



Forestry

Sector policy

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

SEB

Preamble

a) About SEB

SEB is a leading Nordic financial services group, offering a wide range of financial services to private, corporate and institutional customers in eight countries in Northern Europe. The international nature of our business is reflected in a presence in 20 countries worldwide. In total, SEB has 17,000 employees.

Through its business activities, SEB has an impact in many countries and local communities. Banks, in general, play an important role in society, by providing credit and managing financial assets in ways that promote economic growth and prosperity. SEB's vision is to be the trusted partner for customers with aspirations. Responsible corporate behaviour is a means to remain successful in a changing global environment.

b) SEB and Corporate Sustainability (CS)

At SEB, sustainable development means building a sustainable business as a bank and financial institution: supporting customers and employees, creating long-term value for our shareholders, contributing to the economy as a whole and being a force for good in the communities in which we live and work.

By running a business which takes responsibility for the environment, makes a social contribution and shows good corporate governance and ethical behaviour, we contribute to a sound and sustainable economic development.

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

c) Purpose with Sector policies and Position statements

We aim to support sustainable business practices for the long term and believe that by improving our own work, as well as encouraging the progress of others, real and lasting change can be achieved.

Addressing the environmental, social and governance aspects of doing business involves managing both risk and opportunity. As a guide for managing sustainability issues at SEB, 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 with the clients and portfolio companies we work with, focusing on business opportunities and risk reduction.

d) Scope and external guidance

The sector policies and position statements are applicable in all markets where SEB operates and include banking services such

as financing and advisory work. SEB's Wealth Management division is a signatory to the UN PRI, and is thereby committed to integrating sustainability aspects in its activities. SEB's sector policies and position statements will further influence this process.

SEB's sector policies and position statements provide guidelines on best practice as well as on the international conventions and standards that we encourage companies to follow. We aim to work with our clients and portfolio companies towards improved business practices. This will be a step-by-step process.

By remaining engaged with clients and portfolio companies, we believe we can make a bigger contribution than by exiting relationships if we find that they do not live up to our recommended approach. In such cases, our preference will be to support clients and portfolio companies to make satisfactory progress along a credible, transparent and time-bound implementation plan. Ultimately, SEB has the option, over time, to terminate the relationship with any client not progressing in line with the suggested plan.

e) Existing policies and position statements

We have initially selected issues and sectors where there are great potential of 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, Mining and Metals, Shipping, Forestry, Fossil Fuels and Renewable Energy.

As of February 18, 2011, the following position statements have been adopted: Climate Change, Freshwater and Child Labour.

f) Engagement and feedback

We welcome comments and feedback on our approach to sector policies and position statements. Any feedback could be directed to SEB's Group Corporate Sustainability office at cs@seb.se.

In addition, please also visit:

SEB's corporate website

To find out more on our approach to Corporate Sustainability, for our full Sustainability Reporting, our facts & figures; www.sebgroup.com/sustainability

SEB Sustainable Perspectives

Our dedicated social media site with our Sustainability Academy and QUIZ, stories and best practices through which you can learn more about corporate sustainability in general and at SEB in particular; www.sebgroup.com/sustainableperspectives

Sector policy– Forestry

Introduction

The forestry industry plays a pivotal role in the economy at large, globally as well as regionally. Well-managed forests play an important role in safeguarding eco-systems and are natural carbon sinks. The forestry industry, and the pulp and paper industry specifically, is characterised by high capital investments, which generate significant spin-off effects in other industries such as consulting, transport and engineering.

Forestry is a highly capital-intensive industry. Therefore, the cost competitiveness of the location has an impact on decisions on where to invest in both existing and new infrastructure. Important considerations include access to competitively priced fibre (wood raw material), energy (both renewable and fossil fuels), chemicals, labour and R&D capacity.

Most paper and pulp mills have historically been located in developed countries (e.g. North America, the Nordic countries and continental Europe) while new investments are mostly directed towards developing regions, which offer higher GDP growth and more importantly (in many regions) access to cost competitive raw material. We expect this trend to continue.

Forestry is by nature interlinked to the global challenges of deforestation, climate change, water scarcity and social responsibility. Non-governmental organisations, investors, customers and society at large continue to demand ever higher standards and transparency regarding environmental and social matters from the industry. Industry leaders, by and large multinational companies, have acknowledged the need for sound environmental policies and transparency and have proactively developed systems to monitor the impact, and to reduce the negative impact of their activities with regards to the environment and society. Many regional and smaller market participants are following suit, but often at a slower pace due to limited financial resources and personnel.

Although all industrial activity impacts the environment and society, certain impacts can be avoided or minimised to acceptable standards if companies follow well-established international and industry standards.

This Sector Policy is applicable to forest harvesting companies, pulp and paper producing companies, wood processing companies and relevant suppliers.

Objectives

The overall objective of this policy is to promote a sustainable forestry industry, to prevent adverse environmental and social impact and to support good governance, using international and industry standards as a guideline. SEB aims to support clients and portfolio companies within the forestry sector that show initiative in promoting sustainable growth and social responsibility.

With regards to forest harvesting operations, encompassing both plantation and natural forests, SEB expects our clients and portfolio companies to have sufficient internal controls and policies in place, or in development, to address the issues listed below. We note that the list is not exhaustive and may change over time.

- Respect for any customary land tenure and use rights of indigenous people
- Respect for the rights of workers, and compliance with occupational health and safety measures
- Measures for community and stakeholder engagement
- Conservation of biodiversity and protection of critical habitat
- Maintenance of environmentally-sound multiple benefits from the forest
- Prevention or minimization of adverse environmental and social impacts
- Effective forest management planning
- Active monitoring and assessment of relevant forest management areas.

With regards to paper and pulp mills, wood processors and relevant suppliers, SEB expects our clients and portfolio companies to incorporate the best available pollution prevention and control technology available within the given technical and financial constraints. In addition, we expect companies to utilise energy and any relevant raw material in an effective way, preferably with goals to increase conversion efficiency.

SEB expects all forestry companies to have prudent occupational health and safety procedures, as well as responsible management for any construction or decommissioning of assets (e.g. paper and pulp mills).

Standards, conventions and guidelines

SEB expects clients and portfolio companies to operate in accordance with relevant international, regional and national laws, regulations and permits. In addition, we expect our clients and portfolio companies to work towards commonly recognised goals and, at minimum, have internal policies in place that promote socially and environmentally sound and sustainable business practices. SEB encourages our clients and the companies we invest in to adopt and follow internationally accepted voluntary initiatives and standards wherever they are applicable, such as the 10 principles of the UN Global Compact.¹

In jurisdictions where appropriate standards do not exist and there is a high potential for environmental impact, the International Finance Corporation (IFC) Performance Standards and IFC Environmental, Health and Safety industry sector guidelines² are used as a benchmark for internationally accepted standards.

SEB does not support illegal logging. We expect our clients and portfolio companies to implement Forest Stewardship Council (FSC)³ or an equivalent certification scheme where it is practical and reasonable to do so. SEB will not provide financial products or services to operations negatively impacting:

- UNESCO World Heritage sites⁴;
- wetlands covered by the Ramsar Convention⁵;
- International Union for the Conservation of Nature Red List Species⁶;
- national parks and nature reserves; or
- high conservation value forests (HCVF), including those depended on by indigenous people⁷.

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 the 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;
- 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.

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>

Other examples of internationally accepted voluntary initiatives and standards are:

The Roundtable on Sustainable Biofuels (RSB), <http://www2.epfl.ch/energycenter-jahia4/page65660.html>

Bunsucro, Better Sugar Cane Initiative, <http://www.bonsucro.com/welcome.html>

Roundtable on Sustainable Palm Oil (RSPO), <http://www.rspo.org/>

²) The IFC's Environmental, Health, and Safety Guidelines (EHS) are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP). They contain the performance levels and measures that are normally acceptable to IFC and are generally considered to be achievable in new facilities at reasonable costs by existing technology.
<http://www.ifc.org/ifcext/enviro.nsf/Content/EnvironmentalGuidelines>

³) The Forest Stewardship Council (FSC) – is an international network promoting responsible management of the world's forests. FSC certification provides a credible link between responsible production and consumption of forest products.
<http://www.fsc.org>

⁴) 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>

⁵) 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
<http://www.ramsar.org/sitelist.doc>

⁶) The International Union for Conservation of Nature (IUCN) Red List of Threatened Species™ is widely recognized as the most comprehensive, objective global approach for evaluating the conservation status of plant and animal species.
<http://www.iucnredlist.org/>

⁷) 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).
<http://www.fsc.org/1113.html>

Also refer to High Conservation Value Network providing a global toolkit for identification of HCVF
<http://www.hcvnetwork.org/resources/global-hcv-toolkits/global-hcv-toolkits>