

Explanation of the most significant negative consequences of investment advice on sustainability factors 2023



SEB Investment Management AB (the "Company") provides investment advice to a number of clients, even though the Company's main business is fund and individual portfolio management.

Investment advice differs from fund management in that every single assignment is negotiated jointly between the Company, the client, and where applicable, the distributor. The Company strives to agree in every advisory agreement that principal adverse consequences (*Principle Adverse Impact*, "PAI") must be taken into account. However, it is ultimately the customer who decides.

In the assignments where PAIs are taken into account, the Company applies its Sustainability Policy (<https://sebgroup.com/about-us/our-business/our-divisions/seb-investment-management/our-sustainability-approach>)

In investment advisory assignments involving funds, the Company takes into account the information published by the fund's fund management company in accordance with the SFDR and Commission Delegated Regulation (EU) 2022/1288 (the "Delegated Regulation to the SFDR")

For other investments, so-called direct investments, the Company applies exclusionary criteria as follows:

The Company does not invest in government bonds issued by countries that violate fundamental social and political rights, or countries that are sanctioned or subject to embargoes by the UN, EU, USA, or the United Kingdom.

The company has assessed that certain sectors are particularly problematic from a sustainability perspective and has therefore chosen to exclude companies with a significant proportion of their revenues in these sectors. With regard to the energy sector, the Company has chosen to exclude companies involved in fossil fuels. More specifically, we exclude:

- companies producing, extracting or processing fossil fuels, including unconventional fossil fuel extraction. This applies, for example, to tar sands and deep-sea drilling in particularly vulnerable areas;
- companies that generate energy from fossil fuels, unless the company has clear objectives and can refer to an ongoing active transition to renewable energy sources in line with the Paris Agreement;
- companies where distribution linked to fossil fuels exceeds five percent of total revenues; and
- companies for which services related to fossil fuels exceed 50% of total revenues, unless the company has clear objectives and can refer to an ongoing active transition from, and reduced dependence on, fossil fuels.

In relation to sectors with a high risk of negative impacts on human rights and health, we exclude:

- weapons, such as cluster bombs, landmines and chemical and biological weapons;
- companies that contribute to the development of nuclear weapons programs or the production of nuclear weapons;
- companies that produce tobacco or tobacco products, or companies that derive more than five percent of their revenue from the distribution of tobacco products;
- companies producing cannabis for non-medical purposes;
- companies where more than five percent of the revenue comes from alcohol production;
- companies where more than five percent of the revenue comes from production, distribution, or services in commercial games; and
- companies engaged in the production of pornography, or for which more than five percent of the revenue comes from the distribution of pornography.

Within the framework of certain advisory assignments, investments in companies that receive more than five percent of their revenues from development, production and services linked to weapons consisting of combat equipment or certain other military equipment are also excluded.

Companies that lack adequate corporate governance structures, or that have demonstrably not complied with international norms and standards and have not demonstrated clear objectives and ongoing actions to address these issues, are excluded. The norms and standards are related to human rights, anti-corruption or labour law, but also to the environment, such as clean water, biodiversity and wildlife, and climate change.

To ensure that we limit negative impacts on biodiversity, we exclude companies that operate in and have significant negative impacts on, particularly sensitive areas with respect to biodiversity, as well as companies with operations that have significant negative effects on endangered species.

The Company applies a proprietary model, SEB Investment Management's Sustainability Score (SIMS-S), which helps to identify companies that share the Company's strategic views on sustainable development.

The model consists of two parts – sustainability-related risks and opportunities. More specifically, a company's risk assessment is based both on reported data on, among other things, emissions and information on breaches of established CSR standards. This section is based on Table 1 of Annex I of the SFDR Delegated Regulation.

In addition, an assessment is made of whether the companies hinder or hinder the work of achieving the goals set within the framework of the UN's Agenda 2030.

In summary, SIMS-S provides a forward-looking sustainability rating for individual companies and guidance on sustainability factors that may affect risk and return.

SIMS-S considers the following PAIs:

- Exclusions Annex 1 – Table 1 of the SFDR Delegated Regulation
- PAI 4: Exposure to companies operating in the fossil fuel sector
- PAI 10: Violation of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
- PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)
- When integrating sustainability, SIMS-S is used (together with a fundamental analysis) Annex 1 – Table 1 of the SFDR Delegated Regulation
- PAI 1: Greenhouse gas emissions
- PAI 2: Carbon footprint
- PAI 3: Greenhouse gas intensity of the investment object
- PAI 4: Exposure to companies operating in the fossil fuel sector
- PAI 7: Activities adversely affecting areas of sensitive biodiversity
- PAI 8: Emissions to water
- PAI 9: Hazardous waste and radioactive waste
- PAI 10: Violation of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
- PAI 11: No processes and compliance mechanisms to monitor compliance with the UN Global Compact and the OECD Guidelines for Multinational Enterprises
- PAI 12: Unadjusted gender pay gap
- PAI 13: Improving the gender balance on boards
- PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical and biological weapons)

During the investment period, the following PAIs are considered:

- Advocacy dialogues with issuers:

PAI 13 from Annex 1 – Table 1 of the SFDR Delegated Regulation.