

# Sector Guidelines: Manufacturing

## Scope and purpose

The overall objective of these sector guidelines is to promote sustainability performance in our business relations with corporate clients, portfolio companies and suppliers in all jurisdictions where Swedbank Group operates. The sector guidelines are applicable to all companies within the sector and in all stages of the value chain.

## Sustainability impact

The manufacturing industry includes all companies that process materials into new products. Thus the manufacturing industry includes a vast range of industries which means that these guidelines should be used in combination with other relevant sector guidelines.

The main Economic, Social and Governance (ESG) risks and impacts in the sector concern health and safety at work, working conditions, child labour, consumer health/public health, contamination of soil and groundwater and risks related to chemical usage and pollution. The supply chain and sourcing of materials is also often a risk factor in the sector.

## Expectations and recommendations

Swedbank expects clients, portfolio companies and suppliers to operate in accordance with relevant international norms, as well as regional and national laws, regulations and permits. We expect our business partners to manage material sustainability issues in a systematic manner within the field of human rights, labour rights, climate, environment and business ethics. We also recommend that companies involved in the manufacturing sector:

- Identify material sustainability aspects and adopt relevant policies, objectives and targets;
- Have policy commitments that meet responsibilities with regard to human rights, labour rights, environmental

protection, health & safety at work and anti-corruption;

- Pay a living wage to their employees: a family income earned within a standard working week that is sufficient to meet basic needs and provides some discretionary income;
- Have a management system or process to monitor and, if needed, correct compliance with labour laws, occupational health and safety legislation and that ensures equal treatment for migrant workers;
- Prevent discrimination and improve equal treatment of men and women;
- Have a management system or process that monitors and complies with environmental norms and environmental legislation;
- Minimise the facility footprint and the transportation footprint, optimisation of operations and processes to minimise energy, water, chemical usage and waste;
- Have procedures in place for community and stakeholder engagement;
- Incorporate the best available pollution prevention and control technology available, within given technical and financial limitations;
- Have an effective eco-design of products to minimise the amount and toxicity of waste, and to allow re-use or recycling;
- Ensure product safety and take measures to minimise the environmental impacts of the products (during their manufacture, use by customers and at the end of life);
- Source raw materials responsibly and implement procedures to manage environmental and social risks associated with the supply chain;
- In case of mergers & acquisitions (M&A), perform an environmental, health & safety and social due diligence to assess potential risks;

- Minimise the impact to soil and groundwater by having an adequate chemical and waste storage and handling process in place;
- Report transparently on tax payments at group and country level in line with established global initiatives;
- Conduct due diligence on supplier management of environmental, social and business ethics issues and integrate sustainability criteria within procurement processes. Verify compliance with company standards on a regular basis;
- Report regularly on material sustainability issues in line with established reporting framework standards, such as GRI.

Relevant norms, guiding principles & standards:

- ✓ The 10 principles of the United Nations Global Compact<sup>i</sup>
- ✓ UN Guiding principles on Business and Human Rights<sup>ii</sup>
- ✓ International Labour Organization (ILO) standards, conventions and recommendations on work environment and labour standard<sup>iii</sup>
- ✓ The OECD Sustainable Manufacturing tool kit<sup>iv</sup>
- ✓ The Green House Gas (GHG) Protocol Corporate Standard<sup>v</sup>
- ✓ EU-directive regarding Emission Limit Values (ELV) and Best Available Technique (BAT)
- ✓ IFC Environmental and Social Performance Standards and Guidance Notes<sup>vi</sup>
- ✓ REACH, regulation of chemical substances<sup>vii</sup>
- ✓ RoHS, replacing and restricting hazardous chemical substances in electric and electronic equipment<sup>viii</sup>

**Implementation**

Sustainability risk assessment is an integral part of Swedbank group's risk assessment within corporate lending, investment and procurement. The sector guidelines set the

context for risk assessment. In order to comply with our existing sustainability framework Swedbank shall:

- Ensure understanding of existing and potential clients' and portfolio companies' activities and risks. This means that Swedbank may require relevant documentation such as certificates and policies in order to understand sustainability governance and performance;
- Evaluate suppliers' sustainability performance and integrate sustainability requirements as a mandatory part of supplier agreements. This means that Swedbank may terminate supplier relationships in the event of non-compliance with our supplier code of conduct;
- Continuously educate relevant Swedbank staff on general and specific Corporate Sustainability trends, issues and opportunities;
- Monitor our portfolios to mitigate risks, including sustainability risks;
- Collaborate with third-party professional Corporate Sustainability experts and establish dialogue with counterparties on environmental and social matters;
- Report transparently on sustainability performance.

---

<sup>i</sup> 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. <https://www.unglobalcompact.org/about>

<sup>ii</sup> The United Nations Guiding Principles on Business and Human Rights (UNGPs) are a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity. [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)

<sup>iii</sup> International labour standards refer to conventions agreed upon by international actors set forth to protect basic worker rights, enhance workers' job security, and improve their terms of employment on a global scale. The intent of such standards is to establish a worldwide minimum level of protection from inhumane labour practices through the adoption and implementation of said measures. <http://www.ilo.org/dyn/normlex/en/f?p=1000:12030:0::NO>

<sup>iv</sup> The OECD Sustainable Manufacturing Toolkit aims to provide a practical starting point for businesses around the world to improve the efficiency of their production processes and products enabling them to contribute to sustainable development and green growth. <http://www.oecd.org/innovation/green/toolkit/aboutsustainablemanufacturingandthetoolkit.htm>

<sup>v</sup> The Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. The GHG Protocol Corporate Standard provides standards and guidance for companies and other organisations preparing a GHG emissions inventory. <http://www.ghgprotocol.org/standards/corporate-standard>

<sup>vi</sup> IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks. [http://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes](http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes)

<sup>vii</sup> Regulation (EU) No 907/2006 concerns the registration, evaluation, authorisation and restriction of chemical substances. It also contains requirements addressed to users of chemicals, unlike previous legislation. [http://ec.europa.eu/environment/chemicals/reach/reach\\_en.htm](http://ec.europa.eu/environment/chemicals/reach/reach_en.htm)

<sup>viii</sup> The RoHS Directive aims to reduce the risks to human health and the environment by replacing and restricting hazardous chemical substances in electrical and electronic equipment. The Directive also aims to improve the prospects of cost-effective and sustainable recycling of material waste from electrical and electronic equipment. [http://ec.europa.eu/environment/waste/rohs\\_eee/index\\_en.htm](http://ec.europa.eu/environment/waste/rohs_eee/index_en.htm)