

Sector Guidelines: Agriculture, Fisheries and Animal welfare

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 such as production, processing and trading.

Sustainability impact

The agriculture, fisheries and animal welfare sector include crop and livestock production, fisheries, food production and securing animal welfare practices within the sector.

The Economic, Social and Governance (ESG) risks and impacts relate to employment and working conditions, use of child labour, health and safety at work, land right issues, animal welfare, land and water management, use of chemicals and nutrients as well as risk of major impact on landscapes, ecosystems and biodiversity.

In processing, the main risks concern employment and working conditions, health and safety at work, product safety and quality, packaging materials, waste and sourcing.

Companies in trading face sustainability risks via sourcing and supplier relations, transport services and challenges regarding ethical business practices.

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 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;
- Apply relevant management systems or processes to monitor and ensure compliance with labour laws, occupational health and safety norms, and to ensure equal treatment for migrant workers;
- Prevent discrimination and improve equal treatment of men and women;
- Respect customary land tenure and land-use rights of indigenous people;
- Have procedures for community and stakeholder engagement;
- Ensure sustainable management of crop cultivation in agriculture practices including responsible use of fertilizers, plant production and minimized risk for soil erosion and water shortage;
- Assess project impact on water resources with the aim of ensuring high standards of water quality and availability for local communities. In areas where significant impacts to water resources are likely comprehensive mitigation measures are in place to address community and ecosystem water;
- Sustainable management and of waste generation, including hazardous waste, chemicals, wastewater and other effluents to prevent contamination and negative impact on land, water, and human beings;
- Assess environmental impact on the total consequences of large-scale project on biodiversity, at least according to GRI 304: Biodiversity 2016 or other relevant standards;

- Apply effective land management for agriculture, including monitoring and assessment;
- Avoid use of fertilisers, pesticides, animal drugs and food additives that risk causing adverse effects on nature and human health;
- Apply a prudent use of antimicrobial medicines (antibiotics) in food-producing animals in order to minimize antimicrobial resistance;
- Utilise animal welfare practices (i.e. managed grazing and prevention of overgrazing and overfishing, and animal pain and injury);
- Comply with the Europe Union's Cross-compliance rules, which include requirements on environmental, public and animal health, animal welfare or land management. National legislation shall also be implemented, for example is Sweden's Animal Welfare Act mandatory;
- Use energy and raw materials efficiently;
- Apply relevant procedures for conservation of biodiversity and protection of vulnerable, endangered, critical endangered species; and invasive alien species;
- Prevent conversion of peatland and high-carbon stocks for agricultural development;
- Prevent negative impact on High Conservation Value (HCV) areas;
- Prevent introduction of invasive species into ecosystems;
- Reduce direct and indirect emission of greenhouse gases and harmful substances, such as particulate matter, nitrogen oxide, phosphorus and ammonia;
- Apply practices for sustainable sourcing;
- Apply best available techniques for pollution prevention and control, within the given technical and financial limitations;
- 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 Compactⁱ
- ✓ UN Guiding principles on Business and Human Rightsⁱⁱ
- ✓ Universal Declaration of Human Rightsⁱⁱⁱ
- ✓ OECD Guidelines for Multinational Enterprises^{iv}
- ✓ The 12 principles of the Roundtable on Sustainable Biomaterials (RSB)^v
- ✓ UNESCO World Heritage sites^{vi}
- ✓ Wetlands covered by the Ramsar Convention^{vii}
- ✓ Convention of International Trade of Endangered Species (CITES)^{viii}
- ✓ National parks and nature reserves;
- ✓ High conservation value forests (HCVF), including those depended on by indigenous people^{ix}
- ✓ The UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol^x
- ✓ The Cartagena Protocol^{xi}
- ✓ ILO Declaration on Fundamental Principles and Rights at Work^{xii}
- ✓ The International Covenant on Economic, Social and Cultural Rights^{xiii}

Implementation

Sustainability risk assessment is an integral part of Swedbank Group's risk assessment within corporate lending, investment and procurement. 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, impact assessments, procedures and policies in order to understand the 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.

ⁱ 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>

ⁱⁱ 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

ⁱⁱⁱ The Universal Declaration of Human Rights.
http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf

^{iv} OECD Guidelines for Multinational Enterprises.
<http://www.oecd.org/corporate/mne/>

^v Roundtable on Sustainable Biomaterials (RSB).
<http://rsb.org/>

^{vi} The United Nations Educational, Scientific and Cultural Organization (UNESCO) seeks to encourage the identification, protection and preservation of cultural and natural heritage. The UNESCO World Heritage List includes over 900 properties forming part of the cultural and natural heritage which the World Heritage Committee considers as having outstanding universal value, such as a forest, mountain, lake, desert, monument, building, complex, or city that is considered to be of outstanding importance to the common heritage of humanity.
<http://whc.unesco.org/en/list>

^{vii} The Convention on Wetlands of International Importance, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources.
<https://www.ramsar.org/about/the-convention-on-wetlands-and-its-mission>

^{viii} CITES (the Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival.
<https://www.cites.org/>

^{ix} High Conservation Value Forests (HCVF), are forests of outstanding and critical importance. This could be due to the presence of endangered wildlife, an unusually high number of rare plant species or areas that are in or contain rare, threatened or endangered ecosystems. It could also be because the forest is of critical importance to local people because it provides them with food, water, income or sites of cultural significance. It also includes forest areas that provide basic services of nature in critical situations (this includes: protection of watersheds, protection against erosion and destructive fire).
<https://ic.fsc.org/high-conservation-values-and-biodiversity.213.htm>

^x The UN Convention on Biological Diversity and the related Bonn Guidelines or Nagoya Protocol provide a global legal framework for action on biodiversity.
<https://www.cbd.int/>

^{xi} The Cartagena Protocol on Biosafety to the Convention on Biological Diversity is an international agreement which aims to ensure the safe handling, transport and use of living modified organisms (LMOs) resulting from modern biotechnology that may have adverse effects on biological diversity, taking also into account risks to human health. It was adopted on 29 January 2000 and entered into force on 11 September 2003.
<https://bch.cbd.int/protocol>

^{xii} The ILO Declaration on Fundamental Principles and Rights at Work were adopted in 1998. The Declaration commits member states to respect and promote principles and rights in four categories, whether or not they have ratified the relevant conventions. These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the

elimination of discrimination in respect of employment and occupation.

<http://www.ilo.org/declaration/lang--en/index.htm>

^{xiii} The International Covenant on Economic, Social and Cultural Rights.

<http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>