

SEB Green Bond Strategy

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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 the Green Bond Framework. The processes and procedures are further described in this 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.

SEB is a signatory of the UN Global Compact, the UN Principles for Responsible Investment (PRI) and the Investor Network on Climate Risk (INCR). SEB is also a co-founder of the Green Bond Principles (GBP) and currently a member of its Executive Committee. SEB has an ongoing approach to improve its own sustainability work placing an ever increasing focus on environmental and climate aspects of its actions, both from an operational and from a financial services perspective.

2. SEB’s Green Bond Framework

The structure of the SEB Green Bond Framework is built around the same principles that SEB developed together with the World Bank in 2007/08 including:

- Background and Objective
- Earmarked account
- Specified criteria for Eligible Assets
- Selection process
- Investor reporting
- Second Opinion from independent, external environmental experts

Alongside fulfilling all the processes developed with the World Bank in 2007/08, the SEB Green Bond set-up also fulfils all requirements in the Green Bond Principle as updated in June 2016.

1. BACKGROUND AND OBJECTIVE

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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:

GBP¹ category	Project types
renewable energy	renewable energy means wind, solar, small scale hydro power ² , tidal, geothermal and bio energy ³ and any related infrastructure; (a)
energy efficiency	<p>energy efficiency 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)</p> <p>green buildings means:</p> <ol style="list-style-type: none"> 1. Commercial or residential buildings with an energy use per year on a m² 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"> a. the LEED “gold” certification; b. the BREEAM “very good” certification; c. the Sweden Green Building Council Miljöbyggnad “silver” certification; d. the Nordic Swan Ecolabel (Svanen) certification; or e. any equivalent certification as determined by the Environmental Function of SEB Group Corporate Sustainability; (a) 2. Commercial or residential buildings in Sweden with an energy use per year on a m² 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 3. Major renovations of commercial or residential buildings leading to reduced energy use per year on a m² basis of at least 35 per cent; (a)
clean transportation	clean transportation means transportation solutions/systems based on non-fossil fuel or hybrid technologies and supporting infrastructure; (a)
pollution prevention and control	waste management , means waste-to-energy and methane capture projects and projects to reduce the amount of waste through process improvements; (a/c)
	emission reduction means the reduction of emissions (e.g. emissions of CO ₂ , SO _x , NO _x , particulates, heavy metals and dioxins) into the air through physical, chemical and mechanical methods; (a/c)

¹ Green Bond Principles.

² 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.

³ 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	water and wastewater management; (b/c)
sustainable management of living natural resources	sustainable forestry 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 Framework⁴.

3. PROCESS FOR PROJECT EVALUATION & SELECTION

Eligible Assets are a) defined in the SEB Green Bond framework, b) proposed by the Bank's lending units⁵, 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 PROCEEDS⁶

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.

⁴ 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.

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

⁶ 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 Green⁶. The updated Second Opinion will be made publicly available on the investor relations pages of the website of the Bank.

⁶ 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.

3. Independent Second Opinion from ENSO

To ensure that SEB's Green Bond Framework meets high environmental and climate ambitions in line with international standards, SEB has presented its framework together with supportive underlying documentation to the CICERO * led Expert Network on Second Opinions (ENSO) in order to acquire an independent, academic Second Opinion on the Green criteria and governance process.

The SEB Green Bond Framework has received a Dark shade of green and the Second Opinion is publically available on the investor relations pages of SEB's website.

* The Centre for International Climate and Environmental Research in Oslo

4. 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 and (b) SSA Green Bonds. Eligible Assets are further described in the Framework, see Box 2.1 above.

The proceeds from SEB’s Green Bonds can be used to finance new loans and to refinance existing loans in accordance with the Green Bond 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.

Note that SEB’s Eligible Assets do not necessarily need to be funded by an SEB Green Bond, although this is an ambition.

As a further guidance as to whether a specific loan qualifies for financing in accordance with SEB’s Green Bond Framework, SEB uses its series of sectorial policies on environment and sustainability (available on SEB’s website), SEB’s Code of Conduct, building and forestry certification schemes and will adhere to European and national legislation, the UN Global Compact, OECD Guidelines for Multinational Enterprises and the Equator Principles. All approved eligible loans will be booked in a specified “**Green Loan Portfolio**” and will have undergone a screening process in accordance with the selection process described below.

5. Selection process

Eligible Assets are a) defined in the SEB Green Bond framework, b) proposed by the Bank’s lending units¹, 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.

In connection to the regular loan application process, lending units evaluate the possible adherence to the Eligible Project categories of SEB’s Green Bond Framework.

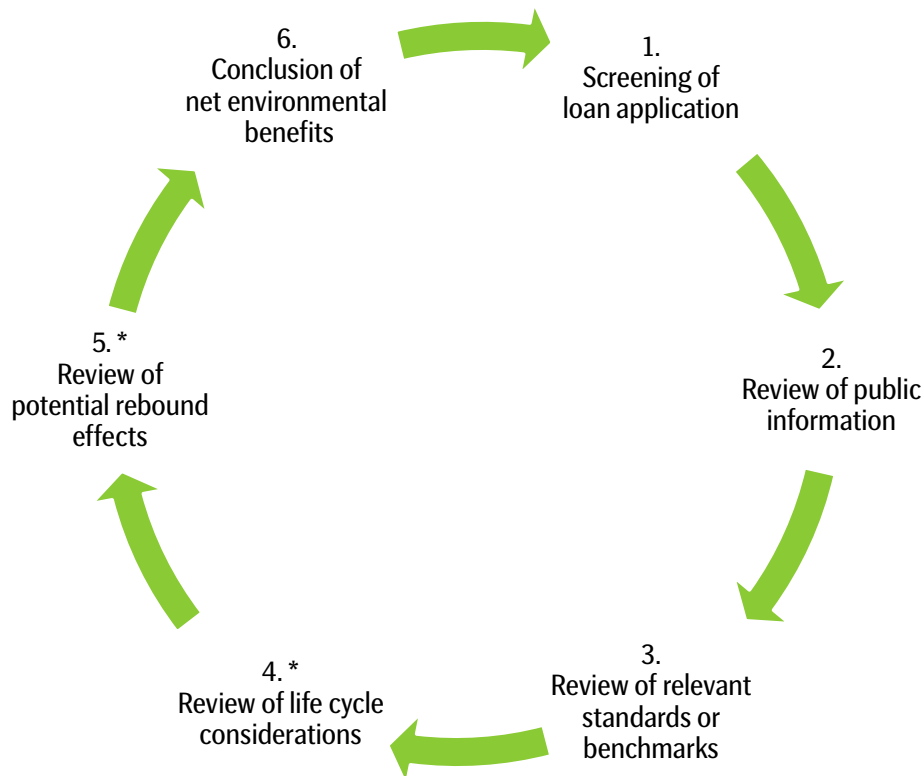
SEB has established a Green Product Steering Committee (GPSC) with the mandate to review and select Eligible Assets. Eligible Assets are selected by majority vote in the GPSC and will be finally approved by the Environmental Function of Group Corporate Sustainability, i.e. the Environmental Function has a veto in the selection of assets to be included. In cases where there is doubt of the greenness of an asset in line with the SEB Green Framework, such asset will be excluded.

The GPSC currently consists of representatives from Treasury, Project & Asset Finance (PAF), Real Estate Finance (REF), Client Coverage, Climate & Sustainable Financial Solutions and the Environmental Function of Group Corporate Sustainability. The GPSC will meet on a quarterly basis to select Eligible Assets. The GPSC is also responsible for approving and updating the SEB Green Bond Framework and the SEB Green Bond Strategy documents.

The GPSC assesses the assets on the basis of information provided by the borrowers’ to the relevant lending unit. The GPSC will evaluate the overall net environmental benefits of assets according to the SEB Green Loan evaluation process (see Figure 5.1 below) including a review of life cycle considerations and potential rebound effects when necessary to evaluate and conclude that the longer term net environmental effects will be positive.

¹ Or, in the case of SSA Green Bonds, by the Bank’s Treasury function.

Figure 5.1 Green Loan evaluation process



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

SEB's Green Bonds will not finance nuclear or fossil fuel energy generation. We take reservation for minor plastic fractions in waste-to-energy projects and hybrid transportation solutions. However, projects potentially including a fossil fuel component will only be approved for financing from SEB's Green Bonds and as Green Loans under the condition that a special screening including life cycle considerations, lock-in effects and rebound effects (see Figure 5.2 below) shows that the longer term net impact on the environment will be positive.

Figure 5.2 Screening methodology for projects potentially including a fossil fuel component (waste-to-energy projects and hybrid transportation solutions)

Question	Yes	No
1 Is there a fossil fuel component in the activity?	Go to question 2	Continue the normal approval procedure
2 Are there potential lock-in effects?	Reject	Go to question 3
3 Is there a financially viable greener alternative?	Reject	Go to question 4
4 Will the activity result in a net reduction of fossil fuel consumed?	Go to question 5	Reject
5 Will rebound effects outweigh the advantages of reduced CO ₂ emissions?	Reject	Continue the normal approval procedure or go to question 6 if it is a waste-to-energy project
6 For waste-to-energy projects (waste incineration): Has the borrower taken life cycle considerations into account with a supportive conclusion?	Continue the normal approval procedure	Reject

To ensure that business flow is not stalled due to the infrequency of the Green Product Steering Committee meetings, a **fast track approval process** has been set up to ensure process flexibility. The Environmental Function of Group Corporate Sustainability will assess the eligibility of potential Green Loans in accordance with SEB's Green Bond Framework ahead of such meetings. This has been integrated into the existing process whereby the Environmental Function of Group Corporate Sustainability is working with units across the bank on a need only/ongoing basis to assess climate and environmental factors. Then on a bi-weekly basis the Green Product Steering Committee members will receive notifications to approve/reject these loans on a consensual basis.

For new financing, where SEB may need further clarity about the use of proceeds, SEB's lending units will require that the client signs a Side Letter confirming the use of proceeds and/or that SEB may provide loan information to investors.

If, for any reason, an Eligible Asset ceases to meet the environmental criteria in SEB's Green Bond Framework, the asset will be removed from SEB's Green Loan Portfolio at the next Green Product Steering Committee meeting.

6. Monitoring of capital flows

As described in the Green Bond Framework under the section Management of Proceeds in box 2.1; An amount equal to the net proceeds of the issue of the SEB 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.

7. Green Bond issuance

All SEB Green Bonds will be issued by the Bank under its existing issuance programmes or as stand-alone issues, with additional commitment to adhere to the Green Bond Framework.

All SEB Green Bonds will be senior unsecured obligations of the bank and will rank pari passu with all other senior unsecured obligations issued by the Bank. Principal and interest on the SEB Green Bonds will be paid regardless of the performance of the Eligible Assets.

SEB Treasury ensures that at the time of Green Bond issuance the portfolio of Eligible Assets exceeds the sum of the new issuance and outstanding Green Bonds.

8. Investor reporting

To provide stakeholders with transparency, SEB will provide annual investor report including

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.

SEB acknowledges the need for impact reporting and is working actively to develop impact assessment tools and thereby enable and perform a broader reporting on the Bank's assets' environmental impact. SEB encourages environmental impact reporting and works towards a portfolio impact reporting.

The annual Investor Letter will be published on the investor relations pages of SEB's website in connection to the publication of the Annual Report and the Sustainability Report.

Figure 8.1 Examples of questions about measurements of climate impacts

1. If the activity has developed according to plan
2. Possible obtained environmental building certificate(s) during the year
3. Delivered kWh renewable energy (when applicable)
4. Energy savings achieved based on energy efficiency activity
5. Reduced amount and type of waste because of the implementation of the activity
6. Reduced amount and type of air emissions as a result of the implementation of the activity
7. Reduced amount and type of discharge to water as a result of the implementation of the project
8. Other measurable environmental and/or social benefits

The Environmental Function of Group Corporate Sustainability in collaboration with Group Communications compiles and produces the Investor Letters.

The Green Product Steering Committee approves the Investor Letter before publishing.

9. Assurance

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.

10. Procedures and guidelines implemented to provide transparency and guidance

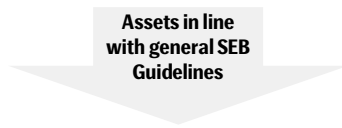
As highlighted above and summarized below, SEB has implemented the following procedures and guidelines to provide transparency and guidance:

- The CICERO led Expert Network on Second Opinions (ENSO) has assessed SEB's Green Bond Framework and the underlying governance structure and issued an independent Second Opinion on the Green criteria and governance process
- For new financing, where SEB may need further clarity about the use of proceeds, SEB's lending units will require that the client signs a Side Letter confirming the use of proceeds and/or that SEB may provide loan information to investors.
- If, for any reason, an Eligible Asset ceases to meet the environmental criteria in SEB's Green Bond Framework, the asset will be removed from SEB's Green Loan Portfolio at the next Green Product Steering Committee meeting.
- SEB commits to transparency;
 - ✓ The Green Bond Framework and the Second Opinion are available on the investor relations pages of SEB's website
 - ✓ Investor Letters are produced as long as SEB has outstanding Green Bonds
- 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.
- SEB Group Communications together with SEB Group Corporate Sustainability are coordinated in conveying SEB's standpoint and message on Green Finance issues
- SEB Treasury ensures that at the time of Green Bond issuance the portfolio of Eligible Assets exceeds the sum of the new issuance and outstanding Green Bonds
- Subjectivity is mitigated through stringent criteria, the bank's internal guidelines, the role of the Green Product Steering Committee, the veto power of the Environmental Function of Group Corporate Sustainability and its decision making process.

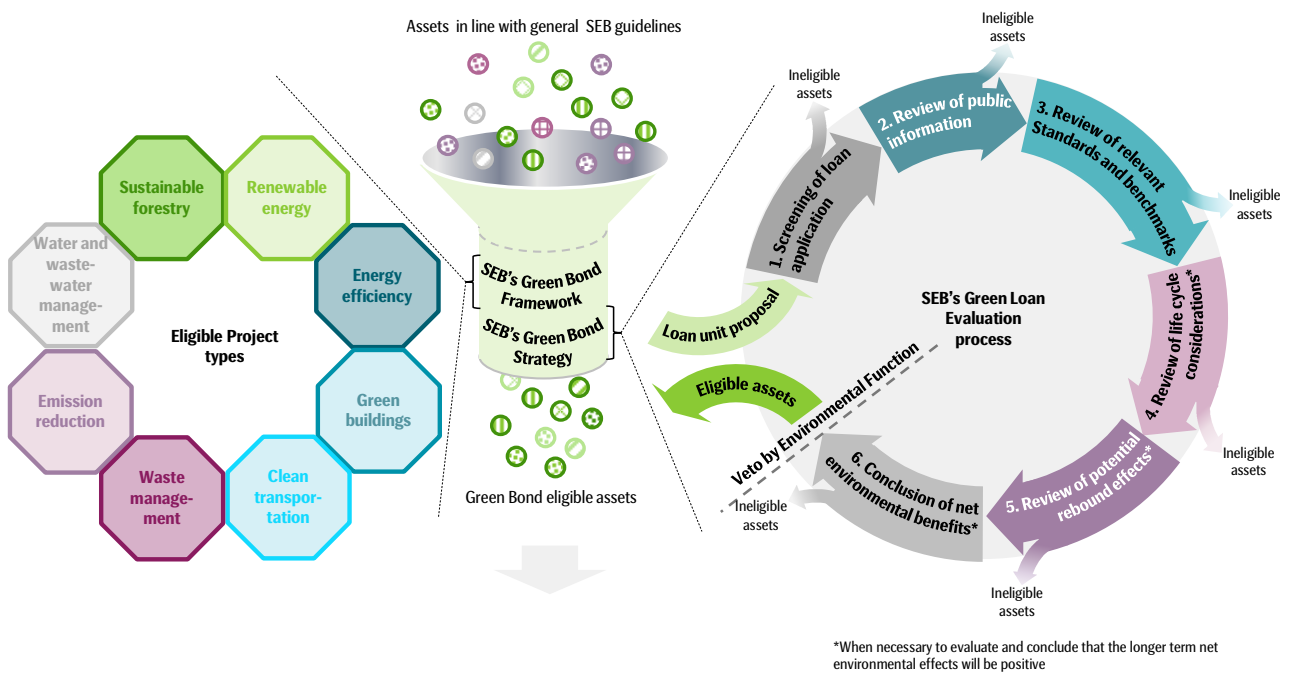
SEB Green Bond process flow chart



General SEB Guidelines



SEB Green Bond selection criteria and process



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

