SEB Investment Management Sustainability Report 2022

Positively shaping the future.
Today and for generations to come.

SEB

Contents

Risk information

Historical returns are no guarantee of future returns. Past performance is not indicative of future results. The value of investments and income derived from investments may rise as well as fall. Future returns are not guaranteed and a loss of principal may occur. A fund's value may vary significantly due to its composition and the management methods used by the fund management company. Key Information Documents and prospectuses are available at www.sebgroup.lu.

Production: SEB Investment Management AB and Narva

2022 in brief

40
Number of nomination committees on which we served prior to the 2022 annual general meetings

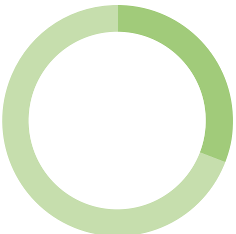
680
Number of annual general meetings at which we voted in 2022

41%
Proportion of women on boards for which SEB Investment Management served on nomination committees prior to annual general meetings in 2022

2,700
Number of dialogues we have had with companies on sustainability and corporate governance issues either individually or through collaborative initiatives

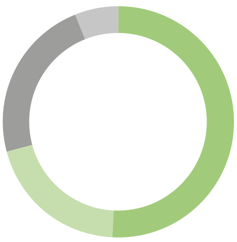
SEB Investment Management

- SEK 684 billion in assets under management in SEB Investment Management-labelled mutual funds
- A diversified client and asset base



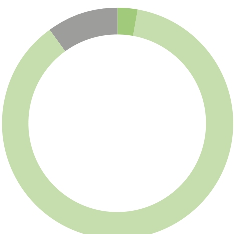
Assets under management by client segment

Institutional investors	30%
Private investors	70%



Assets under management by asset class

Equities	51%
Fixed income	20%
Multi-management	23%
Alternatives	6%



Assets under management by SFDR classification

Article 9 funds	3%
Article 8 funds	87%
Other funds	10%

Sustainability KPIs

2040
Commitment to, on an aggregated level, reaching net zero greenhouse gas emissions by 2040 for the total capital in funds

90%
SEB-labelled funds classified as Article 8 or Article 9 funds according to the Sustainable Finance Disclosure Regulation (SFDR)

45%
Share of companies in our portfolios that report on Science Based Targets

SEK 9 billion
Total assets under management in microfinance funds

Honours in 2022

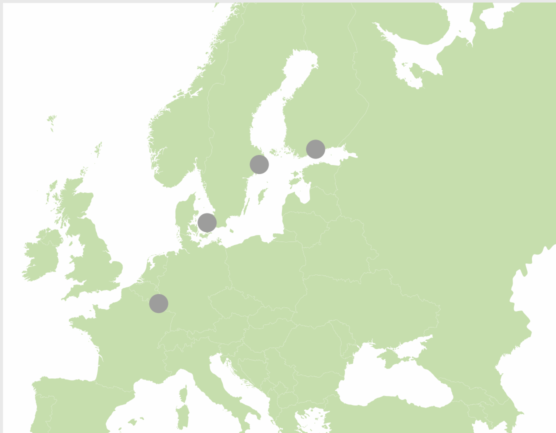
- We received two awards for gender representation in portfolio management at the Citywire Gender Diversity Awards 2022.
- We were shortlisted for the PRI Awards in the category of 'ESG incorporation initiative of the year'.
- SEB was nominated for the Svenska Jämställdhetspriset (the Swedish Equality Award), partly due to its work with the SEB Global Equal Opportunity Fund.

New Article 9 funds in 2022

SEB Active Owners Impact
SEB Nordic Future Opportunity Fund
SEB Nordic Green Energy Fund
SEB Climate Focus High Yield Fund
SEB Microfinance Fund X

Our geographical presence

- Sweden, Stockholm
- Finland, Helsinki
- Denmark, Copenhagen
- Luxembourg



Q1

The SEB Active Owners Impact Fund (formerly SEB Industrial Opportunities) was converted into a Article 9 fund focusing primarily on investing in companies with active and engaged owners.

We updated our sustainability policy for investments in the defence industry. This means that a limited number of funds that invest in equities and corporate bonds were able to invest in the defence sector as of 1 April.

Q2

SEB launched its tenth microfinance fund, which invests in microfinance institutions in developing countries. We released our first separate Active Ownership Report, which describes how SEB Investment Management works with active ownership.

Q3

The Nordic Future Opportunity Fund (formerly SEB Nordic Equity Fund) was converted into a Article 9 fund with an emphasis on sustainable development. We signed up to the FAIRR investor initiative on animal health and antibiotic resistance in the agricultural and food sectors. We launched a dashboard for communication about our voting at annual general meetings. For the sixth consecutive year, we surveyed customers to find out which sustainability issues SEB customers prioritise.

Q4

We received two awards for gender inclusivity in our management and organisation at the Gender Diversity Awards 2022, presented by international analytics and news agency Citywire. We were shortlisted for the PRI Awards in the category of 'ESG incorporation initiative of the year'. We joined the TNFD Forum, an international group that works to improve knowledge of financial risks related to environmental issues such as land and water stewardship, biodiversity and other ecosystem services. In the lead-up to COP27 in Egypt, we joined with other investors to call on governments around the world to increase the pace of the climate transition. The SEB Climate Focus High Yield Fund (formerly SEB European High Yield Fund) was converted into a Article 9 fund focusing on positive environmental impacts in alignment with the Paris Agreement.

Through the year as a whole, we implemented the European Union's Sustainable Finance Disclosure Regulation (SFDR), which aims to make it easier for consumers and investors to compare sustainability across different financial products.

→ For definitions, see glossary on page 27.

Sustainable investments in a turbulent world

In retrospect, it is almost staggening to try to grasp the huge economic and geopolitical changes that occurred in 2022. A full-scale war in Europe involving great human suffering, the escalating energy crisis that resulted, soaring inflation and rising interest rates around the world – we may have seen the signs, but the changes have come faster than we could ever have imagined. Falling asset prices made 2022 a difficult year for investments in general, even sustainable ones.

Elisabet Jamal Bergström is Head of Sustainability and Governance at SEB Investment Management.

Javiera Ragnartz is CEO of SEB Investment Management and a member of SEB's Group Executive Committee.

What kind of a year was 2022 for investors?
Javiera Ragnartz: At the start of the year we were still in the midst of the pandemic, with ongoing supply chain problems that created some bottlenecks. Rising geopolitical tensions at the start of the year affected energy prices, inflation took hold and central banks began tightening their monetary policies and raising interest rates. The Russian invasion of Ukraine in February triggered a new crisis before we were even out of the pandemic. Instead, the problems in global supply chains, trade, production, transport and energy shortages that had arisen during the pandemic were exacerbated. The sanctions imposed on Russia also affected the global economy. Inflation, which at times, was previously regarded as a temporary effect of pandemic-related issues, now took hold, and financial policy restraints in the form of raised interest rates and decreased balance sheets for central banks became a reality.

During the year, people saving and investing in funds experienced sizable downswings in the stock markets, while rising interest rates meant that even bond funds had a tough time for much of the year. High energy costs, raised interest expenses and inflation in general meant a huge strain on private finances for many people. Overall, this has meant outflows from funds during the year.

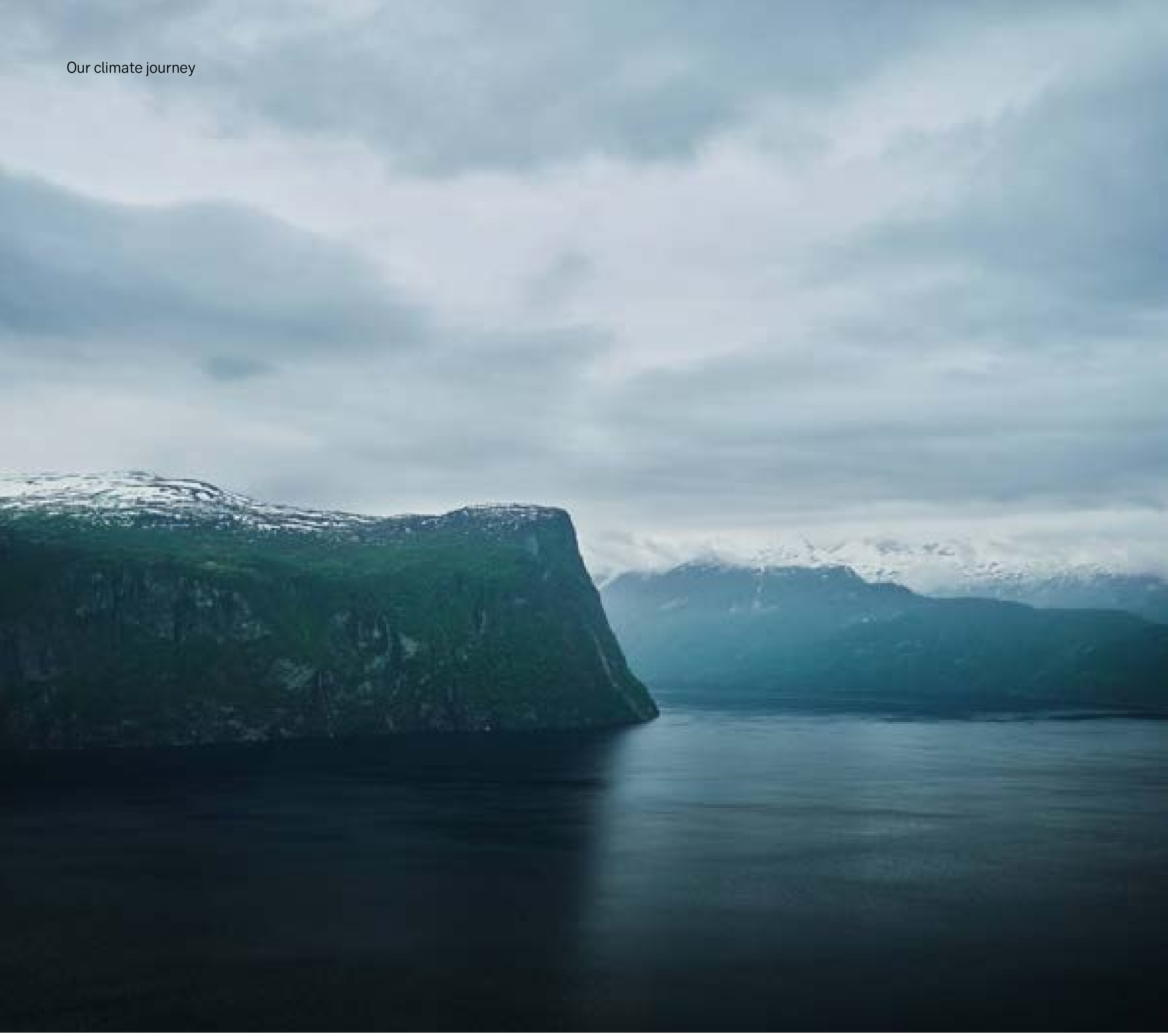
How did things go for sustainable investments in 2022?
Elisabet Jamal Bergström: It was mixed. The difficult market environment obviously affected investments as a whole, including sustainable investments. High energy prices also strengthened the oil and gas sector for much of the year, which had a negative impact on some of our funds. We don't invest in fossil fuels, and the strong performance of this sector meant we lost out on some returns. On the other hand, this general outflow from funds does not quite hold true in regard to what are known as Article 9 funds. These are funds with sustainable investments as an objective, and on the contrary, in the European securities markets these funds attracted inflows during the year.

"On those boards for which we participated in nomination work, the proportion of women is 41 per cent, which is above our target."

How has SEB Investment Management (SEB IM) handled this customer interest in Article 9 funds?
Javiera Ragnartz: Our objective is to offer more Article 9 funds with sustainable investments as a goal, and for these to make up a greater proportion of our assets under management. In 2022 we launched five new Article 9 funds. One of them is the SEB Nordic Future Opportunity Fund. This fund focuses on investments in Nordic companies that may benefit from the growing needs and trends relating to the energy transition, resource efficiency and circularity, and on companies offering solutions for sustainable transport and sustainable societies. Our institutional customers have shown great interest in the SEB Nordic Green Energy Fund, which we launched in the autumn and which invests in renewable energy, with the aim of accelerating the transition in the energy sector. The fund will invest directly in areas such as geothermal heating, solar power, hydropower and wind power. At the end of the year, Article 9 funds represented three per cent of assets under management.

Several rule changes came into effect at the end of the year that affect information about sustainable investments. What do these involve?
Elisabet Jamal Bergström: A number of additions and modifications to the EU's extensive regulatory package on sustainable development and sustainable investments have come into effect. The overall purpose of this regulation is to direct capital to sustainable investments, and the new changes that came into effect at the end of the year will help provide more standardised and extensive sustainability information and sustainability monitoring. As a fund management company, it means that we further increase transparency and comparability for those of our funds that integrate sustainability in some way. Specifically, this is about providing detailed pre-contractual and monitoring information for Article 9 and Article 8 funds. The aim is to enable people investing in funds throughout Europe to clearly compare, for example, fund sustainability goals, how the funds promote sustainability, and how negative consequences for the environment and people are taken into consideration in fund management.

Climate change remains a priority, both in fund management and for our customers (see page 7). Is there anything beyond climate work that you want to highlight with regard to working with sustainability during 2022?
Javiera Ragnartz: I think it's fantastic that our focus on equality made an impression during the year. We served on 40 nomination committees for Swedish listed companies and continued to work towards more gender equitable boards of directors. On those boards for which we participated in nomination work, the proportion of women is 41 per cent, which is above our target. Finally, 2022 was a year in which lots of sustainability issues became increasingly visible, and we can't be reminded enough of the importance of integrating sustainability into our investments going forward.



Our climate journey

Climate change is one of the greatest challenges of the modern era. We want to contribute to accelerate the decarbonisation of the global economy while upholding our primary fiduciary duty of delivering exceptional long-term risk-adjusted returns.

Our commitment

We commit to managing our investments in line with the Paris Agreement, with the aim of having net zero greenhouse gas emissions by 2040 for the total capital in funds.

We monitor our progress and have established the following interim targets:

- Achieve a 50 per cent reduction in greenhouse gas emissions for our total capital in funds by 2025*
- Achieve a 75 per cent reduction in greenhouse gas emissions for our total capital in funds by 2030*

* Baseline year 2019

Our climate strategy

We use several methods to make demands of and encourage companies to meet our expectations. We do this by integrating sustainability analyses into our investment decisions so we can identify and invest in companies that share our strategic view of sustainable development, while divesting from companies with unsustainable business models.

We have defined some companies as transition companies. They have a clear plan for evolving towards a more sustainable business model, and in our view, proactive dialogue with these companies can make a difference.

These companies may have relatively high emissions at present, but are on a clear path to low emissions.

→ Read more about transition companies on page 19.

We will:

1. Manage our funds in alignment with the Paris Agreement, but aim to reach net zero emissions for all our products by 2040.
2. Redirect capital flows to climate solutions and to climate-resilient and transitionary business models.
3. Discontinue investments from businesses that have a particularly negative impact on the climate. We are undertaking a full review of the climate impacts of our investments and actively monitor emerging issues and regulatory developments.
4. Induce companies to pursue climate resilience in business models through our ownership position. We believe that engagement and active ownership is a constructive process for creating sustainable long-term value.

> "We identify and invest in companies that share our strategic view of sustainable development and divest from companies with unsustainable business models."

The path to net zero emissions

According to our calculations, carbon emissions financed by our investments have been reduced by more than 40 per cent in absolute terms since 2019. This reduction can largely be attributed to divestment from fossil fuel and power generation companies. There is still a lack of data and data quality assurance available, making the outcome and forecasts uncertain. We believe that new regulation and future legislation in the EU will substantially improve both availability and quality of data, thus improving our forecasts.

Climate commitments and partnerships

Absolute carbon dioxide emissions from our investments (scope 1 and 2)

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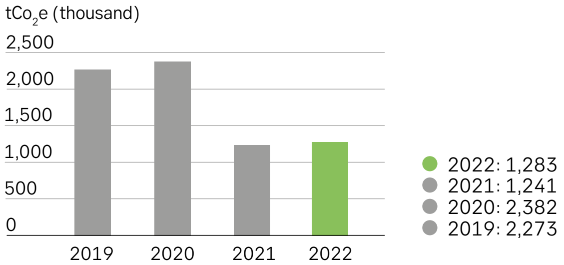


This chart represents approximately 95 per cent of SEB Investment Management's assets under management in listed shares and corporate bonds. Underlying data for the remaining assets under management is currently insufficient in order to correctly report the carbon footprint.

We primarily engage in processes to combat climate change in partnership with other investors. One example is the Institutional Investors Group on Climate Change (IIGCC), whose mission is to support and enable the investment community in achieving net zero emissions by 2050. Another example is the Net Zero Asset Managers initiative, an international group of asset managers committed to supporting investments in line with the goal of net zero greenhouse gas emissions by 2050.

→ Read about our other partnerships and commitments on page 26.

Our customers guide us in our engagement dialogues

For the sixth consecutive year, SEB surveyed customers who have fund and/or pension savings with SEB to find out which themes we should prioritise in our engagement dialogues. The survey was conducted to find out more about how the themes we use as a starting basis in our dialogues are ranked by our customers. The themes are guided by the UN's Sustainable Development Goals (SDGs), also known as the Global Goals.

SUSTAINABLE DEVELOPMENT GOALS

Climate change and clean water & sanitation continue to top the list of SDGs that are most important to our customers. Biodiversity is also one of the most important issues.

To influence companies to better meet our expectations regarding their actions on important sustainability issues, we engage directly with the companies in which we invest, or we engage via a partner or by cooperating with other investors. As well as the results of the customer survey, our engagement is based on our view of urgent global problems such as climate change, biodiversity and water shortages, and our commitment to helping to build better societies.

Climate change

13 CLIMATE ACTION

The global economy is heading for global warming in excess of 2 °C. We continue to prioritise this issue, and require the companies in which we invest to align their business models with the objectives of the Paris Agreement, including the net zero objective.

To achieve this, and to remain an attractive portfolio investment, it is vital that investee companies develop climate strategies aligned with the objectives of the Paris Agreement. We also advocate science-based targets, since these give companies a roadmap for reducing emissions at the pace and on the scale that the science tells us is necessary, i.e. in order not to exceed a temperature increase of 1.5 °C.

In engagement with our holdings we address and emphasise the importance of:

- implementing science-based targets and disclosure of carbon emissions;
- disclosure of a Net Zero Transition Plan, including a strategy and investment plan;
- climate resilience in companies' business models.

Through investor initiatives and partners, in 2022 we engaged with major companies such as ABB, Rio Tinto, ArcelorMittal, AP Moller-Maersk, BMW and Pfizer, encouraging them to either establish and monitor credible net zero emission targets or clearly disclose their climate impact.

Clean water and sanitation for all

6 CLEAN WATER AND SANITATION

Clean water, such as water-related ecosystems, plays a fundamental ecological role and provides essential products and services. While the proportion of the global population with access to safely managed drinking water is increasing, around 2 billion people are still without access. Natural wetlands are also in decline around the world. The degradation of wetlands also releases stored carbon, adding yet more fuel to climate change.* Improving water-use efficiency is key to reducing water stress.

We therefore 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 on 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 emphasise 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.

Together with partners, in 2022 we engaged with companies such as Petronas Chemicals Group, TSMC, Rio Tinto and Barrick Gold on issues regarding water management, water use and emissions.

*Source: https://unstats.un.org/sdgs/report/2022/goal-06/

Life on land (ecosystems and biodiversity)

Two of the issues that customers increasingly want us to prioritise when engaging in company dialogues are ecosystems and biodiversity. This SDG (Life on Land) seeks to protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss and protect 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 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. We encourage companies to commit to full traceability in their production processes and supply chains.

In engagement dialogues with our holdings, we will address and emphasise 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.

In 2022 we began the work of including biodiversity and ecosystems into our sustainability model, SEB Investment Management Sustainability Score (SIMS-S). This work is expected to be completed in 2023, and will give us a better insight into the impact of our holdings on ecosystems and biodiversity.

Via partners, in 2022 we engaged with companies such as Archer-Daniels-Midland, Compass Group, Yum! Brands, Walmart and McDonalds on sustainable production of soya, alternative protein sources, reduced pesticide use and responsible use of antibiotics in animal husbandry and food production. We have engaged companies such as AAK, Bunge, Cargill and Procter & Gamble on deforestation issues.

Affordable and clean energy

Energy access is already a major challenge, and will play an important role in the transition from fossil fuels to renewable energy. The energy sector is responsible for nearly 75 per cent of the emissions that have increased global average temperatures since the pre-industrial age, with visible impacts on weather and climate*. At the same time, contemporary energy is inseparable from the livelihoods and aspirations of a global population that is set to grow by some 2 billion people by 2050.

As investors, we must also be aware of the risks and opportunities associated with the transition to more sustainable energy use. Various high emitting sectors are reconfiguring and adapting strategically and financially. Many companies in transition can provide important infrastructure, and products and services that are crucial to both our present day and future society.

We believe that companies with a credible transition strategy and financially sound plans for switching from fossil-based to renewable-based business models can, and should, be included in our investment universe. It is therefore imperative that we identify companies that are engaged in this transition and be part of the journey by supporting them with investments and continuous dialogue.

To further the transition to renewable energy for all, we work to;

- identify transition companies and engage in dialogue. In 2022 we identified and engaged in dialogue with around 30 transition companies;
- work with other investors through initiatives such as Climate Action 100+ and the Net Zero Asset Managers initiative.

→ Read more on page 26.

*Source: IEA (2021), World Energy Outlook 2021, IEA, Paris

Sustainability in practice

Our methods

Our sustainability work incorporates various methods that combine to create value for our unit holders, but also for society as a whole. Integrated sustainability analysis, divestment and active ownership are crucial to the creation of sustainable long-term value.

Integration

We integrate the perspective of sustainability into our investment decisions and portfolio composition. By integrating analysis of risks and opportunities related to environment, social responsibility and corporate governance issues in all investment decisions and engagement, we ensure continous handling of both risks and opportunities related to sustainable development. Access to sustainability data has improved considerably in recent years, simplifying the integration of sustainability factors with investment processes and decisions. The sustainability criteria are weighted depending on what is material to the company's activities. This forms a natural part of our management, and sustainability is an important piece of the investment analysis along with matters such as engagement.

In recent years we have developed our sustainability model, SEB Investment Management Sustainability Score (SIMS-S), which focuses on risks and opportunities associated with sustainable development.

Active ownership

We strive to be an active and engaged owner of the companies in which we invest. This applies particularly to companies in the Nordic market where we hold a larger proportion of shares or corporate debt. We consider direct dialogue with companies to be the most productive way to promote change and exert influence. In some cases, however, there are strong reasons to work together with partners to engage in dialogue. In other cases, a collaborative engagement together with other investors and asset managers may be the most efficient engagement. SEB Investment Management focuses our engagement dialogues on larger holdings, that is, a larger proportion of ownership or a larger amount invested. In addition, we may focus our efforts on an engagement dialogue when the holding is considered a transition company, or when a proactive dialogue is considered to result in a potentially high impact.

Divestments and exclusion

The investment strategy is not all about investing. It naturally also contains elements of defining the investment universe – sometimes implying the exclusion of certain assets, as well as divesting holdings. There may be situations where we no longer prefer to be an owner of a specific holding/company. If we observe that a company has a business model we do not regard as sustainable, or which does not show enough signs of becoming sustainable, this may lead to divestment. However, if the specific company is willing to engage in dialogue, we may conclude that we can best influence the company's development by engaging in active dialogue. If this dialogue does not lead to change within a reasonable time frame, we may divest the company, if this is considered to be in the customers' best interests.

Transition companies

In order for the world to make the necessary transition, we are dependent on manufacturing and companies that extract raw materials and produce energy, which currently emit large amounts of carbon dioxide. We have therefore identified a number of transition companies that we regard as being important to the transition and in which we can invest.

→ Read more about our methods on page 18.

Our asset management

We have close to 100 investment professionals located at three offices in Stockholm, Copenhagen and Helsinki. We aim to generate positive risk-adjusted return by integrating sustainability across investment strategies.

Equities

In equity management, we have actively managed funds based on both fundamental analysis and quantitative methods. We also have index and index-tracking funds. All equity funds exclude companies according to the criteria in our Sustainability Policy.

In the case of fundamentally managed funds, sustainability is integrated into investment decisions according to a weighted evaluation of various sustainability aspects. Many managers use our proprietary SIMS-S sustainability model alongside other parameters, such as future-proofing the company's business models through investment in sustainable innovation and development. In quantitative funds, sustainability is integrated via modelling, primarily by way of SIMS-S. In other words, companies with a better SIMS-S rating have a greater probability of being part of the funds.

Active ownership is exercised through voting and engaging in dialogue with companies. We have more contact with companies where we are among the largest owners, in terms of both dialogue and via nomination committees for Board positions. We also engage indirectly with companies based on our prioritised themes, often in collaboration with partners.

Fixed income

All fixed income funds exclude companies according to the exclusion criteria in our Sustainability Policy. Corporate bonds are evaluated based on various sustainability parameters and many managers use our SIMS-S model.

We exercise active ownership throughout with those companies with which we have larger holdings. For smaller holdings, we engage reactively or proactively on specific themes through our external partners.

With regard to investments in green bonds, sustainability is a prerequisite for investment since the purpose of a green bond is to contribute to environmental goals.

Multi-management

Under multi-management we invest in a broad range of asset classes, sectors, regions and types of instruments, via direct investments or in our own or external funds. The mix of investments means that we need to address the issue of sustainability in different ways in order to maximise our positive impact. But the common denominator for all the sustainability work we do is our Sustainability Policy. Sustainability is integrated via SIMS-S but also by actively engaging with companies. This way of thinking also applies when we invest in funds from other fund companies. All fund management companies that manage funds in the portfolios must have signed the UN's Principles for Responsible Investment (PRI). But before investing, we also thoroughly analyse the sustainability work undertaken by the fund management company, and also in the management of the fund.

Alternatives

We offer a broad range of alternatives in Microfinance, Private Equity, and Real Estate.

Microfinance

Microfinance is a well-established investment asset class that contributes to sustainable development, and to social sustainability in particular. According to the World Bank, 2 billion people do not have access to financial services, primarily in developing countries. We launched our first microfinance fund in 2013 and today the investments are worth SEK 9 billion. Over the years we have supplied over 22 million entrepreneurs in around 60 developing countries access to the financial system, thus helping them grow their businesses. We also perform detailed evaluations to protect borrowers from becoming over-indebted.

Private Equity – investments in unlisted companies

In private equity, SEB Investment Management invests globally through direct investments and as partnership investments for private clients, companies and institutions. Responsible ownership is part of our investment philosophy, permeates the entire investment process, and is a fundamental requirement set by our investors. For our Nordic holdings, we exercise active ownership, whereby the management team is often represented on the boards of the relevant companies, or engages in close cooperation with entrepreneurs, management teams and partners, advocating sustainability initiatives in all our forums of influence. The management team aims to be the market leader in sustainability within private equity.

→ Read more in the case study on page 14.

Real estate, renewable energy and infrastructure

SEB Investment Management's Real Estate team works with discretionary management and the establishment of client-specific real estate funds, with directly owned properties as the underlying assets and focusing on active portfolio management. The real estate team has a market leading, scalable process for the procurement and control of real estate management, which takes place together with well-established partners. To ensure that potential value is considered in investment decisions, all new acquisitions are analysed from both a financial and a sustainable perspective. In the investment process the team will, among other things, evaluate the asset's EU taxonomy eligibility and alignment, risk assessment, resilience, environmental certifications and sustainability potential. The factors which the real estate team focuses include improved energy efficiency for buildings, reduced carbon emissions and how a building impacts its immediate environment. The SEB Nordic Green Energy Fund was launched this year, focusing on investments in infrastructure, primarily renewable energy.

→ Read more about this on page 13.

Case study
SEB Nordic Future Opportunity Fund – Nordic solutions to sustainable development

- Equity fund aimed at Nordic companies working in energy transition and sustainability
- Investments in sustainable themes such as energy transition, resource efficiency and circularity, sustainable mobility and healthy societies

This year, the former SEB Nordic Equity Fund was converted into the SEB Nordic Future Opportunity Fund with a clearer emphasis on sustainability. The fund targets Nordic companies on themes such as energy transition, resource efficiency and circularity, sustainable mobility and healthy societies.

The Nordic region has a lot of companies that have made great progress in these areas and may benefit from our society's increased focus on these issues. Specifically, this means companies that can directly help to reduce greenhouse gas emissions, and accelerate and facilitate the transition to renewable energy that is necessary. These companies operate in a variety of areas and sectors, for example renewable energy production and planning, waste management or infrastructure for electric vehicles. Another theme is sustainable societies, whereby the fund invests in companies whose products and services create a more healthy and inclusive society in areas such as digital education, clean air, alternative protein sources and digitised care.

Investments are primarily directed to companies in a growth stage that are reorganising and clearly ambitious in their sustainability work, but also to larger companies that can see the potential for new income and development opportunities in the fund's investment universe.

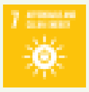
Cinis Fertilizer

One company that the fund invested in during the year is Cinis Fertilizer, a Swedish green tech company that plans to produce the world's most environmentally friendly mineral fertiliser. It primarily uses waste products from production of electric vehicle batteries and the pulp and paper industry to produce mineral fertiliser. The company's resource-efficient, circular business model thus deals with most industrial and agricultural challenges.

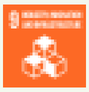
While the fund mainly invests in companies in the Nordic region, up to 30 per cent of the funds may be invested in European companies.

SDGs to which the SEB Nordic Future Opportunity Fund contributes

Ensure healthy lives and promote well-being for all at all ages.



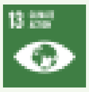
Ensure access to affordable, reliable, sustainable and modern energy for all.



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Make cities and human settlements inclusive, safe, resilient and sustainable.

Ensure sustainable consumption and production patterns.



Take urgent action to combat climate change and its consequences.

Marketing material
This material is not intended for or suitable as the sole basis for investment decisions. Instead, you should base your decision on the information in the fund's product documentation, including its Key Information Document and prospectus.

Case study
SEB Global Equal Opportunity Fund – focus on equality

- Invests in companies at the forefront of equality and inclusion
- Invests in companies that stand out positively in important areas such as equal pay for equal work and better gender parity in managerial roles

The main investment target of the SEB Global Equal Opportunity Fund is social sustainability from the perspective of equality and inclusion. The fund therefore invests in companies that lead the way in dealing with issues of equality. These may be companies with a more equal gender balance in managerial roles and lower gender pay differentials compared with competing companies. They may also offer products or services that contribute to a more equal world, for example in education or health, or facilitate access to healthcare via new digital solutions, or insurance for people who do not have insurance today. Companies that offer childcare, thus facilitating a more equal labour market in countries that do not currently have this, are also potential investments.

Mirvac

Mirvac is an Australian property development company selected for the fund based on its strong engagement with diversity and inclusion within the organisation. Mirvac regularly reports on many diversity and inclusion targets spanning the employee life cycle: inclusive and equal opportunity recruitment methods, ensuring a diverse talent and succession base, monitoring marketing, and compensation and turnover data for any signs of bias.

In year 2022, Mirvac was named the world's most gender equitable company by Equileap, a data provider specialising in equality.

Adobe

Another example of a company in which the fund has invested is Adobe, which develops software products and technology enabling individuals, teams and companies to create, market, publish and earn money through digital content anywhere in the world.

Adobe is one of the few companies to report gender pay differentials and apply wage parity, which strengthens its engagement in fair compensation and equal opportunities. It also measures progress on diversity and inclusion through employee surveys. Adobe has received many awards for its engagement and work on fostering equality and equal opportunities for all.

Proportion of companies in which women make up at least 33% of executive management

34%
Benchmark index

63%
In the fund

Data as of: 31/12/2022

Proportion of companies in which women make up at least 33% of the management group

57%
Benchmark index

87%
In the fund

Data as of: 31/12/2022

Proportion of companies in which women make up at least 33% of the board

27%
Benchmark index

53%
In the fund

Data as of: 31/12/2022

SDGs to which the SEB Global Equal Opportunity Fund contributes

3 – Ensure healthy lives and promote well-being for all at all ages.

4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5 – Achieve gender equality and empower all women and girls.

Marketing material
This material is not intended for or suitable as the sole basis for investment decisions. Instead, you should base your decision on the information in the fund's product documentation, including its Key Information Document and prospectus.

Case study
SEB Nordic Green Energy Fund – investing directly in renewable energy

- Invests directly in renewable energy in the Nordic region
- Only open to institutional investors with an investment horizon of at least 15 years

This year we launched the SEB Nordic Green Energy Fund. This fund invests in renewable energy with the aim of accelerating the transition in the energy sector, both by investing in new construction and by developing smaller acquired energy assets. Increasing demand for energy, combined with a global energy shortage and the need to phase out fossil fuels, requires big investments in renewable energy. Russia's invasion of Ukraine also turned the energy supply into a geopolitical issue.

The goal of the fund's management is to achieve the environmental goal of increasing availability of renewable energy. Investments are in areas such as central heating, solar power, hydropower, wind power and combined heat and power generation.

Technology is making huge strides, enabling us to invest in plants around the Nordic region. Small-scale local green energy production assets will play a key role in the successful transformation of our current energy landscape into a more sustainable, resilient and efficient energy system that can deliver more energy, thus facilitating the necessary electrification of industries and transportation in society. These assets already supply a substantial proportion of energy in the Nordic countries.

This fund is aimed at investors who want to allocate capital to this transition, while also increasing their exposure to renewable energy with the potential for generating good returns. Since the fund's underlying assets constitute long-term projects, assets cannot be divested during the project. The fund therefore has a lock-in period of 15 years, and is only offered to institutional customers such as pension funds.

SDGs to which the SEB Nordic Green Energy Fund contributes

Ensure access to affordable, reliable, sustainable and modern energy for all.

Marketing material
This material is not intended for or suitable as the sole basis for investment decisions. Instead, you should base your decision on the information in the fund's product documentation, including its Key Information Document and prospectus.

"Small-scale local green energy production assets will play a key role in the successful transformation of our current energy landscape."

Case study
SEB Private Equity Nordic Direct II – direct investment in Matsmart and WorldFavor for sustainable consumption and sustainability reporting

- The management team selects companies with great care in areas such as technology, healthcare and sustainability
- The fund is for institutional investors and is classed as an Article 8 fund

Direct investments have enabled a high level of engagement and active ownership in the companies in which the fund invests. As majority shareholder, we are usually represented on the board of directors, giving us an opportunity to support the companies on strategic matters. Matsmart and Worldfavor are two companies in which the fund invests.

One of the SDGs that SEB Private Equity Nordic Direct II promotes

Ensure sustainable consumption and production patterns.

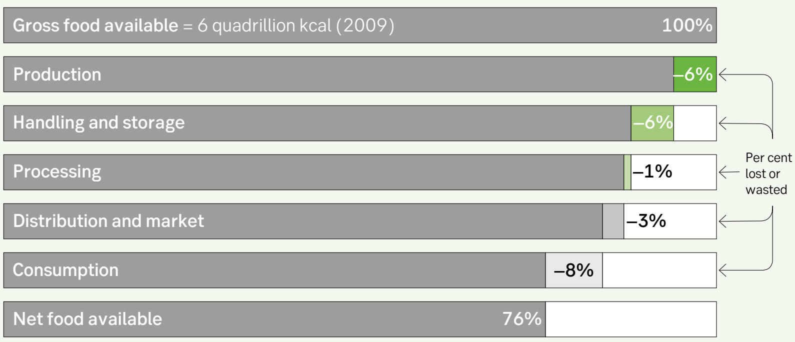
Matsmart – reducing food waste

Matsmart is a Swedish impact company that launched in 2014 after the founders realised how many products go to waste in the food industry – and the enormous cost of this in the form of greenhouse gas emissions and money. This realisation evolved into a food-saving e-commerce business that aims to make sustainable living cheap, easy and fun. At Matsmart, customers can buy colonial products that might otherwise be thrown out because of packaging changes, overproduction, defects, seasonal variation or best before dates – but which are still fine to eat.

Matsmart, or Motatos as it is known outside of Sweden and Finland, now has a presence in six European markets, a turnover of around SEK 1 billion, and its customers have saved over 60,000 tonnes of food and consumer products.

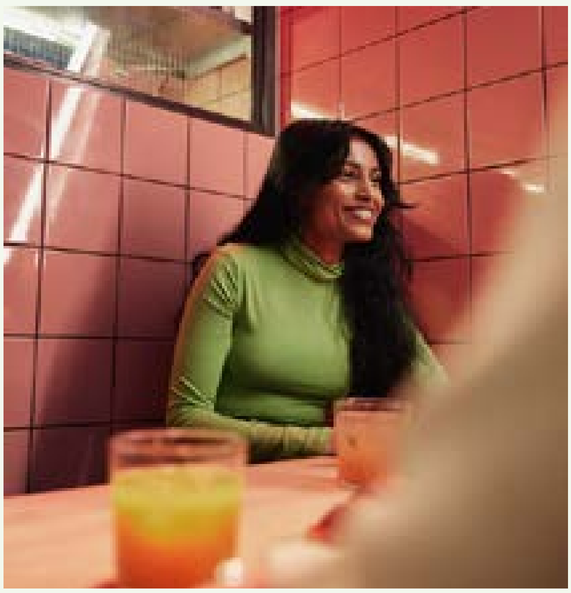
One third of all food that the world produces, or 1.6 billion tonnes, is never eaten, instead being thrown out or disappearing somewhere between field and compost bin. This waste of resources represents 10 per cent of global greenhouse gas emissions*, and all this food could theoretically alleviate world hunger – feeding over 800 million people – not once, but four times.

Approximately 24 per cent of all food produced (by caloric content) is lost or wasted from farm to fork



Source: WRI analysis based on FAO (2011c)

"Unnecessary food waste represents 8–10 per cent of global carbon dioxide emissions."



*Source: FAO

Worldfavor – meets the need to measure and report on sustainability

Another investment example is Worldfavor, which works to simplify and standardise reporting of corporate sustainability data. It is increasingly imperative to be able to collect, disclose and draw insights from sustainability data in a simple and structured manner as legislative requirements become more extensive and interest from owners, customers and suppliers increases in regard to sustainability issues.

Worldfavor addressed this need and demand, launching its platform in 2016. The platform is easy to use, standardised and generally well-adapted for sustainability data reporting, enabling a company's sustainability development to be monitored throughout the value chain, including both suppliers and portfolio companies.

As new regulations come into effect, more and more companies will need to report their sustainability data. The company's activities are also closely correlated with UN SDG 12:6 for companies 'to integrate sustainability information into their reporting cycle'. Worldfavor's platform is currently used by over 30,000 companies in more than 130 countries.

"The platform is easy to use, standardised and generally well-adapted for sustainability data reporting."

Marketing material
This material is not intended for or suitable as the sole basis for investment decisions. Instead, you should base your decision on the information in the fund's product documentation, including its Key Information Document and prospectus.

Climate report 2022

In accordance with the TCFD recommendations

SEB Investment Management supports TCFD*, which is a framework for identifying climate-related financial risks and opportunities. The framework consists of four thematic areas that represent core elements of how organisations should base their handling and reporting on the climate issue.

→ *For definitions, see glossary on page 27.

Governance

The Board of SEB Investment Management AB (fund management company) has adopted SEB Investment Management's Sustainability Policy, which is the framework that governs our ambitions and integration of sustainability. SEB Investment Management's Sustainability Team of seven specialists, coordinates, communicates with and supports the organisation. Additional resources and skills are available throughout the organisation, for example, through fund managers and product specialists. Fund managers integrate sustainability into their investment analysis, while product owners focus on sustainability and coordinate across asset classes for all our products. Internal processes continuously monitor sustainability issues together with independent control functions, such as Risk Oversight and Internal Audit. SEB Investment Management's Exclusion Committee makes decisions on exclusion based on the Sustainability Policy, and also decides on exceptions from the policy, such as transition companies.

Strategy

SEB Investment Management's aim is for investments to be aligned with the Paris Agreement and to achieve net zero greenhouse gas emissions by 2040. We also understand that some sectors with high emissions are necessary to make the required transition. This applies primarily to energy companies, but also to steel and cement companies. We engage continuously with companies as members of nomination committees and by voting in annual general meetings. We redistribute capital flows to climate-recilient business models, divest investments that contribute negatively to climate change, and aim to phase out investments from fossil fuel-dependent business models. We review the climate impacts of investments and monitor regulatory developments while encourage companies to adopt climate-resilient business models through active ownership and helping to create long-term value.

Risk management and monitoring

In line with SEB Investment Management's Sustainability Policy, we take a strict approach to fossil fuels. All funds exclude companies that extract or process fossil fuels, including extraction of unconventional fossil fuels, such as oil sands and deep-sea drilling. Similar restrictions apply to power generation and distribution of fossil fuels. Exceptions can be made for companies in transition, which have clear targets in line with the Paris Agreement and demonstrate the will and clear investment plans for achieving the target. Engaging with companies is an important strategic tool for understanding how a company's activities affect and are affected by climate change. We can accelerate and support companies in establishing climate strategies in their business models through active ownership, either by engaging directly with the company or in partnership with other investors. We engage with some of the world's largest corporate greenhouse gas emitters via IIGCC Climate Action 100+* and other initiatives, including ISS ESG*.

Metrics and targets

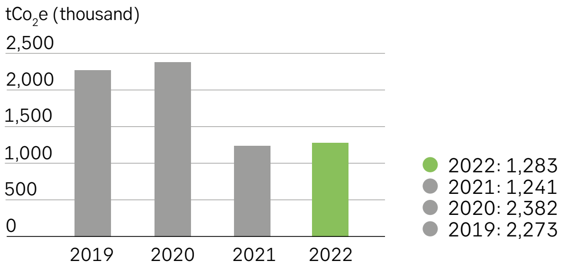
We signed the Montreal Carbon Pledge in 2014 and began measuring the climate impact of our investments in listed equities. Since then, more companies have begun reporting and more data is available, but there are still major limitations in terms of what is measured and a lack of forecasts. This year's analysis cover approximately 95 per cent of our investments in listed shares and corporate bonds. We are currently working extensively in order to measure more asset classes, since tighter reporting requirements in legal requirements will also mean more data is available.

We encourage all investee companies to apply verified and confirmed science-based targets in accordance with the Science Based Targets initiative (SBTi) | World Resources Institute (wri.org). In 2019 only 19 per cent of companies had either applied for or had their targets verified; this has now increased to 45 per cent in 2022.

The proportion of investee companies with established and verified targets was measured at 29 per cent, an increase from 11 per cent in 2019. When measured in 2019 (the baseline year), 40 per cent of companies had no emissions target; this has dropped to 18 per cent.

Absolute carbon dioxide emissions from our investments (scope 1 and 2)

tCo_2e



This chart represents approximately 95 per cent of SEB Investment Management's assets under management in listed shares and corporate bonds. Underlying data for the remaining assets under management is currently insufficient in order to correctly report the carbon footprint.

SEB IM has committed to reaching net zero greenhouse gas emissions on an aggregate level by 2040 for our investment funds. We continuously measure and monitor our climate impact and have set the following interim goals:

- Achieve a 50 per cent reduction of financed greenhouse gas emissions by 2025*
- Achieve a 75 per cent reduction of financed greenhouse gas emissions by 2030*

*Baseline year 2019

SEB Investment Management joined the Net Zero Asset Managers initiative in 2021. This is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions.

We performed an analysis based on 95 per cent of our investments in listed equities and corporate bonds. Good measuring methods and data access are still lacking for other asset classes. The analysis used a scenario tool known as the Sustainable Development Scenario, which was developed by the International Energy Agency. This tool enables us to measure existing carbon dioxide emissions, predicted future emissions and potential impact on global warming. The measurement at the end of 2022 provides an indicative prediction of a temperature increase of 1.9 °C by 2050. While this result is still aligned with the Paris Agreement, i.e. it keeps global warming to below 2.0 °C, it is a long way off our target of 1.5 °C. According to our calculations, financed carbon emissions have been reduced by a little over 40 per cent in absolute terms since our 2019 baseline. This reduction can largely be attributed to divestment from fossil fuel and power generation companies. There is still a lack of data available and lack of data quality assurance, making the outcome and forecast uncertain. We believe that new regulation and future legislation in the EU will substantially improve both availability and quality of data, thus improving our forecasts.

*Read more about Collaborations and commitments on page 26.

Our methods

Our sustainability strategy means that we invest in companies and other assets that may help the transition to a more sustainable economy. We do this because we are convinced that companies with a structured approach to sustainability will be more successful in the long term, which in turn allows for greater returns for our unit holders. To enable us to have a fundamental view of the potential investment risks, opportunities and negative effects associated with sustainability, and thus create long-term sustainable value, the interaction and the balance between an integrated approach to sustainability, exclusion and active ownership, are crucial.

Integration of sustainability analysis is the core

The core of sustainable investment is the integration of the analysis of sustainability risks and opportunities into every investment decision and the entire portfolio structure. Our funds range from systematic, quantitative equity funds, fundamentally managed equity and fixed income portfolios, to private equity investments and investment in real assets such as real estate.

Today, successful asset management requires a clear and comprehensive sustainability perspective for each market, sector and company, and a clear investment strategy describing how companies are selected. The starting point for all qualitative sustainability work is therefore to integrate sustainability aspects in investment decisions. This is the only way to identify which business models lack balance between the economic, environmental or social perspectives, which companies can be influenced, and which companies we should continue to support through investment.

Integrating sustainability into our investment processes enables us to drive sustainable development in general, and also help our clients enjoy the long-term benefits of considering the risks and opportunities associated with sustainable investments. Integration entails that sustainability issues are considered, analysed, quantified and promoted throughout the manager's entire investment process, that is, before, during and after each individual investment decision. We work with specific processes to integrate sustainability in our various asset classes and rely on our own sustainability analysis, as well as external sources of data and analysis.

Our proprietary sustainability model is central

In recent years we have developed our SEB Investment Management Sustainability Score (SIMS-S). There are several reasons why we chose to develop our proprietary model. One reason is that SIMS-S is forward looking and prioritises sustainable investment opportunities. It also includes several social aspects and sentiment analysis.

The model can be used for a majority of the management organisation and is a prerequisite for working with some of our Article 9 funds, which have extensive reporting and monitoring requirements regarding sustainability data. The model is also refined continuously and can be applied to an increasingly broad selection of companies. It was initially developed for investments in listed equities, but can now be used by several investment teams.

We also arranged joint training initiatives for our organisation in order to maintain a high level of expertise in the rapidly evolving area of sustainability. For example, this year we organised seminars on Science Based Targets, water issues, financial equality, renewable energy, metals and mining, and forestry and agriculture.

SEB Investment Management Sustainability Score (SIMS-S)

The SIMS-S model focuses on risks and opportunities related to sustainable development in company management, products, services and operations, using metrics such as alignment with the Paris Agreement, carbon footprint, gender diversity, taxonomy alignment and SDG revenues.

Risk

Opportunity

Company reported	Stakeholder perspective	Operations	Products and services
What companies say they do. How well is the company managing sustainability risks?	What companies actually do. Compliance with the Global Compact and international norms.	For example: Is the company committed to net zero? How diverse is the company at all levels?	Are the company's products and services contributing to, combating or obstructing the UN SGDs and the Paris Agreement?

Divestments and exclusion

The investment strategy is not all about investing. It is also defining the investment universe – sometimes implying the exclusion of certain assets, as well as divesting holdings. There may be situations where we no longer prefer to be an owner of a specific holding/company. If we deem that a company has a business model we do not regard as sustainable in the long term, or which does not show enough signs of being on the right path, this may lead to divestment. However, if the specific company is willing to engage in dialogue, we may conclude that we can best influence the company's development by engaging in active dialogue. If this dialogue does not lead to change within a reasonable time frame, we may divest the company, if this is considered to be in the customers' best interests.

The three categories of our exclusion criteria

SEB Investment Management has identified companies and sectors that are excluded from the investment universe. Our exclusion criteria can be divided into three categories:

- *Fossil-based exclusions* are companies involved in the fossil sector that produce fossil fuels or use unconventional extraction methods.
- *Norm-based exclusions* mean that we expect companies to adhere to international laws and conventions, such as the UN Principles for Responsible Investment, ILO conventions and the UN Global Compact, and we exclude companies that have confirmed violation of any of these.
- *Product-based exclusions* are exclusions based on ethical positions.

To succeed in transforming a current unsustainable business models a sustained investment drive and an active focus with an integrated transition analysis is needed. This transition is both necessary and possible, but it requires a global mobilisation of economic resources. Exceptions from our exclusion criteria can therefore be made for companies that are in transition, such as companies involved in the fossil sector.

→ Read more in our Sustainability Policy

Investing in transition

Limiting global warming to 1.5 °C above pre-industrial levels demands what will perhaps be the fastest economic transition in human history. Substantial investments will be needed to transform current business models to be in alignment with the goals of the Paris Agreement and Agenda 2030. The move from unsustainable to sustainable business models is demanding, takes time and will be gradual. All sectors will need to contribute, and we, as investors, need to be aware of risks and opportunities concerning this transition.

In some sectors with heavy dependency on fossil fuels, the transformation is slow and our ability as investors to influence its pace is limited. In the long term, we believe in the combination of active ownership and investing in green technologies as another way to pursue our goal.

Exclusion criteria

The funds exclude investments in companies that operate in sectors or business areas that are assessed to present major sustainability challenges.

Exceptions can be made for companies that have clear goals and can demonstrate an ongoing and active transition.

Fossil-based exclusions
Norm-based exclusions
Product-based exclusions

Transition

Many companies in transition can provide important infrastructure, products and services that are essential to both our present day and future society. Companies that have credible transition strategies and financially sound plans to shift from fossil-based to renewable-based business models can and should be included in our investment universe. It is therefore imperative that we identify companies that are engaged in this transition and become part of the journey by supporting them with investments and continuous dialogue.

Successful transformation of currently unsustainable business models requires strategic commitment and sustained investments. Some of the sectors that face specific challenges are oil & gas, utilities and power producers, mining and metals. SEB Investment Management applies a sector-based approach to best support the change, where companies' strategic commitment, operational preparedness and transition trajectories will guide the investment process.

→ See the list of these companies.

How we evaluate companies in transition

Eligible

When we decide whether a company is eligible for transition assessment, we consider whether it:

- meets the minimum requirements of our Sustainability Policy from a conduct-based perspective. For example, the company's activities should follow international norms, conventions, and environmental regulatory frameworks such as the UN Guiding Principles, UN Global Compact, OECD and ILO.
- has high future potential to contribute to the achievement of the Paris Agreement and UN Sustainable Development Goals (SDGs) through its products or services, even if the business activities are not yet fully aligned.
- has a strategic decarbonisation plan with a concise, measurable transition time frame as part of the company's transition strategy. This time frame can vary, but should be transparent from a capital expenditure (CAPEX) perspective.
- is open to investor dialogue and commitment to science-based targets.

Willingness

We assess a company's strategic understanding of and plan for managing climate-related risks and opportunities, including:

- adherence to and implementation of frameworks such as SBTi, TCFD, EU Taxonomy or other relevant present and future sustainability regulatory frameworks
- scenario analysis of the company's business model and its strategic plan to adapt and manage climate risk in line with the business model
- management buy-in and company sustainability KPIs

Readiness

We assess a company's current operational preparedness in order to determine whether the business model can transform to meet the 1.5 °C goal as stated in the Paris Agreement within set time frames, including:

- products or revenues enable the low carbon transition of other sectors such as the per centage of non-fossil revenue streams, EU taxonomy alignment, etc.
- alignment with average sectoral decarbonisation, meaning, is the company a climate leader or laggard compared to peers

Action

At this stage, we examine a company's actual work and its investments towards achieving alignment with the Paris Agreement. A company must demonstrate its financial commitment to strategic plans, including:

- investments related to transition energy efficiency or other climate-related investments that can be identified in company accounting and reporting
- assessment of investment plans going forward and evaluation of the effects of capital expenditure
- fulfilment of the company's medium/long-term decarbonisation targets at company level, such as science-based target adherence

Active ownership

SEB Investment Management strives to be a strategic partner to companies in which we invest, in particular when we hold a larger share of company shares or corporate debt in the Nordic market. We consider direct dialogue with companies to be the most productive way to promote change and exert influence. In some cases, however, there are strong reasons to work together with partners to engage in dialogue. In other cases, a collaborative engagement together with other investors and asset managers may be the most efficient engagement.

Engagement themes

To ensure positive development in our holdings, we use stewardship and engagement themes, including in-house and partner-led dialogue, collaborative initiatives, Paris-aligned voting policies and nomination committee participation, to ensure that we contribute to positive change and meet our goals.

The number of issues reflected below highlight the diversity of the issues affecting companies in a global portfolio. In our dialogue, whether in-house-led or partner-led, we always seek positive change. Regardless of the type of investment, sector or type of challenge, we will address the company's overall strategy and risk management, and expect open and transparent communication. We define them as seven different themes of engagement – depending on relevance and importance in each case.

On 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 inter-linked or should be handled in such a way, for example, to address issues such as climate transition plans in connection with the management's incentive programmes.

Priorities and objectives

As stated earlier, SEB Investment Management's clients guide us in defining focus areas and valuable input when defining engagement themes going forward. In addition, the SDGs are considered paramount when formulating SEB Investment Management's long-term priorities and objectives. Our view is that the long-term success of businesses is interlinked to the SDGs, since they create an economic and social context in which businesses can best thrive.

Active ownership strategy

We engage companies through a combination of targeted in-house-led dialogues, partner-led engagement services and collaborative initiatives. Engagement may relate to the financial performance and strategic plans of portfolio companies, or environmental, social and governance risks or opportunities, as described above.

As long-term investors, we engage in dialogue to encourage companies and policymakers to improve their performance on a range of different topics. This helps us to manage risk in the short and long term, enhances our knowledge and understanding as investors, and creates positive effects – all of which benefit our clients.

Various dialogues

SEB Investment Management has defined seven engagement themes we find important to address in the dialogues with our investees and holdings, either in-house led or partner-led.

- In-house-led dialogue implies that our portfolio managers and/or ESG specialists engage directly with companies. This is the normal procedure when engaging with our holdings in the Nordic market and to a lesser extent in Europe. An investee company may be engaged due to identified risks or possibilities. An in-house-led dialogue entails regular

Our prioritised themes

These are areas of great importance for us in order to identify risks, opportunities and issues of relevance and materiality when engaging with our investee companies or other investors.

1. Climate change
2. Biodiversity
3. Clean water
4. Healthy societies
5. Supply chain management
6. Executive remuneration
7. Board effectiveness

and ongoing company dialogue as we seek to become strategic partners of the companies in which we invest.

- Partner-led dialogue applies at an international level where we cooperate with EOS at Federated Hermes, which, on behalf of SEB Investment Management, maintains continuous dialogue with corporate managements and boards of investees outside the Nordic region. Through our collaboration with other fund managers under the leadership of EOS at Federated Hermes, the foundation is in place for us to achieve a greater impact from the ownership dialogue with foreign companies, in which we usually hold a smaller stake.

International Shareholder Services' group of companies, ISS ESG, is an equally important partner, which undertakes continuous screening of our funds' investment universe based on our policies and exclusion criteria. This partnership is designed to address issues that arise in relation to companies' failings on governance issues and/or significant deviations from norms and standards, such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, and human rights and environmental conventions.

We focus our engagement dialogues on larger holdings, i.e. those where we have a larger proportion of ownership or a larger amount invested. In addition, we may focus our efforts on an engagement dialogue when the holding is considered a transition company, or when a proactive dialogue is considered to result in a potentially high impact.

As one of the biggest fund managers in Sweden, we have a responsibility and an opportunity to influence the companies in which we invest. During the year, we engaged in 2,700 company dialogues either directly or with one of our partners, and we voted at 680 annual general meetings. As part of our membership of the Net Zero Asset Managers initiative, we have committed to engaging with the 20 biggest greenhouse gas emitters in which we invest. We sat on 40 nomination committees. One important issue that we have worked on for several years is gender equitable boards of directors, where our goal is 40 per cent female representation. We are proud to have achieved an average of 41 per cent female representation in the companies for which we served on nomination committees.

Another initiative that we worked on this year was to encourage 90 plus companies listed on the Nasdaq Stockholm to link sustainability targets to their remuneration schemes. We believe that companies integrating environmental and social factors into their decision-making, where these aspects underpin both the long-term strategy and the organisation, are more likely be profitable in the long term. Sustainability issues that are important to a company's long-term financial development should therefore be reflected in the remuneration scheme. This work will be monitored in 2023.

→ Read more about active ownership in our Active Ownership Report

Sustainability governance

As a fully owned subsidiary, SEB Investment Management adheres to SEB policies and guidelines in applicable parts. In addition, the SEB Investment Management Board of Directors has adopted SEB Investment Management's Sustainability Policy, which is the framework that governs our ambitions and integration of sustainability.

SEB Investment Management's Sustainability and Governance team of seven specialists, coordinates, communicates and supports the organisation, but sustainability resources and competence are not limited to this team and there are several working groups involving portfolio managers and product specialists in addition to sustainability specialists. Portfolio managers integrate sustainability into their analysis and investment processes, while product managers focus on sustainability and coordinate across asset classes for all our products. Our internal processes continuously monitor sustainability issues, in tandem with other independent control functions, such as Compliance, Risk Oversight and Internal Audit.

SEB Investment Management's Exclusion Committee makes decisions on exclusion and divestment based on this policy. This committee also decides on exceptions from the policy, such as transition companies.

SEB's Sustainable Product Committee pre-approves all sustainability-labelled products from SEB and as such approves funds labelled Article 9. SEB Investment Management's Sustainable Investment Classification Committee makes assessments and decisions as to whether listed shares can be classified as sustainable investments in accordance to SFDR.

"As long-term investors, we engage in dialogue to encourage companies and policymakers to improve their performance on a range of different topics."

International agreements and regulations

2022 marked seven years since the Sustainable Development Goals of Agenda 2030 were adopted. Only eight years remain for the world to achieve the ambitious targets set in 2015, including combating climate change and eradicating poverty. Meanwhile, the COP27 Climate Summit marked the seventh anniversary of the Paris Agreement to limit global warming, while the European Union made progress in adopting new regulations that define green investments and continues to point to the financial industry as a catalyst for transition.

Agenda 2030 and the Sustainable Development Goals

The UN's 17 Sustainable Development Goals (SDG) represent a joint, integrated approach, balancing the three cornerstones of sustainable development: economic growth, social inclusion and environmental issues.

The financial sector has a relatively small direct environmental footprint, but it can nonetheless make a great contribution to achieving the goals by meeting clients' needs for sustainable financing and sustainable investments. In fact, we think investors and their representatives (for example asset managers) play a key role in achieving the SDGs. They do this by creating positive outcomes for society through investments and engagement, as the goals recognise the role of the private sector in financing sustainable development. Moreover, the SDGs provide a common framework and language for investors and companies to work towards the achievement of the shared goals, with measurable indicators of progress. They also provide a clear time frame in which change needs to take place and help to set targets.

The Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change and was adopted on 12 December 2015 by 196 Parties at COP21 in Paris. Its goal is to limit global warming to well below 2 °C, preferably 1.5 °C, compared to pre-industrial levels.

→ Read more about the Paris Agreement | UNFCCC

Sustainable Finance Disclosure Regulation

As a key aspect of the EU's Sustainable Development Policy Agenda, the Sustainable Finance Disclosure Regulation (SFDR) is intended to increase transparency concerning sustainability among financial institutions and market participants. The regulation consists of disclosure requirements at the organisational, service and product levels to standardise sustainability performance, thereby preventing 'greenwashing' and enabling comparisons for sustainable investment decisions.

EU Taxonomy

The EU Taxonomy serves as a classification system for sustainable activities. The Taxonomy will play an important role in the market and will help to guide harmonisation of how to define climate solutions activities. While estimations are available if an economic activity is eligible for inclusion in the Taxonomy, and to what extent they are aligned with the thresholds set therein. As the regulation is implemented there will be more metrics to monitor and report on.

Principles for Responsible Investment

The UN-supported Principles for Responsible Investment (PRI) was launched in 2006, consisting of a framework and six principles for responsible investment and annual reporting on practical implementation. SEB signed PRI in 2008 and has since worked on integrating sustainability into investment and governance issues.

The report has been graded, but the scoring system changed in 2021, making it difficult to compare the outcome with previous years. Nevertheless, SEB Investment Management continues to achieve high scores throughout.

Our sustainability journey

2022

SEB IM launched five new Article 9 funds. The EU's SFDR Level 2 standards were implemented. SEB IM joined the TNFD Forum, launched its Proxy Voting Dashboard and was shortlisted for the PRI Awards.

We also organised themed training initiatives for our management organisation.

2021

SEB IM implemented the new Sustainability Policy and Climate Statement during Q1 2021. This means, among other things, that all SEB funds exclude fossil fuels.

SEB IM 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 IM joined the IIGCC Paris Aligned Investment Initiative – Private Equity working group.

2020

SEB IM decided on a new Sustainability Policy and Climate Statement. SEB IM's goal is for all assets under management to be subject to carbon-neutral investments by 2040.

SEB IM joined the IIGCC Climate Bank Initiative.

2019

SEB IM decided that the full range of funds will exclude companies that extract thermal coal (max. 5 per cent of turnover). No investments in companies that produce or distribute tobacco products (max. 5 per cent from distribution), and exclusion of cannabis for recreational use.

2018

SEB IM joined CDP – a collaboration for water-related issues.

2017

SEB IM joined IIGCC – Institutional Investor Group on Climate Change – to engage with the largest CO_2 emitters.

SEB IM's fund range excluded companies that verifiably breach international norms with regard to human rights, labour rights, environment and/or corruption.

2016

SEB IM's full range of funds excluded companies with turnover from the extraction of thermal coal exceeding 20 per cent.

SEB IM joined Access to Medicine – to engage with companies making medicine affordable in developing countries.

2015

SEB IM launched a green bond fund and our first classified sustainability fund.

Started working towards the UN Sustainable Development Goals.

2014

SEB IM published reports on carbon dioxide emissions for equity funds.

2013

SEB launched its first Microfinance fund.

SEB IM decided not to invest in companies involved in the development and production of nuclear weapons programmes.

2010

Formal establishment of SEB IM's Sustainability Team.

2008

Adoption of the UN Principles for Responsible Investment (PRI).

Collaborations and commitments

SEB Investment Management AB is a member of the following associations and organisations that aim to promote responsible investments.

Principles for Responsible Investment (PRI)
In implementing the six principles, as a signatory we contribute to developing a more sustainable global financial system. We are committed to being an active owner, include sustainability in our processes and strategy, enhance transparency and increase collaboration. SEB Investment Management adopted the PRI in 2008.

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 sustainability and active ownership, which drives the ESG agenda in the industry.

Swedish Institutional Investor Association (SIIA)
SEB Investment Management has been a member of SIIA since 2003.

The Investor Integrity Forum
The Forum was established 2020 as a platform where investors and Transparency Sweden can jointly pursue important issues linked to corruption risks, acquire and disseminate knowledge and promote transparency, integrity and accountability, and thus create better conditions for sustainable and profitable investments. SEB Investment Management is one of the founding members.

Sweden's Sustainable Investment Forum (Swesif)
An interest forum that aims to disseminate, drive and increase knowledge about investments for sustainable development in collaboration with our members and equivalent organisations such as FINSIF, DANSIF and EUROSIF.

Swedish Investors for Sustainable Development (SISD)
SISD is a partnership comprising 21 of the largest financial actors in the Swedish market, as well as Sida (the Swedish International Development Cooperation Agency). The mission is to work side by side on the greatest challenges of our times in a partnership for the Sustainable Development Goals (SDGs). SEB Investment Management is part of the working group for goal number 15: Life on Land, and in particular how to halt the loss of biodiversity.

Investor Policy Dialogue on Deforestation (IPDD)
A collaboration for dialogue with governments, public authorities and industry organisations on systematic and sustainable use of land and stewardship of natural resources.

Sustainable Value Creation
A collaboration among major Swedish institutional investors to influence companies to work systematically with sustainability.

IIGCC (Institutional Investor Group on Climate Change)
The European membership body for investor collaboration on climate change by means such as capital allocation decisions, stewardship and successful engagement with companies, policymakers and fellow investors. SEB Investment Management joined in 2017 and, as an example, we engage with the 160 largest greenhouse gas emitters. For more information: IIGCC – The Institutional Investors Group on Climate Change.

Net Zero Asset Managers initiative
In 2021, SEB Investment Management joined the Net Zero Asset Managers initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. For more information: The Net Zero Asset Managers initiative – an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions.

CDP (formerly the Carbon Disclosure Project)
CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Since 2018 we have engaged with companies on water stewardship and other topics.

Access to Medicine
SEB Investment Management joined the initiative in 2016 and in collaboration with other investors engaged in dialogue with the major pharmaceutical companies concerning the challenge of the just distribution and availability of medicine in low- and middle-income countries.

FAIRR
The FAIRR (Farm Animal Investment Risk and Return) initiative is a collaborative investor network that raises awareness of the material ESG risks and opportunities in intensive livestock production.

Climate Action 100+
Climate Action 100+ is an investor-led initiative to engage with the world's largest corporate emitters to ensure that they take necessary action on climate change. SEB Investment Management joined the initiative in 2018.

Glossary and definition of terms

CDP:
(Formerly the Carbon Disclosure Project.) CDP is a not-for-profit charity that coordinates and runs a platform enabling investors, companies, cities, states and regions to manage their environmental impacts. SEB IM joined the CDP 2018.

ESG:
Environmental, Social and Governance. This term covers all sustainability issues affecting companies, organisations and society.

EU Taxonomy:
The EU Taxonomy is a classification system establishing what economic activities are sustainable.

FAIRR:
– Farm Animal Investment Risk and Return. A collaborative investor network that raises awareness of the material ESG risks and opportunities in intensive livestock production.

The UN Sustainable Development Goals (SDGs):
The UN has adopted 17 global sustainable development goals for 2030. These have been adopted by 193 of the world's 195 countries. Launched in 2015.

The Greenhouse Gas Protocol (GHG Protocol):
An established comprehensive global standardised framework to measure and manage greenhouse gas emissions.

IIGCC:
The Institutional Investors Group on Climate Change. A European membership body for investor collaboration on climate change, which SEB IM joined in 2020.

Net zero:
Net zero emissions means minimising emissions so that those that remain are offset by negative emissions or other forms of carbon sequestration. This brings overall emissions to 'zero'.

The Paris Agreement:
In 2015 the countries of the world came together for the Paris Agreement, which set a target of keeping global warming to well below 2 °C.

PRI:
Principles for Responsible Investment. A UN initiative providing guidelines for responsible investment, adopted by SEB Investment Management in 2008.

Scope 1, 2 & 3:
Scope 1, 2 and 3 are a way of classifying different types of carbon dioxide emissions created by a company as part of its own activities and in its value chain.
Scope 1: Direct greenhouse gas emissions
Scope 2: Indirect emissions from purchased energy
Scope 3: Indirect greenhouse gas emissions arising from areas such as the supply chain, transport, and so on.

SFDR: Sustainable Financial Disclosure Regulation. Mandatory sustainability-related disclosure requirements for asset managers and other financial market participants operating in EU.

Article 8 and Article 9 funds:
The information that a fund management company must provide about its funds is governed by the European Union's Sustainable Finance Disclosure Regulation (SFDR), and may differ depending on the fund classification. Funds are classified under articles 8 and 9; see below.

Article 8:
Funds that promote environmental and social characteristics .

Article 9:
Funds that have sustainable investment as their objective.

TCFD: Task Force on Climate-related Financial Disclosures. A framework created by the Financial Stability Board (FSB) for identifying corporate climate-related financial risks and opportunities.

UN Global Compact: A framework for companies to implement ten principles relating to human rights, labour, environment and anti-corruption.

SEB Group – accelerating change

SEB Investment Management is a wholly owned subsidiary of Skandinaviska Enskilda Banken AB (publ) (SEB), a leading northern European financial services group. As a bank and as an asset manager, SEB Group plays an important role in creating opportunities to channel the extensive investments that are necessary to facilitate the sustainable transition.

SEB aims to be a leading catalyst and positive force in the sustainable transition by providing advice, products and services to support our clients as they evolve towards transition.

The Sustainability Strategy is part of SEB's business plan for 2022–2024 and a cornerstone of SEB's 2030 strategy. The Strategy focuses clearly on climate-related issues and describes the bank's role in the transition.

Through our ambitions and goals – Carbon Exposure Index (Brown), Sustainability Activity Index (Green) and Transition Ratio (Future) – we clarify how we will reduce our fossil credit exposure, increase growth in sustainable products, advisory services and investments, and how we assess and classify the extent to which our customers' plans for transition are aligned with the goals of the Paris Agreement.

SEB has set a goal of reducing fossil credit exposure by 45–60 per cent by 2030 compared with a 2019 baseline. Our progress as per the end of 2022 was a decrease of 17 per cent compared with 2019.

In the Sustainability Activity Index we focus on increasing sustainable financing, sustainable advisory-based business, venture capital-based business within green tech and increasing sustainable saving as a proportion of assets under management. This index increased by 54 per cent compared with 2021.

The Transition Ratio rose to 69 per cent based on 2021 credit exposure.

→ Read more about the 2022 results: Ambitions and goals | SEB (sebgroup.com) and in our 2022 Annual and Sustainability Report.

Additional disclosures

For more information:

- → SEB Investment Management
- → Sustainability Approach
- → Sustinability Policy
- → Climate Statement
- → Carbon Reports
- → Active ownership and voting
- → Nomination Committees