

# Sustainability Report 2017

## About this report

This report describes how the SEB Group works with sustainability as stipulated by the Swedish Annual Accounts Act, more specifically in the areas:

- Human rights
- Labour rights and social relations
- Anti-corruption
- Environment.

The report covers SEB Group, that is, the parent company Skandinaviska Enskilda Banken AB (publ) and its subsidiaries (▶▶ see note 25). Key aspects of SEB's sustainability work, such as risk management, corporate governance and staff composition, remuneration and benefits, are included in other parts of SEB's Annual Report. The policy on diversity applied for the Board is also described in the corporate governance report ▶▶ see p. 54. SEB reports according to the framework Global Reporting Initiative, GRI Standards, core option.

For a general description of the sustainability work, see SEB's Sustainability Overview 2017, which includes the GRI Index.

SEB's auditor, PwC, has been engaged to perform limited assurance procedures for both SEB's Sustainability Report 2017 and SEB's Sustainability Overview 2017.

## About SEB's business

SEB is a leading Nordic financial services group, guided by a strong belief that entrepreneurial minds and innovative companies are key to creating a better world.

In Sweden and the Baltic countries, SEB offers financial advice and a wide range of financial services to corporates and private individuals. In Denmark, Finland, Norway, Germany and in the United Kingdom the bank's operations focus on a full-service offering to corporate and institutional customers. The bank strives to provide customers with services that are insightful, transparent and accessible on their terms. ▶▶ Read more about SEB's business model on p. 6–7.

## Approach to sustainability

In the course of its business, SEB directly and indirectly impacts the markets and communities where it operates. The most important impact is presented first, being it direct or indirect.

SEB defines corporate sustainability as its delivery of long-term value in economic, ethical, social and environmental terms. Therefore, SEB integrates corporate sustainability in its activities by taking a broad business approach and targeting three areas – Responsible Business, People and Community, and Environment.

SEB believes that maintaining trust among relevant stakeholders is of paramount importance. Equally, SEB recognises the importance of integrating sustainability aspects into its own business as well as contributing to sustainable development globally and thus supporting, for example, the United Nations' Sustainable Development Goals (SDG). During 2017, sustainability aspects were further strengthened in SEB's business planning, risk and credit processes, and were increasingly included in product development.

The bank adheres to applicable laws and regulations and maintains high ethical standards. SEB's Corporate Sustainability Policy, the Code of Conduct as well as internal rules and procedures are in place, supported by a culture based on openness, business acumen and SEB's core values.

## Policies and guidelines

SEB has adopted global initiatives and international codes of conduct which guide business decisions and the overall sustainability work.

These include:

- UN Global Compact
- UN Universal Declaration of Human Rights
- The eight ILO Core Conventions on Labour Standards
- UN Guiding Principles on Business and Human Rights
- Children's Rights and Business Principles
- OECD Guidelines for Multinational Enterprises
- UN-supported Principles for Responsible Investments (PRI)
- UN Environment Programme Finance Initiative (UNEPFI)
- Equator Principles.

In the area of sustainability, SEB abides by the Corporate Sustainability Policy, the Environmental Policy, the Human Rights Policy, Code of Conduct, 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 best practice as well as on the international conventions and standards that the bank adheres to and encourages its customers to follow. SEB aims to work with customers and portfolio companies towards improved business practices.

The table below shows which SEB policies and position statements that are particularly applicable to each of the four sections in this report.

	Human rights	Labour rights and social relations	Anti-corruption	Environment
Corporate Sustainability Policy	✓	✓	✓	✓
Environmental Policy				✓
Human rights Policy	✓	✓	✓	
Tax policy		✓		
Code of Conduct	✓	✓	✓	
Code of conduct for suppliers	✓	✓	✓	✓
Position statement on child labour	✓	✓		
Position statement on fresh water				✓
Position statement on climate change				✓

The Corporate Sustainability Policy provides a description of how the bank reviews the adherence to the Corporate Sustainability Policy, other related policies and international commitments.

## Principles applicable for the four sections in this report

### Asset management

SEB's investment management strategy is based on continuous engagement with the companies that SEB invests in. This means that SEB, through positive selection, includes companies that excel in environmental, social and governance aspects. In addition, SEB can also exclude companies that do not abide by SEB's sustainability criteria. All SEB mutual funds exclude companies involved in production or marketing of controversial weapons and the development or production of nuclear weapons programmes. Furthermore, SEB's sustainable and ethical funds do not invest in companies that fail to respect international conventions and guidelines.

SEB engages directly in a dialogue with companies' managements and boards of directors regarding how to make improvements in issues related to human rights, labour rights and social relations, anti-corruption and environment. SEB also works in collaboration with each respective fund manager. As regards international companies, SEB collaborates with other investors as well as with partners like Hermes EOS, Institutional Investors Group on Climate Change (IIGCC), Carbon Disclosure Project (CDP) and PRI Clearinghouse.

Mutual funds from suppliers other than SEB (external funds) are evaluated by a special fund analyst team. All new external fund management companies are required to sign the Principles for Responsible Investment (PRI) or to follow an equivalent sustainability framework internally, and to exclude controversial weapons.

### Financing and credit granting

SEB takes great care to know its customers well and views responsible financing and credit granting as a cornerstone of its business, creating sustainable customer and shareholder value. SEB includes risks and opportunities related to environmental, social and governance aspects in the credit review. In the customer dialogues, the bank engages on the same aspects on a regular basis. These aspects include human rights, labour rights and social relations, anti-corruption and environment. The aim is to understand the customers' challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

During the year, the credit risk rating process was further strengthened to be more automated when it comes to data gathering, reports and data storage. In addition, sustainability factors have been included in the system support for this process. For project financing, SEB has adhered to the Equator Principles since 2007, requiring the project owner to conduct due diligence in the appraisal phase of the project.

### Suppliers

SEB has established, and maintains, procedures to evaluate and select suppliers and contractors, based on financial, environmental and social aspects. This includes human rights, labour rights, social relations and anti-corruption. These aspects are taken into account in procurement decisions along with commercial aspects. SEB monitors suppliers' processes and performance where appropriate. ▶ *Read more about SEB's process at [sebgrou.com](http://sebgrou.com)*

## Human Rights

SEB's approach to human rights issues particularly influences how it manages employees, suppliers and relationships with customers and portfolio companies. It is an intrinsic part of SEB's commitment to ethical business. SEB's aim is to avoid causing, contributing to, or being complicit through direct linkage to adverse human rights impact. Respecting and promoting human rights supports SEB's business strategy and relationships with key stakeholders. SEB

requires the same commitment to human rights from its corporate customers and works to identify potential human rights abuse within its own operations and in its business relationships. SEB's starting point is to use its leverage to prevent and mitigate potential risks.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements, all listed on p. 67.

### Indirect impact

Areas where SEB can potentially contribute or have linkage to indirect impact are categorised into asset management, financing and credit granting, and suppliers. SEB assesses these areas in order to detect possible violations against human rights. Based on prioritisation, proportionality and leverage, findings are acted upon to prevent, mitigate and remediate potential impact. SEB expects its customers and portfolio companies to follow the Universal Declaration of Human Rights.

### Asset management

In addition to SEB's general principles regarding asset management outlined to the left, specifically in the area of human rights, SEB funds do not invest in companies that fail to respect international conventions and guidelines, such as the Universal Declaration of Human Rights and the UN Global Compact.

In 2017, particular focus was on the human rights in the extractive sector and on access to medicine in developing countries.

### Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined to the left, it shall be noted that human rights aspects are a crucial part. The bank engages with customers on a regular basis on aspects concerning human rights in order to understand their challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

### Direct impact

#### Customers

The right to privacy is one of the UN's Universal Human Rights. The trust of SEB's customers is the foundation for the bank's activities and is based on respect for and protection of the customers' privacy. SEB is working actively to be compliant with the General Data Protection Regulation (GDPR), the reformed data protection legislation that will enter into force in all EU member countries in 2018. The GDPR will strengthen the individuals' rights in terms of how their data is managed by companies. ▶ *See p. 51.*

#### Employees

As an employer, SEB has a responsibility to ensure that all employees are treated equally and with respect. Everyone should be given the same opportunities for professional and personal development. SEB rejects all forms of discrimination and harassment, whether this is based on an individual's ethnic or national origin, gender, skin colour, faith, religion, citizenship, age, disability, civil status or sexual orientation. This is equally important in relation to customers and other stakeholders as in relation to colleagues.

SEB performs an employee survey each year where all employees get the opportunity to anonymously rate the company in various areas such as work environment, employee engagement, and internal collaboration.

KPI	2017	2016
SEB funds managed with human rights criteria, as share of Fund Company AuM, per cent:	100	14

## Labour rights and social relations

SEB works proactively to achieve a sound workplace. A healthy work environment is essential to the well-being of the bank's employees and thereby lays the foundation for successful business results. Values and mindset as well as individual ability, development and potential are important long-term success factors for being part of SEB's team. The business shall be underpinned by strong ethics and good governance, long-term relationships and highly committed people who, based on the core values, work towards the corporate strategy.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements. ► See p. 67.

### Direct impact

#### Labour rights

All of SEB's employees are covered by collective or local agreements or labour law. A continuous dialogue is carried on with employees, employee representatives and with trade unions. SEB has had a European Works Council (EWC) since 2003. The representatives are elected in accordance with Swedish legislation and are in proportion to the number of employees employed in each EEA (European Economic Area) country where SEB is represented. The EWC gives the employee representatives the opportunity to consult with each other and develop a common transnational mindset and view. Employees are also represented on SEB's Board of Directors through two directors and two deputy directors. All organisational changes in Sweden are negotiated with employee representatives.

#### Health and safety

A safe and sound work environment combined with good health and work/life balance form the foundation for SEB's employees' performance and job satisfaction. In SEB, managers have overall responsibility to promote well established working conditions. In Sweden, SEB has strengthened its support for managers with employees on sick leave, related to stress and workload, by offering professional telephone support. All employees are responsible for contributing to a sound balance between work and leisure time in order to limit stress-related problems. An annual work environment inspection together with the manager is mandatory within all parts of SEB. The bank follows national health and safety legislation in the countries where it operates as well as the European Framework Directive on Safety and Health at Work.

#### Inclusion and diversity

Inclusion and diversity among employees are important factors to build relationships with an increasingly diverse customer base and to improve the capacity for innovation. SEB believes that different perspectives enhance creativity and problem solving and contribute to good decisions. All employees shall be offered equal opportunities to develop individually, regardless of gender, ethnicity, age, sexual orientation or religion. SEB strives to achieve gender balance at every level within the organisation and to increase the share of employees with an international background. The bank is working actively, both in terms of structures and processes and in specific initiatives, to increase the number of women in higher operative roles and in senior leader roles.

In 2017, SEB initiated a process to further focus on inclusion and diversity within the bank. The Board of Directors adopted a strategy describing the way forward for strengthening inclusion and diversity in SEB. The implementation will begin in 2018.

### Learning and development

Continuous learning is an important prerequisite for the ability to adapt to new circumstances. The bank has a wide range of programmes that are accessible through a digital platform, which provides courses that are specific for SEB as well as courses offered by external suppliers. A total of 600 courses are offered in categories such as IT, project management, service design, languages, finance, sales, leadership, sustainability and communication. Identifying talents and promoting competence development are part of a manager's responsibilities. Employees also have individual responsibility for their development. This is monitored at least yearly in the individual Performance and Development Discussions (PDDs) that are conducted by employees and their managers.

### Indirect impact

#### Asset management

In addition to SEB's general principles regarding asset management outlined on p. 68, specifically in the area of labour rights and social relations, the funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Global Compact and the eight ILO Core Conventions on Labour Standards.

#### Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined on p. 68, it shall be noted that the area of labour rights and social relations are a crucial part. The bank engages with customers on a regular basis on aspects concerning labour rights and social relations in order to understand their challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

### Direct and indirect impact

#### Corporate citizenship

SEB sees the need for knowledge sharing in societies where the bank operates. SEB can thereby empower people to make more informed financial decisions and contribute to better functioning societies. SEB supports local communities and shares both time and money, working with carefully chosen partners. Focus is on future generations in the areas of innovation and entrepreneurship, financial literacy and social inclusion.

KPI	2017	2016
Employees with collective or local bargaining agreement or covered by labour law, per cent	100	100
Gender by management type (male/female), per cent		
All managers, per cent	53/47	54/46
Senior managers, per cent	69/31	69/31
Group Executive Committee, per cent	83/17	75/25

## Anti-corruption

SEB's reputation is built on insightful customer relationships, where a strong risk culture based on business acumen and professional conduct is essential. SEB's Code of Conduct and core values, mandatory training, and dialogues on ethical and value-related dilemmas strengthen awareness of the importance of conduct. SEB actively counteracts all forms of corruption, in line with rules and regulations. These include external as well as internal incidents, processes and behaviours related to corruption.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements. ► See p. 67.

## Direct impact

SEB aims to detect and prevent financial crime such as fraud, money laundering and financing of terrorism as well as insider trading and market manipulation.

SEB is committed to continuously strengthen the capability to detect and prevent financial crime across the whole group. The bank monitors official registers of individuals and organisations that could be linked to money laundering, fraud and terrorism. Sophisticated systems are used to monitor transactions for suspicious behaviour associated with money laundering, financing of terrorism and market abuse. Suspicious activities are reported to the relevant authorities.

SEB believes that a strong Know-Your-Customer (KYC) process is the best method of preventing money laundering and financing of terrorism. The bank shall always ensure the identity of the customers and any person acting on behalf of a customer as well as understand the control and ownership structure of its customers. SEB monitors ongoing business relationships by verifying and documenting that transactions carried out match the customer's risk profile, business and source of funds. Enhanced due diligence is applied for customers, products and countries where there is a higher risk that the bank can be used for money laundering and financing of terrorism.

### Bribery

SEB does not tolerate the bank becoming involved in or associated with bribery under any circumstances. No SEB employee, board member, independent contractor, consultant or other party associated with SEB may be involved directly or indirectly in offering, promising, giving, soliciting, or accepting a bribe. A bribe means any payment or other benefit that is intended or can reasonably be expected to influence a person's performance of their duty. In case employees encounter them, they should report them to their line manager and Group Compliance. SEB does not pay so-called facilitation payments (i.e., payments not stipulated in law or other regulations that are levied by public officials for the formal handling of cases at courts or other authorities).

### Employee training

SEB's employees play a key role in the ability to discover suspicious behaviour and transactions, and thereby prevent these types of crimes. SEB offers various types of training for employees, including an education package with e-learning, films and working material. Four digital training sessions are mandatory for all employees – the Code of Conduct (including work against corruption), Anti-money laundering, Prevention of fraud and Cyber security. All new employees must complete these sessions within the first three months of employment. Existing employees are required to complete them every three years.

### Whistleblowing process

SEB has a whistleblowing process for reporting irregularities. If an employee or other person should discover possible unethical or unlawful behaviour, the observation should be reported. The identity of the reporter will be kept confidential during the subsequent follow-up, enquiries and discussions relating to the matter, provided that the bank is not obliged by law to disclose it.

Notifications come from employees, but could also come from customers, suppliers and other stakeholders.

In 2017, SEB's whistleblowing process was strengthened and it is now also possible to report via an external digital service, called WhistleB. The service is entirely outside of SEB and meets the most stringent security requirements regarding encryption, data security and protection of the whistleblower's identity.

## Indirect impact

SEB engages directly with its customers and portfolio companies on issues related to environmental, social and governance aspects, including anti-corruption issues.

### Asset management

In addition to SEB's general principles regarding asset management outlined on p. 68, specifically in the anti-corruption area the funds do not invest in companies that fail to respect international conventions and guidelines, such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

### Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined on p. 68, it shall be noted that the area of anti-corruption is a crucial part. The bank engages with customers on a regular basis on ethical aspects, including anti-corruption, in order to understand their challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

KPI	2017	2016
SEB employees that have completed the code of conduct training (including anti-corruption), per cent	91	63
Suspicious AML activity reports, number	504	489

## Environment

Among environmental risks and opportunities, global climate change is the most serious challenge. SEB recognises the importance of limiting the average global temperature rise to well below the 2°C target, which makes a transition to a low-carbon economy vital. SEB is working to reduce both its direct and indirect impact.

In its business, SEB is guided by global initiatives, international standards, SEB's policies and position statements. ► See p. 67.

## Indirect impact

Climate- and environment related issues are becoming increasingly important financial risk factors. Rightly managed, they can also be opportunities. Extreme weather, sea level rise and long-term climate change affect billions of people in rural areas as well as in cities. As a bank, SEB's largest environmental impact is indirect through its asset management business, and its financing and credit granting.

### Asset management

In addition to SEB's general principles regarding asset management outlined on p. 68, SEB's focus is on reducing carbon emissions in its investment management activities. SEB has put a cap on coal and does not invest in companies involved in thermal coal extraction, i.e., mining activities in which thermal coal accounts for more than 20 per cent of the company's or group's turnover. SEB is actively engaged with European energy companies, where coal as an energy source exceeds 10 per cent, to reduce carbon emissions by using other fuel alternatives. Since 2017, SEB is also engaged, together with Institutional Investors Group on Climate Change, (IIGCC), targeting the world's 100 largest carbon emitters in order to reduce emissions globally.

SEB is continuously developing its mutual fund offering. The sustainability funds exclude companies that extract coal, gas and oil and focus on positive selection in the portfolio management, i.e., inclusion of companies with effective waste management, low carbon emissions and good water usage.

### Financing and credit granting

In addition to SEB's general principles regarding financing and credit granting outlined on p. 68, the bank engages with customers on a regular basis on environmental aspects (climate, waste, effluents, emissions, biodiversity and resource usage). The aim is to understand the customers' challenges and opportunities so that SEB can make the appropriate credit considerations and be a better business partner.

SEB has a strong focus on green financing solutions, such as green bonds. Per 2017, SEB is the third largest green bond underwriter in the world. In 2017, SEB issued its first own green bond of EUR 500 million. The capital is earmarked for loans for green initiatives and solutions and is offered to large companies and financial institutions, municipalities, county councils and housing associations. Major categories in SEB's green bond is hydropower, wind power, clean transportation and sustainable forestry. In 2018, SEB will report on the impact from the green bond to the investors.

SEB has established a green framework in order to have a clear definition of what is "green". This Green Bond Framework and Strategy, together with SEB's Environmental Policy and the accompanying sector policies, provide a robust basis for ensuring that SEB's Green Bonds promote low-carbon and climate change resilient investments.

SEB has decided to shift away from coal. Since 2015, SEB does not provide financing for new coal-fired power plants. Financing can only be considered for new coal-fired plants with committed use of technologies, such as "carbon capture", which substantially reduce greenhouse gas emissions. SEB can support legacy customers in making environmentally beneficial improvements in their transformation away from coal.

### Transparency and reporting

SEB believes it is important that businesses understand and respond to climate risks as well as seize opportunities to contribute to building a more resilient and sustainable global economy. Regulators in the EU and Sweden increasingly take environmental risks into consideration in their monitoring. G20 Finance Ministers and Central Bank Governors have instructed the Financial Stability Board (FSB) to review how the financial sector can take climate-related issues into account. The FSB has established an industry-led task force: the Task Force on Climate-related Financial Disclosures (TCFD) to support informed investment, lending, and insurance underwriting decisions and improve understanding and analysis of climate-related risks and opportunities. SEB has followed this work closely. SEB intends to draw on the knowledge from the report and develop internal processes in order to transparently describe climate-related financial risks.

SEB has signed the Montreal Carbon Pledge international climate agreement and thereby commits to annually report on its carbon footprint. Since 2017, 92 per cent of SEB's equity funds are annually measured and reported on SEB's website. As one of the first banks, SEB has started to report on the climate footprint of its mutual funds from all three central emission areas (scope 1–3) according to the Greenhouse Gas Protocol, which gives a more accurate picture. The calculations are based on the Fund Management Association's guidelines for fund companies operating in the Swedish market.

## Direct impact

Although SEB's major environmental impact is indirect, the bank recognises the importance of and works actively to also reduce its direct environmental impact. Between 2008 and 2015, the bank reduced its carbon emissions by 54 per cent. The target is a further 20 per cent reduction of emissions and electricity consumption for the period 2016 to 2020. Business travel is the most challenging source of carbon emissions. Even though there has been a reduction in emissions from company cars and paper use, the increase in travelling in 2017 resulted in a status quo when comparing the total SEB carbon emissions with 2016.

### Business travel

Compared with 2016, emissions from business travel increased by 3 per cent in 2017. Air travel distance has increased as well as train travel distance. This shows that the initiatives SEB has taken to encourage alternative ways of meeting are not enough. Further efforts must be made into making alternatives to physical travelling available.

### Energy use

SEB's electricity consumption decreased by 7 per cent in 2017. The major part of electricity used is based on renewable sources, 91 per cent (88). The use of district heating has increased in 2017, resulting in a slight decrease of about 1 per cent of SEB's total energy usage. The emissions from energy use are about the same in 2017 as in 2016.

### Paper consumption

In 2017, SEB reduced total paper consumption by 10 per cent. The bank continued to digitalise annual statements to private customers, e.g. for fund accounts as well as for saving accounts. This has resulted in a decrease of 47 per cent, from 14.8 million to 7.7 million paper sheets.

### Company cars

Carbon emissions from company cars decreased by 15 per cent in 2017 compared to 2016. During the same period, carbon emissions from the average SEB company car decreased by 1 per cent.

KPI	2017	2016
SEB equity funds where carbon emission is measured, per cent	92	N/A
SEB's total carbon emissions <sup>1)</sup> , tonnes	20,537	20,437
Total carbon emissions <sup>1)</sup> /employee, tonnes	1.37	1.34

1) Include the areas business travel, energy use, paper consumption and company cars.