and sustainable forestry (**“Mitigation Projects”**), (b) adaptation to climate change, such as water and wastewater management (**“Adaptation Projects”**) or (c) environmental and ecosystem improvements, such as emissions reduction, waste management and sustainable forestry (**“Environmental Projects”**).

**“SSA Green Bonds”** means bonds issued by any supranational, sovereign, agency and municipality issuer that meet the Bank's requirement for investments of its liquidity reserves and that have an independent third party second opinion (“a Second Opinion”) from the CICERO led Expert Network on Second Opinions (ENSO) graded with a Dark green shading or an equivalent assessment that meet equally high environmental standards according to the Environmental Function of SEB Group Corporate Sustainability and, up to an amount equaling 15 per cent of the aggregate nominal amount of outstanding SEB Green Bonds, SSA Green Bonds with a Medium green shade or equivalent according to the Environmental Function of SEB Group Corporate Sustainability.

The following terms used in the above definition of “Eligible Projects” have the meanings given to them below:

| GBP <sup>1</sup> category        | Project types                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| renewable energy                 | <b>renewable energy</b> means wind, solar, small scale hydro power <sup>2</sup> , tidal, geothermal and bio energy <sup>3</sup> and any related infrastructure; (a)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| energy efficiency                | <b>energy efficiency</b> means district heating/cooling, smart grid technology and/or infrastructure, and energy recovery projects, as well as investments in technologies and processes, together with the manufacturing of products, in each case leading to energy efficiency gains of at least 25 per cent; (a)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|                                  | <b>green buildings</b> means: <ol style="list-style-type: none"> <li>Commercial or residential buildings with an energy use per year on a m<sup>2</sup> basis that is at least 25 per cent lower than that required by applicable national codes and regulations at the time of approval by the SEB Group of that project and that meet at least the minimum requirements of: <ol style="list-style-type: none"> <li>the LEED “gold” certification;</li> <li>the BREEAM “very good” certification;</li> <li>the Sweden Green Building Council Miljöbyggnad “silver” certification;</li> <li>the Nordic Swan Ecolabel (Svanen) certification; or</li> <li>any equivalent certification as determined by the Environmental Function of SEB Group Corporate Sustainability; (a)</li> </ol> </li> <li>Commercial or residential buildings in Sweden with an energy use per year on a m<sup>2</sup> basis that is at least 25 per cent lower than that required by applicable Swedish codes and regulations at the time of approval by the SEB Group of that project (a); and</li> <li>Major renovations of commercial or residential buildings leading to reduced energy use per year on a m<sup>2</sup> basis of at least 35 per cent; (a)</li> </ol> |
| clean transportation             | <b>clean transportation</b> means transportation solutions/systems based on non-fossil fuel or hybrid technologies and supporting infrastructure; (a)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| pollution prevention and control | <b>waste management</b> , means waste-to-energy and methane capture projects and projects to reduce the amount of waste through process improvements; (a/c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                  | <b>emission reduction</b> means the reduction of emissions (e.g. emissions of CO <sub>2</sub> , SO <sub>x</sub> , NO <sub>x</sub> , particulates, heavy metals and dioxins) into the air through physical, chemical and mechanical methods; (a/c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

<sup>1</sup> Green Bond Principles.

<sup>2</sup> Small scale hydro power means a hydropower plant of less than 10 megawatts (MW) of generating capacity. The refurbishment of an existing hydro power plant (of above 10MW generating capacity) without any increase in the size of its impoundment facility as well as the use of any such existing impoundment facility for a pump and storage hydro power facility is regarded as an Eligible Project for these purposes.

<sup>3</sup> Taking into account in the evaluation of any such bio energy project, where applicable, the environmental and social impacts of the different elements of the supply chain.

|                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| pollution prevention and control / sustainable water management | <b>water and wastewater management;</b> (b/c)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| sustainable management of living natural resources              | <b>sustainable forestry</b> means forestry projects with a certification from the Forest Stewardship Council (FSC) or an equivalent certification scheme, or forestry projects where the certification process is at a sufficiently advanced stage, or a certification has already been received for an equivalent forestry project, such that there is a high degree of certainty that such certification will be received, in each case as determined by the Environmental Function of the SEB Group Corporate Sustainability; (a/ c). |

The proceeds of the Bank's Green Bond issuance will not be used to finance nuclear or fossil fuel energy generation.

The proceeds from the Bank's Green Bond issuance can be used to finance new loans and to refinance existing loans in accordance with this Green Bond Framework<sup>4</sup>.

### 3. PROCESS FOR PROJECT EVALUATION & SELECTION

Eligible Assets are a) defined in the SEB Green Bond framework, b) proposed by the Bank's lending units<sup>5</sup>, c) selected by the Bank's Green Products Steering Committee with representatives from relevant operational units and the Environmental Function of Group Corporate Sustainability and d) finally approved by the Environmental Function of Group Corporate Sustainability. For new financing, where the Bank may need further clarity about the use of proceeds, the Bank's lending units will require that the client signs a Side Letter confirming the use of proceeds and/or that the Bank may provide loan information to investors.

### 4. MANAGEMENT OF PROCEEDS<sup>6</sup>

An amount equal to the net proceeds of the issue of the Green Bonds will be separately identified within the Bank's Treasury function and applied by the Bank in the financing of Eligible Assets. The amounts so identified for such financing, together with such Eligible Assets, will form an earmarked portfolio within the internal systems of the Bank. On a quarterly basis any such amounts will be adjusted to reflect amounts advanced for the financing and any repayment or prepayment of Eligible Assets in the immediately preceding quarterly period. Pending such allocation those amounts not applied in the financing of Eligible Assets will be applied by the Bank on the same basis as for the management of its liquidity reserves.

<sup>4</sup> For the purpose of this framework, new assets are defined as loans where disbursements have been made up to one year before the issue of the Green Bond and at any time from the date of such issue.

<sup>5</sup> Or, in the case of SSA Green Bonds, by the Bank's Treasury function.

<sup>6</sup> The text in this section is the Bank's definition of Earmarked Account.

## 5. REPORTING

The Bank will publish on an annual basis an investor report describing the financing by the Bank of Eligible Assets for the preceding year. This report will be made available on the investor relations pages of the website of the Bank. The details of such financing for the purposes of this report will include 1) a list of the different categories of Eligible Assets financed and the percentage distribution to each such category of Eligible Assets, 2) a description of a selection of Eligible Assets, as examples of the Eligible Assets financed in that year and 3) a summary of the Bank's Green Bond development and green financing activities in general. The Bank encourages environmental impact reporting and works towards a portfolio impact reporting.

An appropriate external, independent assurance provider will annually assure the processes and systems of the Bank in a) the financing of Eligible Assets and b) the allocation by the Bank of the proceeds of any SEB Green Bonds, and that such processes and allocations are in accordance with the Bank's Green Bond Framework. The opinion of the external assurance provider will be made publicly available on the investor relations pages of the website of the Bank.

The CICERO led Expert Network on Second Opinions (ENSO) will review the Bank's Green Bond Framework and will issue a Second Opinion on this framework. The Green Bond Framework and Second Opinion will be made available on the investor relations pages of the website of the Bank.

The Bank strives to address environmental issues that are relevant and meaningful for SEB as a bank and the markets in which the Bank operates. The Bank acknowledges the benefits of having an open dialogue and therefore welcomes feedback from involved stakeholders on issues and challenges of mutual interest and concern.

SEB will on an ongoing basis review this Green Bond Framework and reserves the right to update the Framework if improvements are identified or to be able to include further projects as Eligible Projects provided that the Second Opinion is updated by ENSO with a maintained overall Shade of Green<sup>7</sup>. The updated Second Opinion will be made publicly available on the investor relations pages of the website of the Bank.

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<sup>7</sup> If ENSO ceases to provide equivalent Second Opinions, the updated Green Bond Framework shall be reviewed by another Second Opinion provider that, according to the Environmental Function of Group Corporate Sustainability, meets equally high environmental standards.

# SEB Green Bond process flow chart

Incoming assets

## General SEB Guidelines

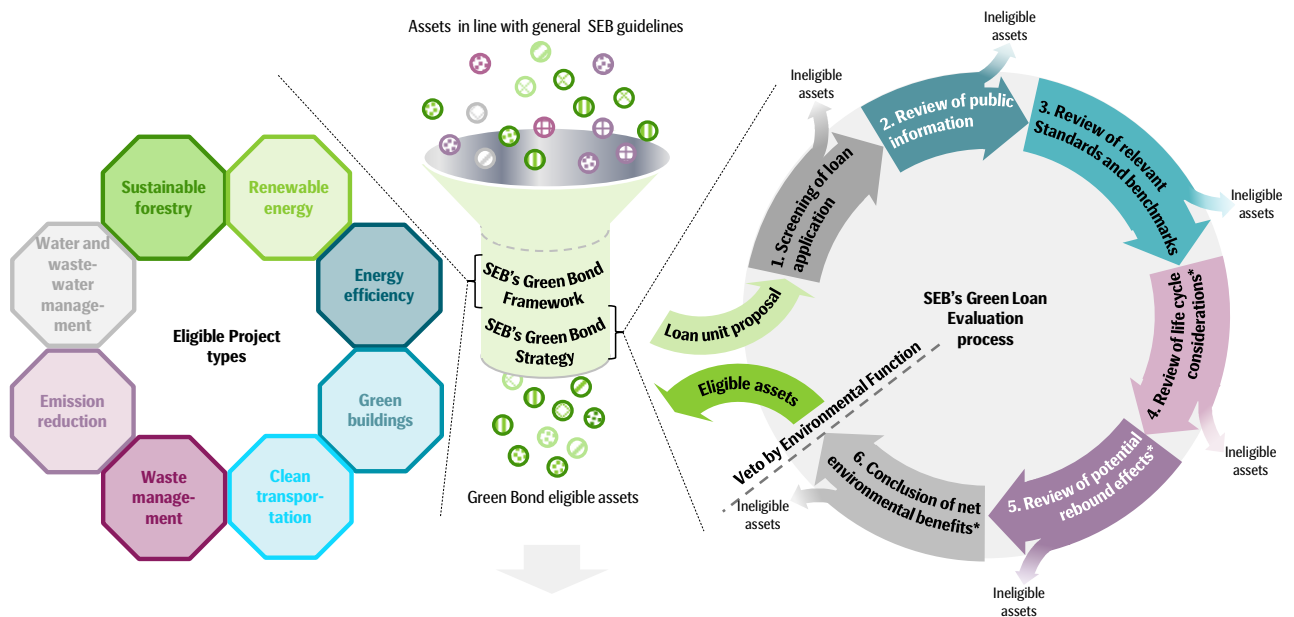
European and national legislation  
UN Global Compact  
OECD Guidelines for Multinational Enterprises  
Equator Principles  
SEB's Sector Policies and Position Statements

SEB's Code of Conduct  
SEB's Sustainability Policy  
SEB's Environmental Policy  
SEB's Human Rights Policy  
SEB's Health and Safety Policy

UN supported Principles for Responsible Investments (PRI)  
UN Environment Program Finance Initiative (UNEPFI)  
Carbon Disclosure Project  
CDP Water Disclosure Project  
Global Investor Statement on Climate Change  
The Montréal Carbon Pledge  
Paris Pledge for Action

Assets in line with general SEB Guidelines

## SEB Green Bond selection criteria and process



\*When necessary to evaluate and conclude that the longer term net environmental effects will be positive

Green Bond eligible assets

## SEB's portfolio of green assets eligible for financing by SEB's Green Bonds

