



# Arms and Defence

Sector policy

*Policy for the SEB Group  
Derived from the Instruction for the  
President and Chief Executive Officer.*

**S|E|B**

## Preamble

### a) About SEB

SEB is a leading Nordic financial services group. As a relationship bank, SEB in Sweden and the Baltic countries offers financial advice and a wide range of other financial services. In Denmark, Finland, Norway and Germany the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients. The international nature of our business is reflected in our presence in some 20 countries worldwide where we have some 16,000 employees.

Banks play a crucial role in society, by providing credit and managing financial assets in ways that promote economic growth and prosperity. Through our business activities, SEB has an impact in many countries and local communities. Responsible corporate behaviour is a means to remain successful in a changing global environment.

### b) SEB and Corporate Sustainability (CS)

SEB's vision is to be the trusted partner for customers with aspirations. In SEB, we believe that trust is built through our ability to respond to stakeholders' demands and expectations and thus through our actions over time. This is a job with no end and we constantly try to identify and manage risks and opportunities.

For SEB, sustainability means delivering long-term value in economic, ethical, social and environmental terms. Our ambition is to contribute to the communities in which we operate as well as to the development goals of the international community. We do this by targeting three areas – Responsible Business, People & Community, and Environment.

Our efforts are guided by international initiatives and codes of conduct, including the UN Global Compact and the UN supported Principles for Responsible Investments (PRI). SEB is also a signatory of the Equator Principles and the UN Environment Programme Finance Initiative (UNEP FI).

### c) Purpose with sector policies and position statements

We aim to support sustainable business practices and believe that by improving our own work we can influence others for real and lasting change. By addressing the environmental, social and governance aspects of doing business, our ambition is to go further than what we are formally required to do.

We aim to support our clients as they develop their business practices. We have developed position statements and policies for certain industry sectors. The purpose of these policies and statements is to establish a common framework for a proactive and future-oriented dialogue on key issues with our clients and portfolio companies, as well as for internal guidance.

Through engagement with clients and with companies that we invest in as an asset manager, we believe we can have a positive influence on the environment, social issues and corporate governance (ESG). This also includes our own development. Through this way of working, we also believe we create value for our clients and other stakeholders.

### d) Scope and external guidance

Sector policies and position statements are applicable in all markets where SEB operates, and they include banking services such as financing, investment management and advisory services.

SEB's sector policies and position statements are based on international conventions and standards, as well as on best practice that we encourage companies to follow. If a company does not live up to our recommended approach, our preference is to support the company to make satisfactory progress along a credible, transparent and time-bound implementation plan. We take the position, that after a reasonable time of engagement, we will exit a relationship with any client, or exclude the company from our investments if there is no progress.

### e) Existing policies and position statements

We have selected issues and sectors where there is great potential for environmental and social aspects to be considered, and which are of relevance to our business.

As of February 18, 2011, the following sector policies have been adopted:

- Arms and Defence (revised and adopted as of August 20, 2014),
- Forestry
- Fossil Fuels
- Mining and Metals
- Shipping
- Renewable Energy

As of February 18, 2011, the following position statements have been adopted:

- Child Labour
- Climate Change
- Fresh water

### f) Engagement and feedback

We welcome comments and feedback on our approach to sector policies and position statements. Any feedback can be directed to SEB's Group Corporate Sustainability department at [cs@seb.se](mailto:cs@seb.se). To find out more on our approach to corporate sustainability, for our full Sustainability Report, or for facts & figures, please visit SEB's website: [www.sebgroup.com/sustainability](http://www.sebgroup.com/sustainability).

## Sector policy – Arms and Defence

### Introduction

SEB acknowledges the right of every nation to defend itself, as stated in the United Nations Charter. SEB accepts that certain types of weapons are necessary for achieving internationally accepted goals such as national self-defence and peacekeeping missions. In our opinion, the right to self-defence should not be dependent on whether or not a country has a domestic defence industry. We therefore consider the defence industry and the export of defence products as legitimate.

The arms and defence sector is complex and challenging. SEB understands the concerns of many people regarding the role of banks in supporting the defence industry. The variety of weapons being produced today is disputed from a moral and ethical point of view. Risks relate to the various types of weapons as well as their potential use for internal repression, acts of terrorism and serious violations of international humanitarian law or other purposes which cannot be considered consistent with normal or legitimate national security and defence. In addition, there is risk for corruption and bribes. SEB therefore expects its clients and portfolio companies to meet this sector policy in which SEB takes a strong position against controversial weapons (see list below) and emphasises that any engagement with the arms and defence sector shall be underpinned by a long-term and responsible approach.

This sector policy is applicable to all companies producing, developing, or trading in, weapons, weapons components, and dual-use products. In this case, a company is viewed as operating within the arms and defence industry when a significant proportion (>5%) of the total turnover of the company is derived from arms and defence products. Irrespective of the proportion to turnover, SEB does not knowingly engage with companies involved in controversial weapons.

### Objectives

The objective for SEB is to only provide products and services to its clients, or invest in companies, involved in the defence industry as long as they meet this sector policy.

SEB will not knowingly support, or engage in any relationship with, companies producing or developing controversial weapons (see list below) or trading in such weapons. This also includes companies supplying key components of controversial or indiscriminate<sup>1)</sup> weapons. This is irrespective of the proportion of the company's total turnover. Such weapons, as defined by accepted international conventions include:

- Anti-personnel mines;
- Biological weapons;
- Chemical weapons;
- Cluster weapons;
- Laser weapons specifically designed to cause permanent blindness;

- Weapons the primary effect of which is to injure by fragments which in the body escape detection by X-rays;
- Depleted uranium ammunition

This sector policy also covers any other forms of indiscriminate weapons, as defined by future conventions.

### Nuclear weapons

Nuclear weapons have a different character than other armaments. Ownership, production, proliferation and use of nuclear weapons are heavily regulated, monitored, and if necessary sanctioned by the international community. Due to the fact that nuclear weapons are regulated and not fully banned by the international community, many high tech companies are involved in various ways in the nuclear armaments programmes of their respective governments. SEB considers nuclear weapons to be controversial weapons as they are indiscriminate and the use would generally be unlawful under international humanitarian law. In addition, although certain countries are allowed to hold and maintain nuclear weapons according to the Nuclear Non-Proliferation Treaty of 1968, all parties have committed to nuclear disarmament. Therefore, SEB does not finance nuclear weapons, nor does SEB finance or invest in companies involved in nuclear weapons programmes. However, SEB may finance and engage with the non-controversial activities of high-tech companies that are legacy clients, if those activities are performed in a separate subsidiary and if the company represents that SEB funds will not be used for nuclear weapon-related activities.

### Expectations

Companies involved in non-controversial weapons, are not only expected to follow our standards, but also at a minimum:

- Comply with all current laws and regulations in each jurisdiction in which they operate;
- Conform with the relevant export regulations in the respective country as well as with Swedish regulatory limitations, when exporting armament products;
- Have procedures in place for appropriate risk assessment of human rights;
- Have specific policies against corruption. SEB does not tolerate bribery or any attempt to improperly influence business decisions.

<sup>1)</sup> Indiscriminate weapons are weapons which are known to cause excessive civilian casualties as their effects cannot be limited to military objectives.

## Implementation

As an integrated part of the client dialogue related to advisory and financing services, SEB is to proactively and continuously review the corporate sustainability (CS) policies and activities of its clients and portfolio companies. In order to implement this sector policy and meet the objectives set forth, SEB will:

- Ensure a thorough understanding of existing and potential clients' and portfolio companies' activities and the purpose of the provided financial product or service;
- Use an enhanced due diligence process for new clients and new financing agreements with companies engaged in the arms and defence sector;
- Not enter into new client relationships with companies involved in development, production, modernization, maintenance or trading of nuclear weapons programmes;
- For legacy clients which don't conform to this sector policy, we will engage and support progress along a credible, transparent and time-bound implementation plan. Ultimately, SEB has the option to terminate a relationship with any client not progressing in line with the suggested plan;
- Collaborate and influence external managers and index vendors to meet SEB's policies and guidelines;
- Continuously educate relevant SEB staff on general and specific CS trends, issues and opportunities;
- Collaborate with third-party professional CS experts and establish dialogue with counterparties over environmental and social matters.

## Standards, conventions and guidelines

SEB expects its clients and portfolio companies to follow internationally accepted standards as well as regional laws and regulations specific for this industry as applicable. We also expect our clients and portfolio companies to follow:

- The 10 principles of the United Nations Global Compact,<sup>1</sup>
- The United Nations Guiding Principles on Business and Human Rights,<sup>2</sup>
- The United Nations Convention on Prohibition or Restriction on the Use of Certain Conventional Weapons Which May Be Deemed to be Excessively Injurious or to Have Indiscriminate Effects,<sup>3</sup>
- The United Nations Global Arms Trade Treaty,<sup>4</sup>

- Global Principles of Business Ethics for the Aerospace and Defence Industry,<sup>5</sup>
- The Council Common Position 2008/944/CFSP<sup>6</sup>. These standards, defining the common rules governing control of exports of military technology and equipment are already incorporated in the laws and regulations of the EU-member states. In addition, we also expect corporations in countries outside the EU to adhere to the eight criteria of the Council Common Position.
  1. Respect the international obligations and commitments of the EU member states, in particular the sanctions adopted by the UN Security Council or the EU, and agreements on non-proliferation and other subjects, as well as other international obligations. This explicitly includes UN, OSCE<sup>7</sup> and EU embargoes, conventions on nuclear, biological and chemical weapons and anti-personnel landmines;
  2. The country of final destination has to respect human rights. An export has to be denied if there is a clear risk that the proposed export might be used for internal repression or serious violations of international humanitarian law;
  3. Exports of weapons which would provoke or prolong armed conflict or aggravate existing tensions or conflicts in the country of final destination are not permitted;
  4. Preservation of regional peace, security and stability shall not be endangered;
  5. The export of weapons must not threaten the national security of an EU member state and territories whose external relationships are the responsibility of an EU member state as well as that of friendly and allied countries;
  6. The behaviour of the buyer country with regard to the international community, as regards in particular its attitude to terrorism, the nature of its alliances and respect for international law has to be determined;
  7. The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions shall be considered;
  8. The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate security and defence needs with the least diversion of human and economic resources for armaments.

*For footnotes, please see the following page.*

- 
- 1) The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.  
<http://www.unglobalcompact.org/AboutTheGC/index.html>
  - 2) The United Nations Guiding Principles on Business and Human Rights were endorsed in June 2011 by the United Nations Human Rights Council. The principles are based on six years of work by the former Special Representative John Ruggie. They are based on the "Protect, Respect and Remedy" framework.  
<http://www.un.org>
  - 3) The United Nations Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects (CCW or CCWC), concluded at Geneva on October 10, 1980 and entered into force in December 1983, seeks to prohibit or restrict the use of certain conventional weapons which are considered excessively injurious or whose effects are indiscriminate.  
[http://untreaty.un.org/cod/avl/pdf/ha/cprccc/cprccc\\_ph\\_e.pdf](http://untreaty.un.org/cod/avl/pdf/ha/cprccc/cprccc_ph_e.pdf)
  - 4) The United Nations Arms Trade Treaty was adopted by the UN General Council on April 2, 2013 and available for signing on June 3, 2013.  
<http://www.un.org/disarmament/ATT/>
  - 5) Global Principles of Business Ethics for the Aerospace and Defence Industry. These Global Principles highlight key issues in the aerospace and defence industry that may impact on ethical business conduct.  
[http://www.asd-europe.org/site/fileadmin/user\\_upload/07\\_4PGlobalPrinciples\\_A4.pdf](http://www.asd-europe.org/site/fileadmin/user_upload/07_4PGlobalPrinciples_A4.pdf)
  - 6) Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing control of exports of military technology and equipment.  
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:335:0099:0103:En:PDF>
  - 7) The Organization for Security and Co-operation in Europe (OSCE) is the world's largest security-oriented intergovernmental organization. Its mandate includes issues such as arms control, human rights, freedom of the press and fair elections:  
<http://www.osce.org/>