

SEB Investment Management Active Ownership Report

July 2022 - June 2023



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Introduction

Active ownership is an important tool for SEB Investment Management in pursuing sustainable investments across the assets that we have been entrusted to manage for unit holders and investors. As one of the largest asset managers in the Nordics, SEB Investment Management's mission is to undertake sustainable investments to create a better financial future for our customers. We are convinced that companies with sustainability embedded in their business models will be more successful in the long term and can thereby generate higher returns on investments over time.

SEB Investment Management is a long-term, forward-looking asset manager. We have a duty to act in the best long-term interests of our customers. We believe that the transition from unsustainable activities, together with new innovations and technical solutions, will have a material impact on the risk and return characteristics of investments. We therefore believe that companies with a strong determination to manage sustainability risks, and constantly work on developing into a sustainable business have a better chance of superior long-term performance.

Furthermore, we recognise the fundamental importance of building companies and societies on the rule of law, safeguarding human rights, equality, and the absence of corruption.

We believe that active ownership is crucial to the investment strategy to meet our overall objective to optimise returns for customers, while avoiding erosion of the possibilities for future generations to meet their needs.

Last year we increased our efforts in more in-house staff led engagements than before, at the same time adding new collaborative initiatives to the prioritised activities. We continued to focus on SEB Investment Management's pre-defined engagement themes with particular focus on Greenhouse Gas emissions, Biodiversity and pushing for sustainability targets in variable pay for executive management.

The purpose of this yearly report is to disclose prioritised objectives and engagement themes, our way of working, and to present highlights from the engagement dialogues with our investees and ongoing collaboratives. We also want to contribute to a mutual understanding between our investee companies, other stakeholders, and SEB Investment Management regarding areas of importance and key topics. For example, we have singled out prioritised areas, called engagement themes, that we consider significant to address and act upon. By being explicit about some of our expectations, we aim to create a better framework for communication and dialogue between investors and investees.

Active ownership in figures

Below we present some important statistics for the past year. Active ownership and ESG-related engagement dialogues are usually long-term processes. Measuring and tracking progress over time is an important active ownership tool.

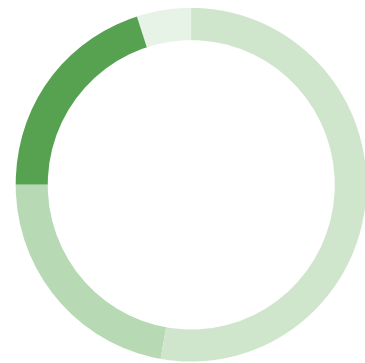
SEB Investment Management¹

SEK 706 billion

AuM in SEB Investment Management funds

Asset Class Allocation

Alternatives	5%	Fixed income	22%
Mixed funds	20%	Equities	53%



Active ownership²

31 (40)

Number of nomination committees

>2000

Number of company dialogues (In-house led and partner led)

41% (40%) women

Gender diversity in Boards of Directors where SEB Investment Management was part of nomination committee (Percentage of women nominated in relation to female representation before the nomination)

836 (579)

Number of Annual General Meetings voted at

36% (26%)

Share of fund holdings committed to or has approved SBTs (Science Based Targets)

¹ AuM as of Q1 2023

² Numbers as of Q2 2023. Numbers in parantheses as of Q2 2022 unless otherwise stated.

The cornerstones of active ownership

SEB Investment Management seeks to be a strategic partner to our investee companies, in particular, if we are a large shareholder or hold a large share of corporate debt in the Nordic market.

We consider direct dialogue with companies to be the most productive way to promote positive change and exert influence. However, in some cases, there are strong reasons to work with partners or in collaborative engagement when engaging in dialogue.

We seek to contribute to sustainable development by investing in companies and other assets that enable the transition to a more sustainable global economy. In our active ownership approach, we use dialogue, voting, and serving on nomination committees as primary tools, as well as collaboration with other investors, to influence companies to develop more sustainable solutions and innovations, thereby adding value to our investment strategies.

In conclusion, we believe that leveraging the power of being an investor, with the possibility to trigger positive change across corporates, enables us to make better long-term investment decisions. We engage in dialogue with companies to improve their long-term earnings while also weeding out companies with business models that are not sustainable. If we deem an investee as unwilling or unable to improve, or of having a business model we regard as unsustainable, we will ultimately exit the holding. In other words, we continuously make active investment and divestment decisions. Active management and active ownership are closely related. At the same time, we place equal importance on engaging in the holdings of our index-tracking funds.



Corporate engagement approach

To ensure positive development in our holdings we use a range of approaches when exerting our active ownership. We conduct stewardship, including direct or partner-led dialogues, participate in collaborative initiatives, exercise Paris-aligned voting policies, and serve on nomination committees to ensure that we contribute to positive change and meet our goals.

Engagement may relate to the financial performance and strategic plans of portfolio companies, or environmental, social and governance risks or opportunities. In summary, we expect companies to develop measurable, relevant, and transparent sustainability targets tied to the long-term business strategy. The targets should address the most relevant and material areas for each specific company. This is especially relevant for large international listed companies, where the operations – including the entire supply chain – have significant impact on the environment and society at large. As shareholders, we want the existing management to act today. In this process, we are also keen to support our investee companies through continuous engagement to develop their long-term strategy.

In-house-led dialogue

In-house-led dialogue implies that SEB Investment Management staff – portfolio managers and/or sustainability specialists – engage directly with companies. This is the normal procedure when engaging with our holdings in the Nordic market and to some extent in Europe. An investee company may be engaged due to identified risks or possibilities. Engagement led by SEB Investment Management's in-house team entails regular ongoing company dialogues as we seek to become strategic partners with the companies in which we invest.

Based on historical references SEB Investment Management tends to be one of the larger owners of several mid-sized companies listed on Nasdaq Stockholm. Normally, the top three to four owners of a company hold a seat on the nomination committee. When the opportunity is given, SEB Investment Management will normally take the opportunity to serve on the committee. The primary objective is to achieve the most optimal board composition for the specific company at the specific time, considering all relevant and material aspects in terms of experience, knowledge and diversity, and ensuring that the current and newly appointed board members have the time and energy for this important assignment.

Partner-led dialogue

At the international level, we cooperate with EOS at Federated Hermes, one of the world's leading organisations within corporate engagement, and maintain continuous dialogue with corporate managements and boards. Through our collaboration with other fund managers under EOS's leadership, the foundation is in place for us to achieve a greater impact from the ownership dialogues with international companies, in which we usually hold a smaller stake. On behalf of SEB Investment Management, EOS maintains dialogue with the management and board of investees outside the Nordic region.

Institutional Shareholder Services, ISS, is an equally important partner. ISS performs continuous screening of our funds' investment universe. The screening is based on SEB Investment Management's policies and exclusion criteria. This partnership is designed to address issues arising in relation to companies' failings on governance issues, and/or significant deviations from relevant international norms and standards, such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises, as well as human rights and environmental conventions. When ISS defines a norm breach as being confirmed, and thereby initiates a reactive engagement dialogue, SEB Investment Management normally supports the initiative and acknowledges our participation in the ISS-led dialogue.

Collaborative initiatives

SEB Investment Management has joined several international collaborative initiatives to leverage the power of ownership influence, for example, in forums such as PRI, IIGCC, CDP and IPDD. We also form part of Swedish collaborative initiatives, such as Sustainable Value Creation and Swesif (see explanation and other memberships on page 17).

There are occasions when it is more effective to act collectively rather than individually, particularly if our investment is relatively small compared to the enterprise value of the company.

Collaborative engagement is reviewed and evaluated by the Sustainability team on a case-by-case basis, together with relevant investment teams, to ensure that the objectives are aligned with our priorities and those of our customers.

Seven prioritized engagement themes

As long-term investors, we engage in dialogue to encourage companies and policymakers to improve their performance on a range of different topics. The number of areas of considerable importance, our seven prioritised engagement themes, highlight the diversity of issues affecting companies in a global portfolio. We will, therefore, also most certainly, address one or several sustainability-related issues in the dialogue, depending on relevance and materiality in the specific case. By being transparent about our priorities, we also disclose the topics that our investees, partners, and asset owners may expect us to address in various dialogues.

The seven themes are of great importance to identifying risks, opportunities, and issues of relevance and materiality when we engage with our investee companies or other investors. Regardless of theme, type of investment, or type of challenge, we will always address the company’s overall business purpose & strategy and risk management, while expecting open and transparent communication.

SEB Investment Management's customers guide us in defining focus areas and provide valuable input when defining engagement themes going forward. The UN Sustainable

Development Goals (SDGs) are considered paramount when formulating SEB Investment Management's long-term priorities and themes. Our view is that businesses' long-term success is inextricably linked to performance in line with the SDGs since they create an economic context and society in which businesses can best thrive.

When taking a holistic view of active ownership, it is natural to address not one, but several issues in a company dialogue.

Furthermore, certain issues tend to be interlinked or should be handled as such. For example, when interacting with a large multinational company, it makes a lot of sense to address climate or environment transition plans connected to the management’s incentive programs. At the same time, it is a natural step to address and scrutinise the supply chain challenges when implementing a climate or environmental strategy.

In the Appendix, please find information regarding our seven engagement themes in more detail.



In-house-led engagement activities

Our in-house-led engagement is focused on three different activities: shareholder meetings, participation in nomination committees, and engagement dialogues. In general, the portfolio managers and sustainability specialists perform the work. The engagement dialogues conducted during the year were most often based on the seven engagement themes, in combination with relevant and material challenges and opportunities for the specific sector and company. Please find below some examples from our ongoing engagement dialogues.

Shareholder meetings and nomination committees

We participate actively in shareholder meetings through voting and other governance duties. From July 2022 to June 2023, SEB Investment Management voted at 97 (90) Swedish AGMs.

We voted for a shareholder proposal on enhanced disclosure of production methods within fast fashion, put forward by PETA, seeking to improve sustainability and transparency within the industry,

During the same period, we served on 31 (40) nomination committees in Swedish companies. One of the single most important engagement themes in the committees' work continues to be diversity in the board composition. In companies with SEB Investment Management as a member of the nomination committee, 41% of the directors nominated were women. That represents a total increase of one percentage points of female representation in the 31 companies this year.

Another topic high on the agenda has been board fees, where we saw an annual increase of 3.5%, a modest figure given the high inflation environment in the economy. The board fee increase was, however, not a coincidence. On the contrary, SEB Investment Management was not alone in advocating modest adjustments in a demanding environment, with the well pronounced goal not to contribute to a broader wage inflation in the economy. In total, 17 (29) new board members and 3 (4) new chairs were nominated.

Engagement focus – ESG targets linked to variable pay

SEB Investment Management is calling on our investee companies to link sustainability targets to executive remuneration. In late 2022, we addressed this issue by contacting near 100 listed companies on the Stockholm Nasdaq.

In summary, we expect companies to develop measurable, relevant, and transparent sustainability targets tied to the long-term business strategy. The targets should address the most relevant and material areas for each specific company. Climate-related targets tied to executive pay are of particular importance to tighten the gap between ambitions, pledges and results. This is especially relevant for large international listed companies, where the operations – including the entire supply chain – have significant impact on the environment and society at large.

As shareholders, we want to contribute to creating clear and relevant incentives for the existing management to act today. Therefore, we encourage companies to implement relevant performance-related sustainability targets and ultimately propose appropriate incentive programs at coming shareholder meetings.

We recognise the importance of company culture and values being the core tools in achieving sustainable behaviour. However, including sustainability targets in incentive programs signals the importance the organisation attaches to these objectives, internally to employees and externally to the company's stakeholders, enabling actual change. As a shareholder, we believe that putting sustainability targets into incentive plans enforces the process.

Implementing incentives linked to sustainability targets in LTIP schemes implies a need to develop performance-related programs rather than investment-based programs. Company management and the board of directors are obviously well positioned, and have the responsibility, to single out the most relevant and material sustainability targets for the specific company. The board should also be well-equipped to identify ambitious as well as achievable targets. As shareholders, we strive to be a strategic speaking partner and contribute to a fruitful dialogue.

Engagement results so far

The response to our communicated message is as expected mostly positive, with the vast majority of chairmen confirming the relevance and importance of the issue. In a handful of cases, the reach-out also resulted in continued dialogue.

For example, the mining company **Boliden** now has implemented a long-term incentive program including an ESG target at the AGM in April 2023. The new incentive program was approved, including the two components relative TSR with an 80 percent weight and the remaining 20 percent based on the reduction of GHG (greenhouse gas) in accordance with Boliden's SBTi target and pathway.

"In order to build a future-proof business, you need to ensure that you have a longer view. This program will support that Boliden will continue to be a company that is sustainable in all dimensions"

– Karl-Henrik Sundström, Chair of the Board of Boliden

Our proactive approach and clear perspective have played a significant role in facilitating the implementation of a long-term incentive program of Boliden.

SEB IM engaged during 2022, in a dialogue with **Encavis**, the German listed renewable energy operator. We engaged with the company in order to get a better alignment of the management's incentive scheme and Encavis' ambition to improve its ESG rating from "A" to "AAA" by MSCI ESG by 2025. Hence, we appreciate that the company now has changed their remuneration structure, ESG parameters now being a prominent part of the remuneration program.

Similarly, we engaged with **Netcompany**, the Danish IT service provider, to establish a stronger link between remuneration to executive management and Netcompany's ESG-related targets. We therefore welcomed the board's proposal of a new incentive program to executive management before the Annual general meeting. The targets presented include reduction of CO₂ emissions, energy consumption and water consumption, as well as social-related targets in terms of equality and employee satisfaction.

Finally, the life science company **Addlife** launched a new sustainability strategy in 2022 and as part of the strategy included sustainability targets in variable compensation from 2023.

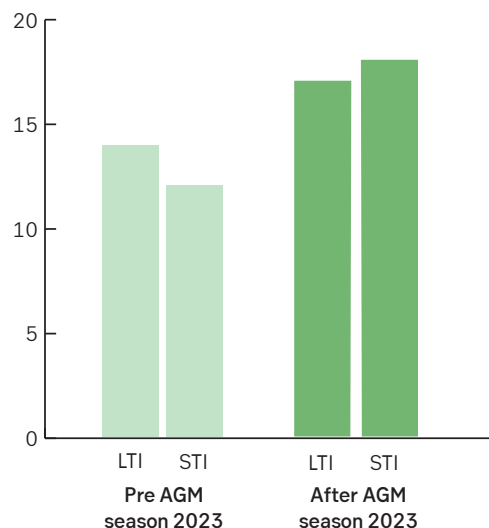
"Sustainability is a central part of our vision to improve people's life. Based on our value chain and stakeholder dialogues, we have identified three impact areas where we can have the greatest contribution to a long-term lasting business and society. We have also identified specific targets and KPIs connected to these areas"

– Johan Sjö, Chair of the Board of Addlife

Measuring the progress in terms of ESG targets in variable pay, out of the near 100 companies contacted, we conclude that 14 companies already had ESG variables in LTI programs before the Annual general meetings. At the same time 12 companies had ESG targets in the STI programs. After the voting season 17 companies have adopted sustainability targets in LTI programs and 18 in STI programs. In summary, there is a progress but the need for continuous engagement dialogues is clear.

No. of incentive programs with ESG targets amongst our top 100 prioritised engagement companies

Source: Novare Pay Consulting



Engagement focus – Reduction of GHG emissions

SEB Investment Management has committed to reach net-zero greenhouse gas emissions by 2040 on an aggregated level for our funds. In order to achieve this, we are dependent on the willingness and ability of investee companies to, in their turn, take action to achieve a carbon-neutral business as soon as possible.

The Science Based Targets Initiative (SBTi) is a global organization that empowers businesses to establish ambitious emissions reduction targets based on the latest advancements in climate science. SEB Investment Management actively encourages portfolio companies to develop and validate their science-based targets through the SBTi as part of our engagement efforts

Engagement dialogue with Stora Enso

As investors in Stora Enso, we have actively discussed the opportunities to replace traditional, fossil-based products within packaging, building and other consumer durables with renewable, fiber-based alternatives. This also includes the dialogue with potential customers, sub-contractors etc. to be an even more relevant owner and speaking partner.

Here, the building and construction industry is of particular interest, given its sizable share of global CO₂-emissions. Hence, replacing concrete and steel with massive wood materials is an opportunity to achieve several short and long-term benefits. Apart from their reduced CO₂-footprint and storage of carbon, a healthier society is also promoted by improved thermal insulation and acoustic performance.

"Climate change serves as a key driver for all our opportunities to both grow our business and deliver solutions that contribute towards our 2050 goal to offer 100% regenerative¹ products. Building Solutions is one of our strategic key areas and we aim to further strengthen our position as a leading supplier of wood-based construction solutions, which is also encouraged by

SEB Investment Management in the ongoing engagement dialogue. Our focus on low-carbon and recyclable fibre-based products, will support our customers in meeting the demand for renewable eco-friendly products"

– Anna-Lena Åström, SVP Investor Relations at Stora Enso.

Engagement dialogue with Heimstaden Bostad

SEB Investment Management actively encourages portfolio companies to develop and validate their science-based targets through the SBTi as part of our engagement efforts.

During our dialogue with Heimstaden Bostad AB, a Swedish real estate company, in early spring 2022, we acknowledged their commitment to setting Science-based targets. However, the targets had not yet been developed at that time due to insufficient data. We emphasized the importance of prioritizing the establishment of these targets for approval. We were delighted to receive news at the end of 2022 that Heimstaden Bostad's targets had been successfully approved by the SBTi.

"Developing science-based targets to reduce our carbon footprints and obtaining approval from SBTi has been our major sustainability priorities in 2022. SEB Investment Management, together with other stakeholders, played a pivotal role in emphasizing the importance of prioritizing this."

– Katarina Skalare, Heimstaden's Chief Sustainability Officer

Successful transition case - Boralex

During 2021, Canadian power production company Boralex was assessed as a transition company. While having a large share of renewable power generation, a single-digit percentage of fossil power warranted a deeper analysis. Boralex was engaged in dialogue on these issues, and in 2022 we could confirm that their fossil power assets had been divested. Thus, the company transition was deemed successful.

¹ Being regenerative means providing renewable and fully circular products and solutions that help reduce climate impact by removing more carbon than they emit and support biodiversity restoration

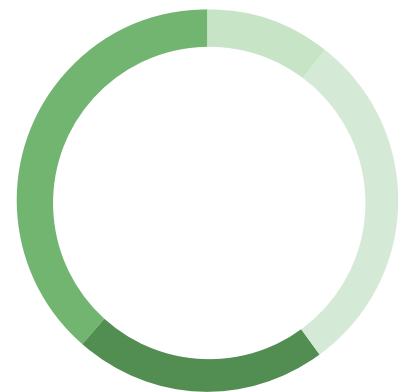
Partner-led engagement activities

SEB Investment Management cooperates with partners when engaging with our international holdings, mainly outside the Nordic countries. The two main service providers are ISS and EOS at Federated Hermes. The areas we cooperate in are mainly proxy voting and pooled/collaborative engagement dialogues.

When voting at shareholder meetings globally we use proxy voting. Based on SEB Investment Management's Principles of Active Ownership and Sustainability Policy, our partner ISS presents voting recommendations. We make the final decision on how to cast our vote. During the July 2022-June 2023 period, we voted at 739 AGMs internationally, and at these meetings, SEB Investment Management voted on more than 9,000 agenda items, while the number of votes against board proposals accounted for 12%. The most common issue for which we voted against board proposals was related to the composition of the board. Usually, these issues relate to proposals for the CEO of the company to also be chair of the board. Furthermore, SEB Investment Management voted against several executive management incentive programmes due to unambitious targets and criteria for the successful outcome of the remuneration.

SEB Investment Management also procures the norm-based engagement service from ISS that alerts us to any alleged or identified norm breaches by any of our international holdings. If that is the case, a breach may lead to joint action by ISS and SEB Investment Management to engage in a reactive dialogue with the company in breach, called pooled engagement. Last year, we backed some 120 engagement dialogues led by ISS.

Norm Area



Labour rights	38%
Human rights	22%
Environment	29%
Corruption	11%

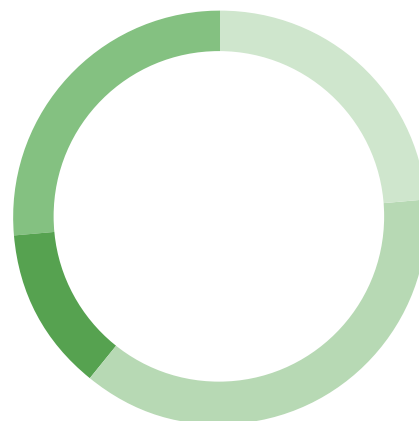


In terms of proactive company dialogues internationally, we collaborate with EOS at Federated Hermes, who conducted dialogues with 721 companies on more than 2,800 issues during the period. Most of the dialogues are led by EOS at Federated Hermes, although SEB Investment Management staff may be directly involved in the dialogue in some cases. Some 1,670 topics discussed were related to at least one of the Sustainable Development Goals.

EOS at Federated Hermes and SEB Investment Management’s engagement in Climate Action 100+ Investor engagement on climate change is vital to help steward companies through a period of intense economic transformation. The collaborative engagement initiative Climate Action 100+ (CA100+) has been at the forefront of this activity for the last five years, and EOS has played an important role within it. In 2022, EOS acted as lead or co-lead engager for 24 companies, although EOS and CA100+ paused engagement at three Russian companies after the start of the Russia-Ukraine conflict. EOS leads most of the dialogues, but SEB Investment Management is directly involved in dialogues when necessary.

In October 2022, the CA100+ Net Zero Benchmark revealed impressive progress to date with 75% of the focus companies committing to achieving net-zero emissions by 2050 or sooner. Some 92% have disclosed that there is board oversight of climate change, and 91% have aligned their climate disclosures with the TCFD recommendations. However, companies still need to match their long-term ambitions with comprehensive 1.5°C-aligned short- and medium-term targets and disclose

EOS engaged with 721 companies last year



Environmental	26%
Strategy, Risk & Communication	13%
Governance	37%
Social & Ethical	24%

credible strategies to achieve these. Also, only 23% of the companies have committed to aligning their lobbying activities with the Paris Agreement, despite the importance of policy support for achieving company decarbonisation.



Collaborative engagement activities

During the last 12 months, SEB Investment Management expanded the commitments and collaborative initiatives on biodiversity at an unprecedented pace, joining five new initiatives and organisations.

Engagement Focus - Advancing the cause of biodiversity

During the past year, the importance and understanding of biodiversity has increased in the financial markets, especially with the agreement on the Global Biodiversity Framework during COP15 in Montreal. Biodiversity is not just a matter of environmental concern, it is a crucial economic issue that already influences our investment decisions and risk assessments.

Biodiversity loss poses significant risks to global economies and financial systems. It can lead to reduced agricultural productivity, increased vulnerability to climate change, and heightened financial risks. Conversely, preserving and enhancing biodiversity can open up new investment opportunities and contribute to sustainable economic growth.

During the last year, we have significantly expanded our collaborative engagements on biodiversity, as well as our target setting. Our updated sustainability policy now specifically takes biodiversity issues into account, with added exclusionary criteria on biodiversity-sensitive areas and threatened species.

SEB Investment Management is now a member of the TNFD Forum, supporting the new standardized framework for assessing biodiversity risks and impacts. We are also a signatory of the Finance for Biodiversity pledge, committing to engaging, assessing impacts, and setting targets for the protection and restoration of biodiversity through our investment activities.

Via CDP, we have joined the Forest Champions initiative, the Green Finance Accelerator, the SBTi campaign, and the non-disclosure campaign during 2023. While formal engagement activities have not yet begun at the time of writing, we have applied for joining Nature Action 100+, a joint initiative by Ceres, IIGCC, Finance for Biodiversity, and Planet Tracker. We have also applied for joining the PRI-led Collaborative Stewardship Initiative on Nature.

Our collaborative engagements with FAIRR have increased significantly during the last 12 months. Alongside the ongoing biodiversity engagements, we have joined engagement initiatives regarding Animal Pharmaceuticals, Restaurant Antibiotics, and Working Conditions. We have also co-signed a letter to the G20 Finance Ministers to repurpose their agricultural subsidies in line with climate and nature.

Investor Policy Dialogue on Deforestation

IPDD is a unique investor engagement to coordinate dialogue with governments, public authorities and sector organisations concerning systematic, sustainable land use and management of natural resources. Deforestation and forest degradation, mostly driven by beef, palm oil, soy, and other agricultural commodity production, have continued, despite the immense value of tropical rainforests. The number of supporting financial institutions has increased to 58, registered in 18 different countries with approximately USD 8.5 trillion in AUM. During 2021, a country workstream for Indonesia was initiated, alongside the existing workstream for Brazil.

The IPDD Brazil initiative, in which SEB Investment Management has played an active role, has five stated objectives:

- Significant reduction in the rate of deforestation
- Enforcement of Brazil's Forest Code
- Mandate and resources to environmental and human rights law enforcement officials
- Resource allocation to fire prevention to avoid 2019 scenarios
- Public access to data on deforestation and traceability of commodity supply chains

During 2022-2023 the IPDD Brazil has held a series of meetings with various stakeholders, such as the central bank and ministries, culminating in a field trip to Brazil with several investors.

By engaging in this type of dialogue, we have a greater chance of influencing the Brazilian government's position regarding the country's tropical rainforests, to tackle climate change, protect biological diversity and ensure a fully viable Brazilian ecosystem. The deforestation of the Amazon has a great impact on the global climate and thereby the entire global economy. The initiative within the IPDD framework is unique since most of our engagements take place at company level. As one of the international institutions it is particularly important for us to share and express our concerns about the handling of Brazil's nature resources, and in particular their tropical rainforests.

Thematic collaborative engagement

In this collaborative engagement, led by ISS, we reinforce our efforts by participating in company dialogue covering four of our seven prioritised themes, addressing 130 companies in total. The initiative was launched early 2022. The company dialogues focus on material sustainability-related themes. ISS facilitates the engagement on our behalf, and other institutional investors, to promote positive change through active ownership and dialogue. SEB Investment Management will benefit from ISS' expertise to identify areas in need of improvement and measure the engagement progress over the engagement life cycle, which is estimated to be two years, and finally, to evaluate the engagement progress. The four focus themes are:

Net Zero: Aims to improve companies' commitments to reaching Net Zero emissions by 2050, by calling for ambitious targets and decarbonisation strategies.

Water: Intends to improve corporate disclosure of water-related risks and impact focusing on two high-impact industries: chemicals, and textiles & apparel.

Biodiversity: Seeks to improve transparency on biodiversity impact and strategies to manage nature-related risks with high-impact industries such as food products and mining

Gender Equality: Aims to increase female representation at the board and executive management levels, and the disclosure of measures taken to promote equal opportunities and gender diversity.

As of the end of May 2023, an average of 60% of the companies across the four themes have responded to the outreach, either through virtual engagement meetings or written responses. ISS ESG will continue to reach out to unresponsive companies through an established reminder and escalation process. In

the period between 1 July 2022 and 31 May 2023, ISS ESG recorded 873 interactions with companies, of which 244 were inbound (engagement meetings and written responses), and 629 were outbound (initial enquiry, reminder, and escalation outreach, clarification enquiries, etc.).

Engagement dialogue with JDE Peet's NV (Biodiversity)

Since the start of the Biodiversity Thematic Engagement in Q3 2022, ISS ESG has facilitated the dialogue with JDE Peet's. The company has shared information on several new projects it is involved in, such as the ECOFFEE industry initiative led by CIRAD, which seeks to reduce pesticide use in coffee farming. It also highlighted some of its key disclosures, including its Responsible Sourcing webpages and its Common Grounds program for coffee sourcing.

In its 2022 Annual Report, published six months after the start of the engagement, the company clarified that its target to source 100% of its tea and coffee sustainably covers all of its consolidated operations. Through the engagement dialogue, the company also highlighted that it has expanded its packaging disclosures in its 2022 Annual Report and that it will continue to report on key packaging metrics around material usage weight and packaging intensity ratio. Going forward, the dialogue will continue to focus on measures to promote sustainable soil and biodiversity management throughout the value chain, as well as measures to reduce negative impacts from packaging, among other topics.

ISS thematic engagement success (as of end of Q1)

Theme	No Progress	Low Impact	Moderate Impact	High Impact	Total
Net Zero	5	12	13	0	30
Gender	22	15	3	0	40
Biodiversity	13	14	3	0	30
Water	9	16	5	0	30

Net Zero Asset Managers initiative, NZAM

Engagement dialogue with Givaudan SA (Water)

Since the start of the Water Thematic Engagement in Q3 2022, ISS ESG has moderated, and SEB Investment management participated, in one engagement meeting with the company. The company explained that it is committed to providing water-related information to investors and elaborated on some of its wastewater processes and disclosures, explaining the types of treatment required for material pollutants, and detailing the types of pollutants that it tests for. The company provided examples of its water management at a range of its facilities, including in Pune, India; Vernier, Switzerland; and Pomacle, France; and explained that it has Environment, Health and Safety (EHS) representatives at every site, in addition to a dedicated wastewater team.

The company outlined some of its supplier engagement topics, which include the reduction of water consumption and discharge management, and clarified that it maintains a wastewater standard. Regarding water use reduction targets, the company provided context for its goal of improving water efficiency at sites in areas of water stress by 2030, which it is halfway to achieving. They explained that their executive committee generally takes an ambitious approach to target setting, as was the case with the company's Net Zero target, and that in some instances, individual sites set goals ahead of those at the corporate level. The dialogue going forward will continue to focus on wastewater management processes and details of freshwater use reduction targets.

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. When defining the 20 highest carbon-emitting companies in SEB IM's portfolio, we have assessed emitters ranked by contribution to our portfolio during the second quarter of 2022. The companies' historic contribution to our total portfolio has been backtracked for each quarter from the start of 2021, in order to ensure a track record of large emissions contribution to our portfolio. With the exception of newly listed corporations, all of the companies on this list have been in the top 20-30 highest emission contributors in several of these quarters. As of today, we can conclude that seven out of the 20 companies have approved SBT targets, five have committed to SBT targets and eight have not yet committed. This fact also makes it quite clear in terms of defining the engagement agenda going forward.



Memberships supporting responsible investments

SEB and/or SEB Investment Management AB are members of the following associations and organisations that aim to promote responsible investments:

SEB Investment Management

- SEB Investment Management AB is a member of the Swedish Investment Fund Association. The Association works to promote a sound industry that operates in the best interests of investors. The Association's numerous working groups are the heart of its operations. SEB Investment Management participates in several working groups, such as the working group for responsible investments driving the ESG agenda in the industry.
- SEB Investment Management AB has signed the Montreal Carbon Pledge in which investors commit to measure and publicly disclose the carbon footprint of their investment portfolios.
- SEB Investment Management is a member of Swedish, Finnish and Danish Sustainable Investment Forums (SIFs). An example of this engagement is that SEB, with five other Swedish financial institutions, has made sustainability profiles at fund level available in, among others, the Swedish premium pension system.
- SEB Investment Management is a member of Swedish Investors for Sustainable Development. The group's goal and mission is to work with the SDGs, from different angles, to explore the role and perspective of investors. SEB Investment Management participates in the working groups for anti-corruption and sustainable cities.
- SEB Investment Management is a member of Sustainable Value Creation (Hållbart Värdeskapande), a collaboration among major Swedish institutional investors aiming to raise awareness of ESG issues at board level.
- Over the years, via the PRI Collaboration Platform, and in collaboration with a number of international investors, SEB has worked with the themes of anti-corruption, as well as hydraulic fracturing (fracking) in the shale gas industry.
- SEB Investment Management signed a letter from global investors to governments of the G20 nations in which we reiterate our call for governments to continue to support and fully implement the Paris Agreement.
- SEB Investment Management joined IIGCC (Institutional Investor Group on Climate Change) to engage with the 100 largest CO₂ emitters.
- SEB Investment Management joined CDP (Carbon Disclosure Project) in 2018, to engage with companies regarding water-related issues. During 2023, SEB Investment Management is participating in the Forest Champions initiative, the Green Finance Accelerator, the SBTi campaign and the yearly non-disclosure campaign.
- SEB Investment Management joined Access to Medicine in 2016 to engage with companies working to make medicine affordable in developing countries.
- In 2020, SEB Investment Management joined the IIGCC Climate Bank Initiative, urging banks to align financing with net zero emissions, scale up green finance and withdraw from projects that fail to meet the goals set in the Paris Agreement.
- In 2021, SEB Investment Management joined the Net Zero Asset Manager initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.
- SEB Investment Management has been a member of SIIA (the Swedish Institutional Investors Association) since 2003.
- SEB Investment Management is a member and was one of the founders of the Investor Integrity Forum in 2021.
- SEB Investment Management is a member of IPDD (the Investors Policy Dialogue on Deforestation).
- SEB Investment Management is a member of the FAIRR Initiative.
- SEB Investment Management joined the TNFD Forum in 2022.
- SEB Investment Management signed the Finance for Biodiversity Pledge in 2023.
- In 2023 SEB Investment Management joined the Nature Action 100+ engagement initiative, jointly run by Ceres, IIGCC, Finance for Biodiversity Foundation and Planet Tracker.
- In 2023 SEB Investment Management joined the PRI Stewardship Initiative on Nature and the Advance initiative on human rights.

SEB

- SEB is a signatory to the UN Global Compact since 2004.
- SEB is a signatory to the United Nations Principles for Responsible Investment (PRI) since 2008.
- SEB has revised and strengthened its Climate Change Position Statement and decided to gradually shift away from coal. Consequently, SEB will not enter into new business relationships with companies that have a substantial part of their business activities in coal mining, nor will SEB provide financing for new coal-fired power plants.
- SEB joined the Paris Pledge for Action in December 2015, whereby major cities, regions, companies and investors from around the globe promised to quickly and effectively help implement the Paris Agreement, and accelerate the transformative changes needed to meet the climate change challenge.
- SEB signed the UNEPFI Principles for Responsible Banking in 2019.
- SEB joined the Net-Zero Banking Alliance in 2021.

Additionally, SEB supports the following international codes and agreements:

- The UN Global Compact
- The OECD Guidelines for Multinational Enterprises
- UN Environment Programme Finance Initiative
- The Equator Principles
- The Carbon Disclosure Project
- ICC Business Charter on Sustainable Development
- Task Force on Climate-related Financial Disclosures (TCFD)

Appendix - Engagement themes in detail

Each year we ask our customers which of the UN's Sustainable Development Goals they consider most important. We attach considerable weight to the outcome of the survey when prioritising the engagement themes in our company dialogues. The themes are also based on our view of the pressing global issues of climate change, biotope degradation and water scarcity, together with our commitment to help build better societies. Finally, we consider good corporate governance a cornerstone of sustainable, long-term value creation.

Climate change, biodiversity and clean water

SEB Investment Management has defined three prioritised engagement themes within the environment and climate area. See the brief description of the themes below.

1. Climate change remains both our customers' and SEB Investment Management's number-one priority. Yet the global economy is currently on track to deliver some 3°C of heating¹. We will continue to address this issue and expect companies to adjust their business models in line with the goals of the Paris Agreement, including a net-zero goal.

SEB Investment Management's ambition is to align our portfolios with the Paris Agreement's goal to limit global warming to well below 2°C, and ideally below 1.5°C, compared to pre-industrial levels, in order to achieve net zero emissions by 2040. To achieve this, and to remain an attractive portfolio investment, it is vital that investee companies develop climate strategies that are aligned with the objectives of the Paris Agreement.

Furthermore, we advocate science-based targets since they provide companies with a roadmap to reduce their emissions at the pace and on the scale that the science tells us is necessary, i.e., not to exceed a temperature increase of 1.5°C. In engagement dialogues with our holdings, we will address and emphasise the importance of:

- Implementation of science-based targets and disclosure of CO₂ emissions
- Disclosure of a Net Zero Transition Plan including a strategy and investment plan
- Climate resilience in the investee companies' business models

2. Biodiversity has become one of the issues our customers want us, as investors, to prioritise when engaging in company dialogues. This goal seeks to protect and restore life on land by sustainably managing forests and halting deforestation, preventing desertification, restoring degraded land and soil, halting biodiversity loss and protecting threatened species. Biodiversity loss includes the extinction of species worldwide, as well as the local reduction or depletion of species in a certain habitat, resulting in a loss of biological diversity.

Biodiversity loss and climate change are both driven by human economic activities and mutually reinforce each other. We will therefore address investee companies operating in sectors with a high potential biodiversity impact, such as agriculture, forestry and power generation, including biofuel and hydropower, to take measures to limit their negative impacts. SEB Investment Management will encourage companies to commit to full traceability in their production processes and supply chains. In engagement dialogues with our holdings, we will address and emphasize the importance of:

- Implementing a policy on deforestation, with focus on the forestry and agriculture sectors
- Disclosure of company dependencies and impacts on biodiversity and ecosystems – reporting on metrics and targets
- Developing strategy and risk management of material dependencies and impacts on biodiversity and ecosystems

¹ Climate Action Tracker, Environmental Change Institute at the University of Oxford

3. Water, such as water-related ecosystems, plays a fundamental ecological role and provides essential products and services. Currently, freshwater ecosystems are changing dramatically. One fifth of the world's river basins are experiencing either rapid increases or decreases in surface water area. Furthermore, natural wetlands all over the world are in long-term decline. More than 80% are estimated to have been lost since the pre-industrial era².

Improving water-use efficiency is key to reducing water stress. All economic sectors have seen their water-use efficiency improve since 2015. SEB Investment Management will encourage investee companies to continue their efforts to increase water-use efficiency and take further action to ensure that the business does not threaten the water-related ecosystems in which it operates.

The impact on local waterways and blue ecosystems from certain industries, such as mining, chemicals or textiles, is usually significant in terms of impact on both the environment and local communities. Ensuring that existing and new businesses and factories minimise, mitigate and reverse any potential negative impact is paramount from both an environmental and a local development perspective. In engagement dialogues with our holdings, we will address and emphasize the importance of:

- Disclosure of dependencies and impacts on water-related ecosystems and the development of a strategy, as well as adequate risk management
- Monitoring and mitigation of local water-environmental impact, as well as access to water for local communities
- Formulating and disclosing water use reduction targets

Healthy societies and supply chain management

SEB Investment Management has defined two prioritised engagement themes within the social responsibility area.

4. The healthy society theme addresses a broader set of issues than just preventing injuries and reducing the death toll from disease. A healthy society also requires safe neighbourhoods, affordable housing, healthcare, job opportunities, reduction of income inequality, design of walkable towns, and the fostering of community cohesion, etc. For all of this to be achieved, multiple interventions and cross-sector partnerships are required.

A long-term global decarbonisation strategy aligned with the 1.5°C goal, while also supporting the 17 SDGs, requires a massive shift in how companies and societies function. For this transition to be successful, it has to maximise the benefits of the decarbonisation strategy, while minimising the hardships for workers and communities.

Corporates play an important role in the transition to more sustainable societies. Accordingly, we expect investee companies to:

- Develop a strategy for diversification and equal opportunities
- Take an active role in creating the prerequisites for a just and sound transition to a long term sustainable and net-zero-carbon society

5. The supply chain management theme includes a broad range of critical issues, such as environmental risks, pollution, greenhouse gas emissions and more. It also addresses anti-corruption measures and mitigation, as the foundation for sound and sustainable businesses and societies. The theme covers all aspects of human rights, including those related to forced labour, child labour, gender-specific issues, and the protection of basic human rights, including the right to life and liberty, freedom of expression and the protection of indigenous rights.

² <https://unstats.un.org/sdgs/report/2021/goal-06/>

We expect companies to apply the UN Guiding Principles on Business and Human Rights, reporting on their management of the most salient human rights issues and risks that could have the most severe negative impacts on company operations and supply chains. In engagement dialogues with our holdings, we will address and emphasize the importance of:

- Strategy and disclosure on environmental challenges and risks throughout the value chain
- Human and labour rights – Adherence to the UN Guiding Principles on Business and Human Rights
- Implementing a strategy and culture to prevent corruption that are fundamental for all efforts within sustainable development throughout the supply chain

Executive remuneration and board effectiveness

SEB Investment Management has defined two prioritised engagement themes within the governance area. See the brief description of the themes below.

6. Executive remuneration - It is becoming increasingly relevant and important for the board to connect the efforts to deliver on a strategy in alignment with the Paris Agreement and with adherence to the UN's 17 SDGs. In other words, executive management incentives and compensation schemes need to be linked to relevant sustainability targets, all in accordance with the strategy. Consequently, and in alignment with the Task Force on Climate-related Financial Disclosures, TCFD, companies should consider describing whether and how performance-related metrics are incorporated into remuneration policies. In engagement dialogues with our holdings, we will address and emphasize the importance of:

- Remuneration policies and programs expected to include relevant sustainability targets
- Transparent disclosure of incentive programs expected, as well as quantitative measurable targets

7. Board effectiveness, or the performance of the board, is vital to the long-term success of a company. Accordingly, this is a given theme when SEB Investment Management serves on nomination committees. To improve decision-making, boards should comprise directors with skills aligned with the strategic needs and direction of the company and a diversity of perspectives (including gender, age, nationality, background, skills and experience). It is equally important that boards have enough independent directors to challenge management, and that directors can dedicate sufficient time to fulfilling their duties. An effective board should also be involved in fruitful dialogue with the company's shareholders, the workforce and other key stakeholders. Finally, we expect the investee companies to perform external board evaluations on a regular basis. In engagement dialogues with our holdings, we address the important responsibility of the board to work actively with company culture and corporate values in order to support the sustainable development of the business. This also includes defining relevant and material sustainability targets.



SEB Investment Management acknowledges the importance of all of the UN's Sustainable Development Goals. For example, shifting to sustainable consumption and production patterns (SDG 12) is a prerequisite when addressing global challenges, including climate change, biodiversity loss and pollution, and is central to achieving sustainable development. Furthermore, we acknowledge the importance of developing a more circular economy by reusing material components and improving a product's life cycle to a far greater extent than today. In addition, resource efficiency needs to be on the agenda constantly, regardless of industry or sector addressed. However, we have not defined SDG 12 or the circular economy as an engagement theme in its own right. Instead, it is part of our dialogue when addressing the seven prioritised themes.

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