

SEB Asset Management
Sustainability Policy 2025*



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About SEB Asset Management

SEB Asset Management is a business area within the SEB Group, comprising SEB Asset Management Holding AB, SEB Funds AB (a UCITS management company and AIF manager), SEB Asset Management AB (an investment firm), and SEB Alternatives AB (an AIF manager). All companies are wholly owned subsidiaries of Skandinaviska Enskilda Banken AB (publ) (SEB). SEB Funds AB has delegated the portfolio management of its funds to SEB Asset Management AB and SEB Alternatives AB. SEB Private Equity is a team within SEB Alternatives AB. Parts of the text content of this policy has been produced with the help of generative AI.

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*This policy has been adopted by the board of directors of SEB Asset Management Holding AB and the board of each subsidiary company (SEB Asset Management AB, SEB Funds AB and SEB Alternatives AB) in February 2025 and will be fully implemented by the second quarter of 2025. It, therefore, covers the full business area of SEB Asset Management.

1. SEB Asset Management's view on sustainability

SEB Asset 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 Asset Management invests with the objective of providing 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 integrating environmental, social and corporate governance factors into investment processes and decisions, to better handle risks and opportunities. SEB Asset Management believes 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 contributing to the transition to a more sustainable global economy.

SEB Asset Management encourages transparency and clarity about sustainability risks and opportunities and, therefore, seeks continuous improvement in this respect.

This policy includes information about SEB Asset Management's scope, governance, and methods regarding its sustainability work. It also includes a section on sustainability-related risks. In five thematic chapters, SEB Asset 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 closing chapter presents SEB Asset Management's exclusion criteria.

Scope

This policy applies to all funds that are managed by SEB Asset Management¹, including its branches and subsidiary entities. It always covers SEB-branded funds in full, unless stated otherwise. External products, funds and mandates are covered in relevant sections below.

External funds², 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.

Fund managers are assessed on:

- Organisation and resources – the fund company's sustainability approach, organisation, and resources.
- Integration – how sustainability is integrated into the investment philosophy and process.
- Active ownership – how the fund manager exercises its right to vote and drive engagements.
- Reporting possibilities according to the SFDR regulation.

External fund managers are monitored, and the assessment is updated at least yearly.

Regarding fund-of-funds, the following considerations apply in addition to those listed above. SEB Asset Management's sustainability policy is applied in the investment process and in the 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. Strategies resulting in material exposure to excluded sectors or issuers are not tolerated.

Derivatives

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

Short positions

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

Commodities

SEB Asset Management has a strong commitment to Net Zero and helping the real-world transition into a cleaner mix of energy sourcing. Thus, our funds cannot hold long or short positions in derivatives based on fossil fuel commodities.

Mandates

Mandates and discretionary mandates under the purview of the business area are not covered by exclusion policies or commitments made for SEB funds unless explicitly requested by the customer. However, all new mandates are expected to consider human rights in the investment process and adhere to international sanctions.

The Customer Acceptance Committees of SEB Asset Management AB, SEB Funds AB and SEB Alternatives AB, respectively, have the formal mandate to accept new customers. When considering potential sustainability or reputational factors of new customers, the Committee is to be informed by but not governed by this policy.

Own Impact

SEB Asset Management's exposure to sustainability risks and opportunities is mainly found in the investments made in funds and other financial products. The impact of our own operations is limited in this context.

The greatest potential negative impact from our own operations is on the climate. In line with the SEB Group ambition, SEB Asset Management aims to reduce its operational climate footprint. SEB Group has set CO2 targets for its operations,

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

² Including exchange-traded funds, xAssets, and external products.

which include reducing absolute CO2 emissions by 66 per cent by 2025 (compared to 2008) and by 75 per cent by 2030. To achieve this, SEB Asset Management is actively working to:

- Improve energy efficiency in its operations and buildings
- Reduce business travel by using alternative meeting technologies and decreasing travel-related emissions by choosing biofuels where possible
- Transition to an electrified fleet of company cars
- Collaborate with suppliers to minimise the broader carbon footprint from operations
- Contribute to transparent public reporting on the SEB Group's emissions profile and the measures it is taking to manage and reduce emissions. SEB Group has signed the CDP.

The SEB Group also has a Supplier Code of Conduct, which is applied by SEB Asset Management, with several principles in line with the above commitments along with global norms.

SEB Asset Management aims to avoid causing or contributing to negative social impacts and human rights violations through its own operations. It also strives to prevent or mitigate negative social and human rights impacts that are directly linked to activities in business relationships. SEB Asset Management is aligned with SEB Group's commitment to respecting human rights in its own operations and practices.

These are covered by HR processes and specific policies, such as the SEB Group's Code of Conduct, Work Environment Policy, and Inclusion and Diversity Policy. The SEB Group's supply chain is covered by the SEB Group's Supplier Code of Conduct, all of which are applied by SEB Asset Management.

Organisation and governance

The CEO for each company is responsible for compliance with the policy in all applicable activities and, as required, drafts 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 Asset Management has formed a committee

to make decisions on exclusions, as specified in the criteria listed in this policy, and to make decisions on sustainable investments according to Sustainable Finance Disclosure Regulation (SFDR) Article 2.17

This committee is governed by instructions adopted by the CEO of SEB Asset Management Holding and the CEO of each subsidiary company and are reviewed yearly.

Furthermore, all new products are subject to approval by a product committee (PC) and all material changes in products or internal processes are subject to a holistic risk assessment process called NPAC. Sustainability is incorporated in both processes with representation from the Sustainability and Governance team.

Methods

SEB Asset 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. SEB Asset 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 Asset Management's funds exclude investments in sectors and companies that do not address and mitigate their major sustainability challenges. Companies with verified breaches of international norms and conventions are also excluded.

Exception from exclusion can be made in individual cases if SEB Asset Management has an ongoing dialogue or, for other reasons, has insight into the company's operations and

transformation plans.

The exclusion criteria are presented in more detail in section 7.

Integration

SEB Asset Management integrates sustainability perspectives into investment decisions and portfolio construction. With a broad range of products and asset classes, different approaches to integrating sustainability are necessary. However, SEB Asset Management handles both risks and opportunities related to sustainable development throughout the portfolios by integrating environmental aspects, social responsibility, and corporate governance into all investment decisions. This is done via proprietary sustainability scoring models that contribute to the identification of companies that share SEB Asset Management's strategic view on sustainable development.

Active ownership

Active shareholder engagement concerns how shareholders influence companies' boards of directors and corporate management. To achieve the objectives of effective corporate governance, SEB Asset Management's active ownership is primarily exercised prior to and at General Meetings, through Nomination Committee work, and through dialogue with boards of directors and company management. Furthermore, SEB Asset Management may exercise influence and conduct dialogues through collaboration with other shareholders. Please see the 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 Asset 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.

Stakeholder management

While the Principles for Shareholder Engagement govern SEB Asset Management's actions and considerations as a shareholder, the same considerations apply for project financing, bondholding, and other areas of major influence via our investments.

As holders of bonds issued by public entities, sovereign entities, and supra-national entities, we aim to influence these and other public entities to align policies with global norms and treaties such as the Paris Agreement, ILO conventions and the Global Biodiversity Framework. We also aim to achieve specific outcomes, such as protection of the rainforests.

Regarding stakeholder lobbying and policy engagement, we encourage our investee companies to disclose their lobbying activities and align them with good corporate citizenship.

Sustainability risks

Sustainability risks include both the risks that a company poses to the environment, humans and societies, and the risks that a changing natural climate or business climate poses for 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 affected by nearby operations.

Physical risks are related to physical assets owned, used, or employed by a company in its 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, increase companies' physical risks. Sustainability risks also entail 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 an elevated risk of stranded assets or low standards with regard to human or labour rights.

SEB Asset 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 crucial 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 Asset 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 Asset Management's definition of sustainable investments is specified in the pre-contractual information for each financial product, as regulated by the SFDR.

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, with certain regions, populations and economic sectors already considerably impacted. Climate change also presents a significant risk to the long-term stability of financial systems.

SEB Asset Management seeks to accelerate the decarbonisation 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 align 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 investors.

SEB Asset Management is committed to reaching net-zero greenhouse gas emissions by 2040 for its investment funds on an aggregated level. It is SEB Asset 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 Asset 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 fossil fuels to renewable energy and increase the total production of energy, especially from renewable sources, such as solar-, wind- and hydropower.

To accelerate the transition, SEB Asset 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, as described in relevant policies and instructions.

In general, SEB Asset 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 profitability, including strategies for overseeing the mining process, and plans for the repositories of nuclear waste. SEB Asset Management also has a positive predisposition towards sustainable bioenergy. However, SEB Asset 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 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 various sources of biomass, regrowth and deforestation, food supply, local environmental effects, and human rights.

Integration and active ownership

SEB Asset Management uses several methods to encourage companies to reduce their climate impact. We integrate contributions to SDG 13 Climate Action and GHG emissions for Scopes 1, 2 and 3.

SEB Asset Management's main contribution and commitment affecting all decisions and reporting, is the 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 per cent for investment funds on an aggregate level.
- 2030 reduction of greenhouse gas emission by 75 per cent for investment funds on an aggregate level.

This commitment sets the direction and permeates sustainability integration. 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; and
- that provides climate solutions that help reduce the carbon footprint.

Thus, SEB Asset Management seeks to reorient capital flows towards climate solutions, and climate resilient and transitionary business models.

Overall, SEB Asset 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 Asset 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 demonstrate 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 results are presented in the report [Exclusions and Transition](#).

In addition, for all its investments, SEB Asset 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; and
- fuel efficiency and fuel intensity 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 in 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 and the local reduction or depletion of species in certain habitats.

SEB Asset Management wants to avoid or minimise negative aspects of business operations from our investments on nature and recognise that this is necessary for continuous life on land. We recognise 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 Asset Management strives to contribute to the understanding that biodiversity loss can translate into growing financial risk. We recognise the necessity to integrate the risks, and the business opportunities linked to ecosystem services and a resilient nature in investment decisions, as part of targets and incentives. SEB Asset Management commits to not investing in companies that have verified breaches of biodiversity-related norms. We also exclude companies that operate and have a negative impact on threatened species or bio-sensitive areas, including Arctic drilling. Finally, to reduce risks of deforestation of tropical forests, SEB Asset Management monitors companies with the greatest influence on and exposure to tropical deforestation and aims to set net-zero deforestation targets as the global data quality on deforestation improves.

Integration and active ownership

Biodiversity is integrated via considerations such as impacts and dependencies on ecosystems and exposure to relevant SDGs, such as Goal 15: Life on Land. SEB Asset Management expects companies operating in areas with an elevated risk of biodiversity loss and high-risk sectors, in particular agriculture, forestry, and power generation, including biofuel and hydro-power, to take measures to limit their negative impacts.

SEB Asset Management is committed to reducing our impact on nature and supporting the reversal of biodiversity loss in line with the Global Biodiversity Framework. To strengthen our commitment, we signed the Finance for Biodiversity Pledge, and commit to monitoring our exposure to sectors at elevated risk of deforestation, mapping portfolio impacts and dependencies on nature and mapping our share of portfolio companies having a deforestation policy.

In addition to this, we commit to mapping deforestation exposure by the end of 2026, as well as encouraging our investee companies to set time-bound deforestation targets and to adopt Science Based Targets for Nature.

Our reporting targets for the Finance for Biodiversity Pledge are:

- 100 per cent of portfolio companies in high-risk commodities to have a no-deforestation policy by 2030;
- 100 per cent of portfolio companies in high-risk commodities to have a time-bound no-deforestation target by 2030;
- 20 per cent of total portfolio weight adoption of SBTN by 2030; and
- 50 per cent deforestation policy adoption in the total portfolio by 2030.

SEB Asset Management encourages companies to commit to full traceability in their production processes and supply chains. Thus, in engagement dialogues with investments, SEB Asset Management focuses on and emphasises 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, 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, SEB Asset Management periodically reviews:

- the share of organisations 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 the 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); and
- relevant certifications and positions with respect to palm oil.

To promote circularity and reduce waste and pollution in the environment among investments, SEB Asset Management periodically reviews:

- 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; and
- whether portfolio companies have waste management systems in place, with a particular focus on the mining sector.

High-risk commodities

SEB Asset Management expects companies with a material share of revenues (greater than 15 per cent) from timber products, cattle products, palm oil, soy, cocoa, rubber or coffee to identify potential adverse impacts through direct drivers of biodiversity loss and to set relevant targets in line with the Science Based Targets for Nature. Furthermore, companies should have a process in place to ensure that, in the event of identified negative biodiversity impacts or conversion of natural habitats, the Mitigation Hierarchy (Avoid, Minimise, Restore, and Offset) is applied. In addition, companies are expected to set deforestation policies along with targets for sustainable forest management certification, both within their own production and in the procurement of forest-related products. Finally, we encourage companies to adopt standardised reporting frameworks on nature, such as the TNFD standards.

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 an input to societies and the economy, especially food production, and the spread of wastewater and pollution making freshwater unsafe and unusable. As the temperature rises and the climate changes, clean water will become even more scarce.

SEB Asset 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 on water and 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 an elevated risk of negative impact on water, recognise this necessity and limit their effects. Certain industries, such as mining, chemicals, 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 Asset Management commits to excluding companies with verified failures to comply with norms and standards related to water. SEB Asset Management also aims to increase water-use efficiency across investments and stress the importance of water risk management and transparency in company dialogues.

Integration and active ownership

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

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

- corporate disclosure of water-related risks, dependencies and impacts, 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; and
- formulating and disclosing water-use reduction targets.

SEB Asset Management encourages investee companies to increase their efforts to improve water-use efficiency 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 Asset Management commits to increasing water-use efficiency across its investments.

In addition, SEB Asset Management periodically reviews;

- 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 investments;
- waste and emissions to water among investments; and
- usage of freshwater among investments.

For relevant companies involved in aquaculture, SEB Asset 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 rights and labour rights

Position

The respect for 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 abolition of forced and child labour, are 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 require 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 Asset 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 they are key to maintaining ambitious standards of accountability, transparency, and integrity.

SEB Asset Management is committed to upholding children's rights in all aspects of our investment activities. We align with internationally recognised frameworks such as UNICEF's Children's Rights and Business Principles, the United Nations Global Compact, and the International Labour Organisation conventions to guide our approach. SEB Asset Management expects companies to incorporate children's rights into their business conduct, products, and services.

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

- human and labour rights policies and procedures; and
- human rights due diligence policies and supplier codes of conduct, including processes for their 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 Asset Management integrates social sustainability using, for example, information about companies that do not adhere 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 integration considers current status and the year-on-year 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 Asset 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 Asset 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 Asset Management periodically reviews;

- 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 per cent representation of either gender; and
- the share of companies with policies to prevent workplace accidents and the rate of accidents.

SEB Asset Management also aims to increase the share of companies among the investments with policies relating to;

- human rights;
- human rights due diligence; and
- 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. It involves adhering to the rule of law, being transparent and accountable and having efficient organisations.

SEB Asset 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 is proven to be transparent and has 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 Asset Management is committed to respecting international norms and will therefore exclude companies that verifiably do not adhere to international norms and conventions, as well as companies with insufficient governance structures. In the work on nomination committees, SEB Asset Management aims for gender parity on average across different companies' boards, with at least 40 per cent of either gender on each board.

Integration and active ownership

Board performance is vital to the long-term success of a company. Accordingly, this is a key theme when SEB Asset Management serves on nomination committees.

To improve decision-making, boards should comprise directors with skills aligned with the company's strategic needs and direction, 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 engage in meaningful dialogue with the company's shareholders, workforce, and other key stakeholders. Finally, SEB Asset Management expects investee companies to conduct an external board evaluation regularly. In engagement dialogues with the investments, we will address the board's responsibility to work with company culture and corporate values to support the sustainable development of the business. This also includes defining relevant and material sustainability targets.

It is becoming increasingly important for boards to align their strategy with the Paris Agreement and the UN's 17 SDGs. Hence, to increase the companies' focus on relevant and material sustainability challenges, executive management incentives should be linked to sustainability targets. Sustainability targets should be integral to companies' business strategies and their strategic priorities linked to value creation. In engagement dialogues with the investments, SEB Asset Management will address and emphasise the importance of:

- remuneration policies and programmes including relevant sustainability targets; and
- transparent disclosure of incentive programmes, including quantitative measurable targets

To increase transparency and reduce corruption, SEB Asset Management closely monitors breaches in anti-corruption and anti-bribery procedures and standards among investee companies and assesses whether their actions to address these issues are sufficient.

7. Exclusion criteria

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

SEB Asset Management has identified some sectors as particularly problematic from a sustainability perspective and has therefore, chosen to exclude companies with a substantial share of their revenues in these sectors. In relation to the energy sector, SEB Asset Management excludes companies involved in fossil fuels. A limited and well-defined share of strategic reserve fossil power generation capacity is considered on a case-by-case basis.

More specifically, we exclude:

- companies that produce, extract or process fossil fuels, including Arctic drilling, fracking, tar sands and thermal coal mining;
- companies generating energy from fossil fuel sources, unless they have clear goals and demonstrate 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 where distribution linked to coal exceeds one per cent of total revenue;
- companies where mining of metallurgical coal exceeds one per cent of total revenue;
- companies for which services related to fossil fuels exceed 50 per cent of total revenue; and
- companies for which services and distribution combined exceed 50 per cent of total revenue, unless they have clear goals and demonstrate ongoing active conversion from and reduced dependence on fossil fuels.

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

- manufacture, develop, or sell controversial weapons in conflict with international conventions (e.g. cluster bombs, land mines, white phosphorus, and chemical and biological weapons);
- contribute to the development of nuclear weapon programmes, or the production of nuclear weapons, inside and outside of the Non-Proliferation Treaty;
- produce tobacco and/or nicotine products, or derive more than five per cent of their revenue from the distribution of such products;
- produce cannabis for non-medical purposes;
- derive more than five per cent of their revenue from the production of alcohol;
- derive more than five per cent of their revenue from the production, distribution, or service of commercial gambling;
- engage in the production of pornography or derive more than five per cent of their revenue from its distribution of pornography;
- derive more than five per cent of their revenue from the production or distribution of civilian weapons.

A number of funds also exclude investments in companies that derive more than five per cent of their revenue from the development, production and service of weapons comprising combat equipment.

Companies with 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 these issues, are excluded. These norms and standards related to human rights, anti-corruption, and employment rights, as well as environmental concerns, such as, norms related to clean water, biodiversity, wildlife protection and climate change.

Finally, to minimise negative impacts on biodiversity, we exclude companies that operate in and materially negatively impact bio-sensitive areas as well as companies with operations that significantly harm threatened species.

In line with our established exclusion criteria, all SEB funds comply with the exclusion standards set by the Paris Aligned Benchmark (PAB). The PAB index aims to align the pathway of the index with the 1.5°C target set by the Paris Agreement.

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