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\*The SEB Investment Management Sustainability Policy 2023 was adopted by the Board of Directors of SEB Investment Management AB on February 21st 2023 and will be fully implemented by July 1st 2023.

# 1. SEB Investment Management's view on sustainability

SEB Investment Management is convinced that companies with sustainable business models, or a strategy for transition, will be more successful in the long term and generate a higher return on investment for the unit holders.

SEB Investment Management invests with the objective to provide long-term economic, social and environmental value for its unit holders, owners and society at large. In this way, we can offer fund unit holders and other customers, savings and investment opportunities on a sustainable basis, irrespective of asset class.

A key aspect of the approach to sustainability is to integrate environmental, social and corporate governance factors in investment processes and investment decisions, in order to better handle risks and opportunities. SEB Investment Management believes that this will lead to sustainable, long-term value creation. Furthermore, through active ownership, we can influence companies to develop more sustainably, thereby adding value to the various investment strategies and contribute to the transition to a more sustainable global economy.

SEB Investment Management encourages transparency and clarity concerning sustainability risks and opportunities, and therefore actively seeks continuous improvement in this respect. More specifically, as sustainability data improves, we will further develop the approach, include more and improved measures, and report accordingly.

This policy includes information about SEB Investment Management's scope, governance and methods regarding its sustainability work. It also includes a section on sustainability-related risks. In five thematic chapters, SEB Investment Management's position, integration and active ownership related to important topics within sustainability, more specifically climate, biodiversity, water, social and human rights, and governance are presented. The final chapter presents SEB Investment Management's exclusion criteria.



## Scope

This policy applies to all funds that are managed by SEB Investment Management<sup>1</sup>, including its branches. It always covers the funds' holdings of shares and bonds.

### **External funds<sup>2</sup>, including funds that are building blocks in fund-of-funds**

The fund management company must be a signatory of PRI (Principles for Responsible Investment) or have made an equivalent commitment. SEB Investment Management's sustainability policy is applied in the investment process and to follow-up on investments. More specifically, the policy is applied concerning exclusion criteria and ambitions for integration and active ownership. Deviations may occur but must be followed up and explained by the fund manager.

### **Derivatives**

SEB Investment Management works actively to promote the development of derivative instruments and other instruments that match the sustainability requirements. In the first instance, products with a sustainability level in line with SEB Investment Management's requirements are used.

### **Short positions**

SEB Investment Management permits short positions in companies that, according to this policy, are excluded due to activities related to fossil fuels.

## Organisation and governance

This policy has been adopted by the board of directors of SEB Investment Management.

The CEO is responsible for compliance with the policy in all activities, and as required, draws up instructions to ensure compliance, follow-up and reporting concerning the policy.

Portfolio managers are responsible for implementing the policy in investment decisions and in dialogue with companies, with the help of an internal expert group specialising in sustainability and corporate governance.

Moreover, SEB Investment Management's Exclusion Committee makes decisions to exclude companies based on criteria laid down in this policy. SEB Investment Management's Sustainable Investment Committee decides on the classification of issuers as "sustainable investments" according to Sustainable Finance Disclosure Regulation (SFDR) Article 2.17. SEB Investment Management's Sustainability Oversight Committee oversees the adherence of portfolio managers to commitments made in terms of sustainability, including alignment with Net Zero commitments. SEB Investment Management's Engagement Forum coordinates and sets priorities for dialogues with companies.

## Methods

SEB Investment Management's sustainability work embraces several perspectives and methods, which together create value for fund unit holders, but also for society at large. The methods of working with sustainability are focused in three areas:

- Exclusion
- Integration
- Active ownership

Interaction and balance between integrated sustainability analysis, exclusion and active ownership are vital for the generation of sustainable, long-term value. Another key aspect is data availability and transparency. Today, sustainability data is still lacking on a global scale, both in terms of coverage and quality. However, data availability and quality are improving rapidly, and SEB Investment Management continuously strives to use the best sources, variables and data points to improve transparency and analysis, including exclusions, integration and active ownership.

### **Exclusion**

SEB Investment Management's funds exclude investments in companies that operate in sectors or business areas that are assessed to present major sustainability challenges. Companies with verified breaches of international norms and standards are also excluded. The exclusion criteria are presented in more detail in the final section on page 12.

Exceptions to the exclusion criteria can be made in individual cases. For example, when SEB Investment Management has an ongoing dialogue, or for other reasons has insight into the company's operations and transformation work, an exception may be made.

### **Integration**

SEB Investment Management integrates sustainability perspectives in investment decisions, and in portfolio construction. With a broad range of products and asset classes, different approaches to integrating sustainability are necessary. However, SEB Investment Management handles both risks and opportunities related to sustainable development throughout the portfolios by integrating environmental aspects, social responsibility, and corporate governance in all investment decisions.

SEB Investment Management's Sustainability Score (SIMS-S) is available for portfolio managers to use to integrate sustainability into investment decisions. SIMS-S is a proprietary sustainability scoring model that contributes to identification of companies that share SEB Investment Management's strategic view on sustainable development. The model is built upon two pillars, sustainability risks and opportunities. More specifically, a company's risk assessment is based both on reported data regarding, for example, emissions,

<sup>1</sup> With the exception of funds managed on behalf of external parties, with fixed sustainability criteria.

<sup>2</sup> Including exchange-traded funds.

as well as breaches or conflicts that the company has with established norms of responsible business conduct and if they impede or obstruct the goals set under the Sustainable Development Goal (SDG) framework. Opportunities, on the other hand, are based on companies' ability to generate long-term sustainable profits as society transitions and becomes sustainable. In summary, SIMS-S provides a forward-looking sustainability score for individual companies, as well as guidance on sustainability factors that may affect risks and returns.

Another part of the sustainability integration framework is the concept of positive sustainable impact. There are investment cases, where sustainability is a core part of companies' business models and the asset's purpose is to have a positive impact on society. For example, investments in funds that have sustainability as their objective (Article 9 in accordance with SFDR) are focused on companies or assets that are contributing positively to sustainable development.

#### **Active ownership**

Active shareholder engagement concerns how shareholders influence the companies' board of directors and corporate management. To achieve the objectives of an effective corporate governance, SEB Investment Management's active ownership is primarily exercised prior to and at General Meetings, through Nomination Committee work whenever possible, and through dialogue with the boards of directors and company managements. In addition, the portfolios and investments are monitored daily. Furthermore, SEB Investment Management may exercise influence and conduct dialogues through collaboration with other shareholders. Please see the policy [Principles for Shareholder Engagement](#) for further details.

Dialogues may be either proactive or reactive. Proactive dialogues entail influencing companies to improve general sustainability initiatives and working with the company on issues that are relevant and material. Reactive dialogue is pursued when situations arise where we assess that a company fails to fulfil international standards and guidelines. Through dialogue, SEB Investment Management investigates the factual circumstances and any corrective measures planned by the company. The objective of each dialogue is to seek to achieve change to avoid future infringements, and to ensure that, in the longer term, the company adheres to applicable regulations and international standards.

## **Sustainability risks**

#### **Examples of risks**

Sustainability risks include both the risks that a company poses on the environment, humans and societies, and also the risks that a changing natural climate or business climate pose on the company. Sustainability risks are hence related to the changing environment as well as to social issues, such as human and labour rights, and good governance practices.

A company might pose risks to the natural environment, societies or people, as a part of their business model. This could be high greenhouse gas emission or water-intensity. It could also be related to human and labour rights among employees at the companies or among local stakeholders being affected by nearby operations.

Physical risks are related to physical assets owned, used or employed by a company in their operations, supply or value chains. Climate change increases the likelihood of extreme weather, and therefore, the likelihood of storms, flooding and drought that, in turn, increases companies' physical risks. Sustainability risks also entails the risks of stranded assets, i.e., assets that have suffered from unanticipated or premature write-downs, devaluation, or conversion to liabilities due to climate policy, a changing business climate or outdated business models. Increasing legal obligations, fines for waste, pollution or controversies over labour rights related issues can also have long-term impacts on a company's brand and financial performance.

#### **Integration of risks in investment decisions**

Sustainability risks are managed and analysed through a strategy involving exclusions, integration and active ownership as described on pages 4-5. In the following chapters a thematic approach to sustainability is taken. The most important risks of adverse impact that a company can have on people, societies and the natural environment are considered in the exclusions. In addition, the excluded sectors and companies can also have a high risk of stranded assets or low standards with regards to human or labour rights.

SEB Investment Management's approach to integration and active ownership, as well as the targets and commitments, are related to what we deem to be among the most important factors for businesses to thrive as we move towards more sustainable societies and business practices. Principle adverse impacts are considered, meaning that corresponding data points are tracked and analysed for each investment and fund as a part of the investment decision.

From a regulatory standpoint, SEB Investment Management's way of working with principle adverse impacts, as presented by the sustainable finance disclosure regulation, is defined in the publication, [Report and process for principal adverse impact indicators for sustainability factors in asset management](#). SEB Investment Management's definition of sustainable investments is specified in the pre-contractual information for each financial product as regulated by the SFDR.

→ This policy, along with the publications [Principles for Shareholder Engagement, Exclusions and Transition](#), and [Report and process for principal adverse impact indicators for sustainability factors in asset management](#), describes SEB Investment Management's positions and methods for addressing sustainability, including both risks and opportunities.



## 2. Climate

### Position

Climate change is one of the most urgent challenges facing the world today. There is clear scientific evidence that points to substantial risks to the planet, of which certain regions, populations and economic sectors are already considerably impacted. Climate change also presents a significant risk for the long-term stability of financial systems.

SEB Investment Management wants to accelerate the de-carbonisation of the global economy while upholding its primary fiduciary duty of delivering positive long-term risk-adjusted returns. To limit global warming to 1.5 °C above pre-industrial levels and be aligned with the Paris Agreement, society and industrial sectors need to decarbonise to achieve net-zero emissions by 2050 or sooner. This low-carbon transition target will have significant consequences for the real economy and for investors.

SEB Investment Management is committed to, on an aggregated level, reaching net-zero greenhouse gas emissions by 2040 for its investment funds. It is SEB Investment Management's conviction that climate conscious investment principles and coherent portfolio alignment with the Paris Agreement will, over time, reduce risk and deliver better returns to all stakeholders. SEB Investment Management will assess climate resilience at a sectoral level and utilise climate scenarios as an analysis tool. We strive to base climate-related business decisions on science-based climate models and will be transparent in reporting climate risks and opportunities.

#### **Position with respect to the energy and utilities sectors**

The energy sector is crucial for the transition to a low carbon society. It is necessary to transition from the use of fossil fuels to renewable energy as well as to increase the total production of energy, especially from renewable sources, such as solar-, wind- and hydropower. To accelerate the transition, SEB Investment Management will invest in renewable energy sources and exclude companies involved in fossil fuels as described on page 12. In addition, we have a clear strategy and process for companies transitioning from fossil-based to renewable-based business models, described in detail in the publications [Principles for Shareholder Engagement](#) and [Exclusions and Transition](#).

In general, SEB Investment Management believes that a stable energy system includes a mix of energy sources. Thus, energy from nuclear power will continue to be an important contributor to energy as we move towards net-zero carbon emissions. However, investments in nuclear power should be evaluated on a case-by-case basis,

with a focus on the best available technology, safety, and long-term profits, including strategies for overseeing the mining process, and plans for the repositories of nuclear waste. SEB Investment Management also has a positive predisposition towards sustainable bioenergy. However, SEB Investment Management acknowledges the important risks and issues concerning land use and regrowth of plants and vegetation, the environmental aspects in terms of pollution and biodiversity, the potential risk of crowding out food supply, and the rights of the local populations. Hence, each investment in companies producing bioenergy will be evaluated on a case-by-case basis, with a particular focus on the climate effects of different sources of biomass, regrowth and deforestation, food supply, local environmental effects and human rights.

### Integration and active ownership

SEB Investment Management uses several methods to encourage companies to reduce their climate impact. We integrate contributions to SDG 13 Climate Action as well as GHG emissions for scopes 1, 2 and 3 in the proprietary sustainability model, SIMS-S.

SEB Investment Management's main contribution and commitment affecting all decisions and reporting, is the is commitment to reach net-zero GHG emissions by 2040 for all investment funds on an aggregate level. We have also set interim targets (baseline year 2019):

- 2025 reduction of greenhouse gas emissions by 50% for investment funds on an aggregate level.
- 2030 reduction of greenhouse gas emission by 75% for investment funds on an aggregate level.

This commitment sets the direction and permeates the sustainability integration. To be able to leverage climate-related opportunities, the intention is to increase exposure to companies and business models:

- that actively contribute to the mitigation of and adaptation to climate change;
- that provide climate solutions that help reduce the carbon footprint.

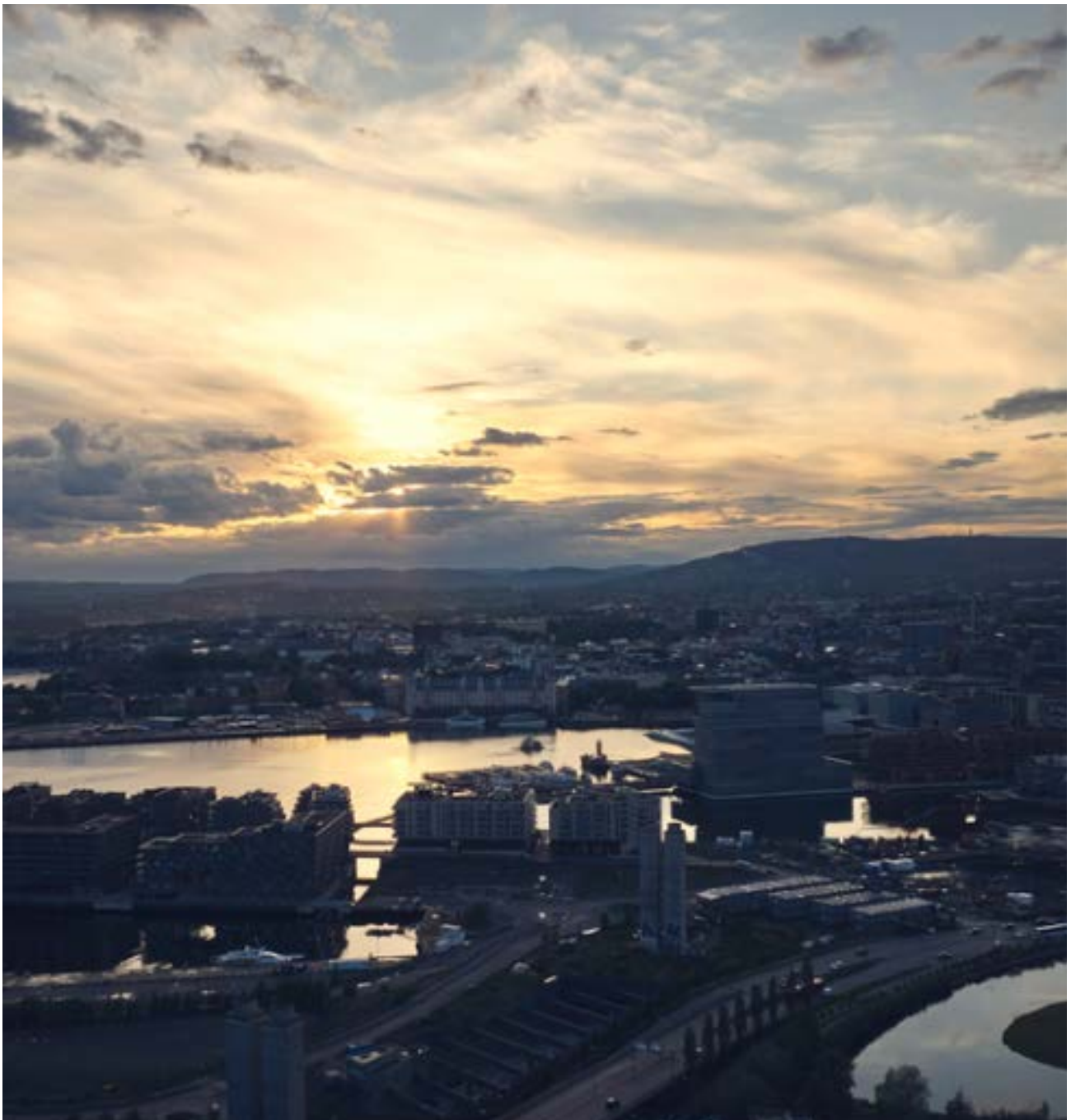
Thus, SEB Investment Management seeks to reorient capital flows to climate solutions, and climate resilient and transitional business models.

Overall, SEB Investment Management expects companies to reduce their GHG emissions, set Science Based Targets (SBTs), and develop transition plans for scopes 1, 2 and 3 GHG emissions in line with the Paris Agreement. In addition, we expect companies to improve energy and fuel efficiency by, for example, using the best available technologies. Companies should view their products from a life cycle perspective, have a plan to measure and reduce GHG emissions and promote renewable energy production and consumption.

In line with the above, SEB Investment Management has an active ownership and engagement approach to companies that are high-emitters, as well as companies transitioning from fossil-based to renewable-based business models. For these companies, we will undertake a review of the climate impacts of investments and monitor emerging issues and regulatory developments. The path towards a reduced climate footprint will be monitored closely. For example, a transition company needs to have set clear goals and show ongoing active conversion to renewable energy sources in line with the Paris Agreement. The process is described in more detail in the policy [Principles for Shareholder Engagement](#) and the method and result presented in the report [Exclusions and Transition](#).

In addition, for all its investments, SEB Investment Management will follow up on:

- transition companies and high emitters, as a part of the active ownership strategy;
- GHG emissions in scopes 1, 2 and 3 of the investments, both total emissions and emission intensity;
- the share of companies:
  - that are committed to Science Based Targets
  - that have a transition plan aligned with the Paris Agreement;
- the share of non-renewable energy consumption or production in relation to renewable energy sources for all investee companies;
- fuel efficiency and fuel intensity for the companies in transportation and shipping.



# 3. Biodiversity

## Position

Nature is the foundation of societies and the economy and there is a growing appreciation of the need to include nature and biodiversity into investment decisions. It is necessary 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. Halting biodiversity loss includes the extinction of species worldwide, as well as the local reduction or depletion of species in certain habitats.

SEB Investment Management wants to avoid or minimize negative aspects of business operations from the investments on nature and recognize that this is necessary for continuous life on land. We recognize that biodiversity and its interaction with ecosystems is complex, and that transparency of operational risks and companies' impact on biodiversity and ecosystems is key. However, companies that have an impact, or depend on nature, need to acknowledge, measure, transparently report and integrate biodiversity into their business models, risk assessments and strategies.

SEB Investment Management strives to contribute to the understanding that biodiversity loss can translate into growing financial risk. We recognize the necessity to integrate the risks and the business opportunities linked to ecosystem services and a resilient nature in the investment decisions, and as part of targets and incentives. SEB Investment Management commits to not investing in companies that have verified breaches of biodiversity related norms. We also exclude companies that operate and have negative impact on threatened species or bio-sensitive areas, including Arctic drilling. Finally, to reduce risks of deforestation of the tropical forests, SEB Investment Management monitors companies with the greatest influence on and exposure to tropical deforestation and aim to set net zero deforestation targets as the global data quality on deforestation improves.

### Integration and active ownership

Biodiversity is integrated in SIMS-S through the inclusion of the companies' effects on SDGs, such as goal number 15, Life on Land<sup>5</sup>.

SEB Investment Management expects companies operating in areas with a high risk of biodiversity loss and high-risk sectors, in particular agriculture, forestry and power generation, including biofuel and hydropower, to take measures to limit their negative impacts.

SEB Investment Management encourages companies to commit to full traceability in their production processes and supply chains. At this point in time, SEB Investment Management recognizes that the data availability on a global scale is scarce. Thus, in engagement dialogues with investments, SEB Investment Management focus on and emphasizes the importance of:

- disclosure of company dependencies and impacts on biodiversity and ecosystems, in accordance with the TNFD framework where applicable;
- developing strategy and risk management of material dependencies and impacts on biodiversity and ecosystems, in accordance with the TNFD framework where applicable;
- setting targets and making commitments that accelerate the movement towards net positive contributions to biodiversity, for example, committing to zero net deforestation, in accordance with Science Based Targets for Nature.

More specifically, the proactive engagement on biodiversity focuses on public policy dialogues on halting deforestation, biodiversity risks that are driven by the food system, including animal agriculture, as well as transparency around biodiversity impact and strategies to manage nature-related risks in key high impact industries of mining and integrated production and food products. In addition, we follow up on:

- the share of organizations among the investments that have made a public commitment and/or endorsed any initiatives related to biodiversity. Specifically, adoption of the mitigation hierarchy approach, commitment to secure Free, Prior and Informed Consent (FPIC) of Indigenous Peoples, or no trade of CITES listed species;
- the share of companies that assess impact of their value chain on biodiversity;
- the share of companies that have adopted an environmental management system with an external certification (e.g., ISO 14001);
- relevant certifications and positions with respect to palm oil.

To promote circularity and reduce waste and pollution in the environment among investments, SEB Investment Management will follow up on:

- total hazardous waste generated by relevant companies;
- assessment of portfolio companies' facilitation and management in relation to recycling and take-back as well as how much of current production is based on recycled materials;
- whether portfolio companies have waste management systems in place with a particular focus on the mining sector.

<sup>5</sup> The data point includes information on businesses' strategies and measures to manage and reduce impacts from operations on life, biodiversity, and ecosystems on land (terrestrial ecosystems including inland freshwater ecosystems).



## 4. Water

### Position

Water is essential to life. Still, 40 per cent of the global population is affected by water scarcity according to the UN. Water scarcity is driven by excessive use of water as input to societies and the economy, especially food production, and the spread of wastewater and pollution making freshwater unsafe and unusable. As the temperature is rising and the climate changes, clean water will become even more scarce.

SEB Investment Management wants to contribute to more sustainable water usage, including efforts to curb the negative trend in water scarcity, increase water-efficiency, avoid adverse effects of waste and pollution to water and to halt the loss of aquatic biodiversity. There is a growing need to protect sensitive marine areas, eco-systems in wetlands, local waterways, lakes, and oceans. Thus, it is crucial that all companies, and especially industries with a high risk of negative impact on water, recognize this necessity and limit their effects. Certain industries, such as mining, chemicals or textiles, and aquaculture can have a significant impact on water and related ecosystems and should be transparent about, minimise, mitigate, and reverse any potential negative effects. This is paramount from both an environmental and a local development perspective.

SEB Investment Management commits to exclude companies with verified failures to comply with norms and standards related to water. SEB Investment Management also aims to increasing water-use efficiency across investments and to stress the importance of water risk management and transparency in company dialogues.

### Integration and active ownership

Risks and opportunities related to water are integrated in SIMS-S through the inclusion of the companies' effects on Sustainable Development Goals, in particular goal number 6: Clean Water and Sanitation and 14: Life Below Water into the proprietary sustainability model.

SEB Investment Management expects companies operating in areas with a high risk of water-stress and in high-risk sectors, in particular aquaculture, agriculture, forestry, mining and power generation to take measures to limit their negative impacts. SEB Investment Management encourages companies to commit to full traceability in their production processes and supply chains. Engagement dialogues with the investments focus on and emphasize the importance of:

- corporate disclosure of water-related risks, dependencies and impact including the management of water use, the reduction of pollution, and the disclosure of water use reduction targets;
- developing strategy and risk management of material dependencies and impacts on water;
- formulating and disclosing water use reduction targets.

SEB Investment Management encourages investee companies to increase their efforts to improve water-use efficiency in order to reduce water stress and take further action to ensure that the business does not threaten the water-related ecosystems in which it operates. SEB Investment Management commits to increasing water-use efficiency across the investments. In addition, we will monitor:

- the share of investments in investee companies without water management policies;
- investments in investee companies with sites located in areas of high water-stress;
- the share of investments with water policies;
- the amount of discharged wastewater and targets for its reuse, and recycling among the investments;
- waste and emissions to water among investments;
- usage of freshwater among investments.

For relevant companies involved in aquaculture, SEB Investment Management will follow up on the overall impact of an issuer's product portfolio on the objective of preserving marine ecosystems. In addition, we follow up on water conservation in agricultural production, including controversies and the company's position and measures taken.

## 5. Human- and labour rights

### Position

The respect of human rights is fundamental to good business conduct. Human rights include the right to life and liberty, freedom of opinion and expression, freedom of peaceful assembly and association, and much more. Labour rights, including workplace safety, prevention policies related to illness or accidents, and the abolishment of forced and child labour is central to sustainable development. Also essential to sustainable development are structured approaches to increase diversity and gender equality in positions and pay, and to reduce discrimination or harassment due to gender, age, or ethnicity. Healthy societies and a just transition towards a net-zero society requires a massive shift in how companies and societies function. For this transition to be successful, societies and companies must maximise the benefits of the decarbonisation strategy, while minimising the hardships for workers and communities.

SEB Investment Management wants to eradicate the abuse of human rights. In addition, a just transition towards more sustainable practices and engagement with stakeholders, local communities and indigenous populations is necessary to assure basic rights. We believe that diversity, equal pay for equal work, and decent working conditions are key ingredients for businesses to thrive. Hence, human and labour rights should be an integral part of every business and their operations, and it is key to maintain high standards of accountability, transparency, and integrity.

SEB Investment Management is committed to respect all human rights and will therefore exclude companies that verifiably violate international norms and conventions regarding human rights. SEB Investment Management also aims to increase the share of investments with qualitative:

- human and labour rights policies and procedures;
- human rights due diligence policies and supplier codes of conduct, including processes for its sales and export activities, information on safe working conditions, precarious work, child and forced labour, as well as potential negative impact on human rights of stakeholders, such as communities or indigenous peoples.

### Integration and active ownership

To establish good business practice in all investments, SEB Investment Management integrates social sustainability into the proprietary investment model. Social aspects integrated in the model include

information about companies that do not live up to conventions, laws and norms related to the SDGs, such as SDG 5: Gender Equality and SDG 8: Decent work and economic growth. Aspects such as equal gender representation, the gender pay gap, parental leave, anti-sexual harassment policies, and social impacts of products and services are also integrated into the model. The model considers the current status as well as the YoY progression to capture both positive and negative development within individual companies and sectors. Hence, companies receive a higher rank if their internal processes and business relationships established through the value and supply chains are in line with human and labour rights and contribute to social sustainability.

To achieve healthy societies and more sustainable supply chains, SEB Investment Management encourages companies to be transparent and report on issues related to human rights, with an emphasis on processes and mechanisms to monitor compliance with international standards and conventions, policies for human rights due diligence and suppliers' code of conduct. This is done both through integrating relevant information into investment decisions and conducting active ownership. As an example, SEB Investment Management conducts both reactive and proactive dialogues, focused on issues related to labour rights or companies that need to improve gender diversity. Through investment decisions, we also promote sustainable and inclusive business models supporting a just transition via some of the actively managed funds with sustainability as their objective, that focus on driving positive impact on both the Nordic and global markets.

SEB Investment Management monitors:

- the share of investments reporting that they are committed to Free, Prior and Informed Consent to ensure the rights of indigenous peoples;
- the share of companies with processes and compliance mechanisms in place to monitor compliance with the UN Global Compact;
- the share of companies with grievance and whistle blower mechanisms in place;
- the share of companies reporting on the gender pay gap;
- the share of companies with leadership or boards with at least 30% representation of either gender;
- the share of companies with policies to prevent workplace accidents as well as the rate of accidents.

SEB Investment Management also aims to increase the share of companies among the investments with policies relating to:

- human rights;
- human rights due diligence;
- suppliers' code of conduct.

## 6. Governance

### Position

Good governance is fundamental to running a sustainable business. It refers to all processes of governance, including leadership and accountability. To take responsibility and be transparent is essential. Good governance spans over topics such as human rights and environmental sustainability. Good governance is to follow the rule of law, be transparent and accountable and to have efficient organizations.

SEB Investment Management believes that good governance is vital to maintaining high standards of accountability, transparency, and integrity among all our investments. A company performing well across different sustainability aspects discussed in this policy, has to a large extent, proven to be transparent and have policies and processes in place. Good governance is also related to board effectiveness, which includes alignment of skills with the company's strategic needs and diversity of perspective. This is decisive for companies to thrive.

SEB Investment Management is committed to respecting international norms and will therefore exclude companies that verifiably do not live up to international norms and conventions, as well as companies with insufficient governance structures. In the work on nomination committees, SEB Investment Management aims for gender parity on average across the different companies' boards with at least 40% of either gender in each board.

### Integration and active ownership

Board performance 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 be comprised of 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, SEB Investment Management expects the investee companies to perform an external board evaluation on a regular basis. In engagement dialogues with the investments, we will address the 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.

It is becoming increasingly relevant and important for boards to connect their efforts to deliver on a strategy in alignment with the Paris Agreement and with adherence to the UN's 17 SDGs. Hence, to increase the companies' focus on relevant and material sustainability challenges, executive management incentives should be drawn from sustainability targets. The sustainability targets should be prominent for the companies' business strategy, and hence, the companies' strategic priorities directly linked to value creation. In engagement dialogues with the investments, SEB Investment Management 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

To increase transparency and reduce corruption, SEB Investment Management closely monitors breaches in procedures and standards of anti-corruption and anti-bribery of investee companies, and whether the actions taken to address the issues are sufficient or not.

## 7. Exclusion criteria

SEB Investment Management does not invest in government bonds issued by countries which are in serious breach of fundamental social and political rights, or countries which are sanctioned or embargoed by the UN, EU, US, or the UK.

SEB Investment Management has deemed some sectors to be particularly problematic from a sustainability perspective, and have, therefore, chosen to exclude companies with a substantial share of their revenues within these sectors. In relation to the energy sector, SEB Investment Management has chosen to exclude companies that are involved in fossil fuels. More specifically, we exclude:

- companies that produce, extract or process, fossil fuels, including unconventional extraction of fossil fuels. For example, tar sands and deep-sea drilling in particularly vulnerable areas;
- companies which generate energy from fossil fuel sources, unless the company has clear goals and can refer to ongoing active conversion to renewable energy sources, in line with the Paris Agreement;
- companies where distribution linked to fossil fuels exceeds five per cent of total revenue;
- companies for which services related to fossil fuels exceed 50 per cent of total revenue, unless the company has clear goals and can refer to ongoing active conversion from and reduced dependence on fossil fuels.

In relation to sectors with a high risk of adverse impact on human rights and health, we exclude companies that:

- in conflict with international conventions, are engaged in the manufacturing, development or sales of weapons. Examples of such weapons are cluster bombs, land mines, and chemical and biological weapons;
- contribute to the development of nuclear weapon programmes, or the production of nuclear weapons;
- produce tobacco or tobacco products, or companies which receive more than five per cent of their revenue from the distribution of tobacco products;
- produce cannabis for non-medical purposes;
- receive more than five per cent of their revenue from the production of alcohol;
- receive more than five per cent of their revenue from the production, distribution or service of commercial gambling;
- are engaged in the production of pornography or for which more than five per cent of their revenue comes from the distribution of pornography.

Some funds also exclude investments in companies that receive more than five per cent of their revenue from the development, production and service of weapons comprising combat equipment, or certain other military equipment;

Companies that have insufficient governance structures, or that verifiably failed to comply with international norms and standards, and- have not shown clear goals and ongoing measures to address the issue(s), are excluded. The norms and standards are both related to human rights, anti-corruption or employment rights, but also to the environment, for example, norms related to clean water, biodiversity and wildlife as well as climate change. Finally, to make sure that we limit negative impact on biodiversity, we exclude companies that operate in, and have material negative impact on, bio-sensitive areas and companies with operations that have significant negative effects on threatened species.