

Sustainability summary for Swedbank

– lending to corporates

This sustainability summary is a sector initiative developed by the Swedish Bankers' Association in order to give an idea of how banks pay attention to sustainability issues in their lending to corporates.

1 Our view on sustainability

As a financial player, we are able to promote long-term sustainable development by contributing to and financing future sustainable innovations and services as well as by considering sustainability risks in business decisions – such as those regarding human rights violations, the environment, climate and business ethics. We conduct, among other things, sustainability risk assessments when providing credit to companies, in investment processes and in procurement. Our climate work is governed by the internationally agreed Paris Agreement, where the global temperature increase is to be kept below 2°C. We work actively to reduce our climate impact and our environmental management system, which is ISO 14001 compliant and provides a structured way to do this. We have also adopted a Group-wide climate target to reduce our direct greenhouse gas emissions by 20 per cent until 2022 compared with 2017.

2 Sustainability in the credit process

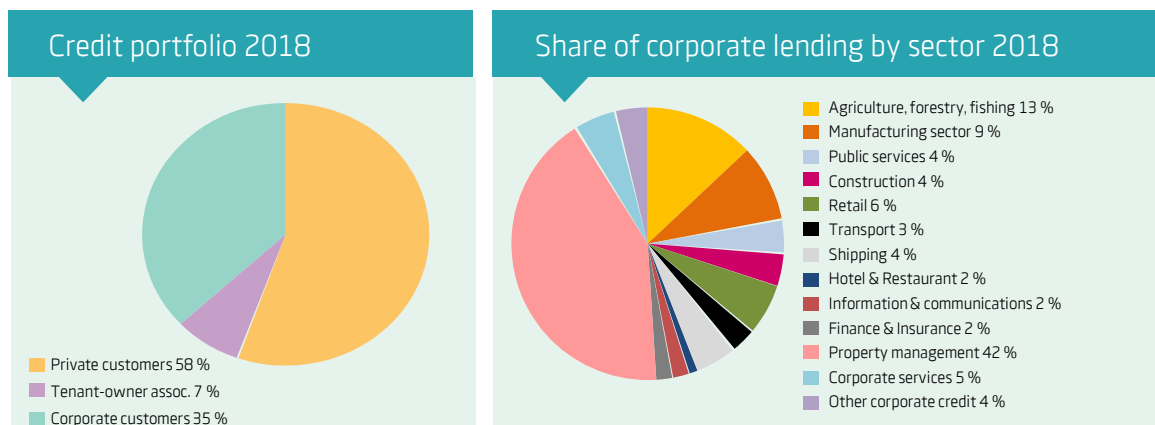
For us, responsible lending means promoting a long-term sound economy and taking responsibility for reducing the impact on people and the environment that may arise from our customers' businesses. It is important for us that our stakeholders understand how we pay attention to sustainability issues in our lending. We are therefore actively working to further strengthen our climate-related lending reporting in accordance with the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

Sustainability risks are taken into account in all credit decisions in the Group. For credit decisions to companies with a group credit limit of more than SEK 5 million in Sweden and EUR 0.8 million in the Baltic countries, we use a special risk assessment model for sustainability analysis. The process is as follows:

- Based on the risk assessment model, general sustainability risks related to human rights, the environment, climate and business ethics are taken into account. Geographical and sector-specific risks are also taken into account.
- Sector guidelines are used to support the assessments. The guidelines also serve as a basis for sustainability dialogue with our customers.
- The result of the sustainability risk assessment is a mandatory part of a credit memorandum.
- If a company is deemed to have significant sustainability risks, this must be stated prior to any decision by the credit decision-making body.
- If any further support is needed for a decision, the matter shall be referred to Swedbank's Business Ethics Committee.

In addition to our risk assessment model, Swedbank has established an internal department that conducts continuous analysis of the bank's credit portfolio for a wide range of recipients, including Swedbank Group Risk Management, Group Executive Committee and Board of Directors. The credit portfolio analysis also pays attention to climate risk issues in regards to the different types of sectors to which the bank is exposed.

Our total credit portfolio is SEK 1 578 billion, of which corporate credit accounts for SEK 548 billion. The corporate credits are distributed as follows:



3 Commitments and policies regarding sustainability

Swedbank is committed to complying with international standards relevant to our lending:

- UN Global Compact
- UN Environmental Programme for the Financial Sector (UNEP FI)
- ISO14001
- ICC's Business Charter for Sustainable Development
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- CDP
- Science based targets

In addition, Swedbank has the following policies/guidelines relevant to sustainability in the credit process:

- Group-wide Sustainability policy
- Group-wide Human rights policy
- Group-wide Environmental policy
- Group-wide Environmental Management Systems (of which the Swedish operations are certified)
- Group-wide Position Statement on Climate Change
- Group-wide Position Statement on Defence Equipment
- Group-wide sector guidelines for a number of sectors
- Group-wide Credit policy
- Instructions regarding sustainability in the credit process

4 Our focus areas regarding sustainability issues in our lending

Priorities:

Swedbank shall contribute to a sustainable economy by:

- Offer our customers green loans
- Continue to be active in the green bond market
- Financing investments in renewable energy and investment projects that promote the transition to a climate-smart society with low greenhouse gas emissions
- Influencing the reduction of coal extraction and greenhouse gas emissions through dialogue with our creditors
- Contribute to development of international standards for a green taxonomy and green tagging of loans in order to support our customers to make more well-informed choices when investing in green assets.

Exclusions:

Swedbank does not grant credit to companies that are active in:

- Production or distribution of weapons prohibited by international law, such as cluster bombs, landmines, biological weapons, chemical weapons or nuclear weapons
- Companies that produce or extract coal accounting for more than 30 per cent of their revenue (as per the scope and definition of the Position Statement on Climate Change).