

SEB Investment Management Active Ownership Report



July 2021 - June 2022

SEB

Contents

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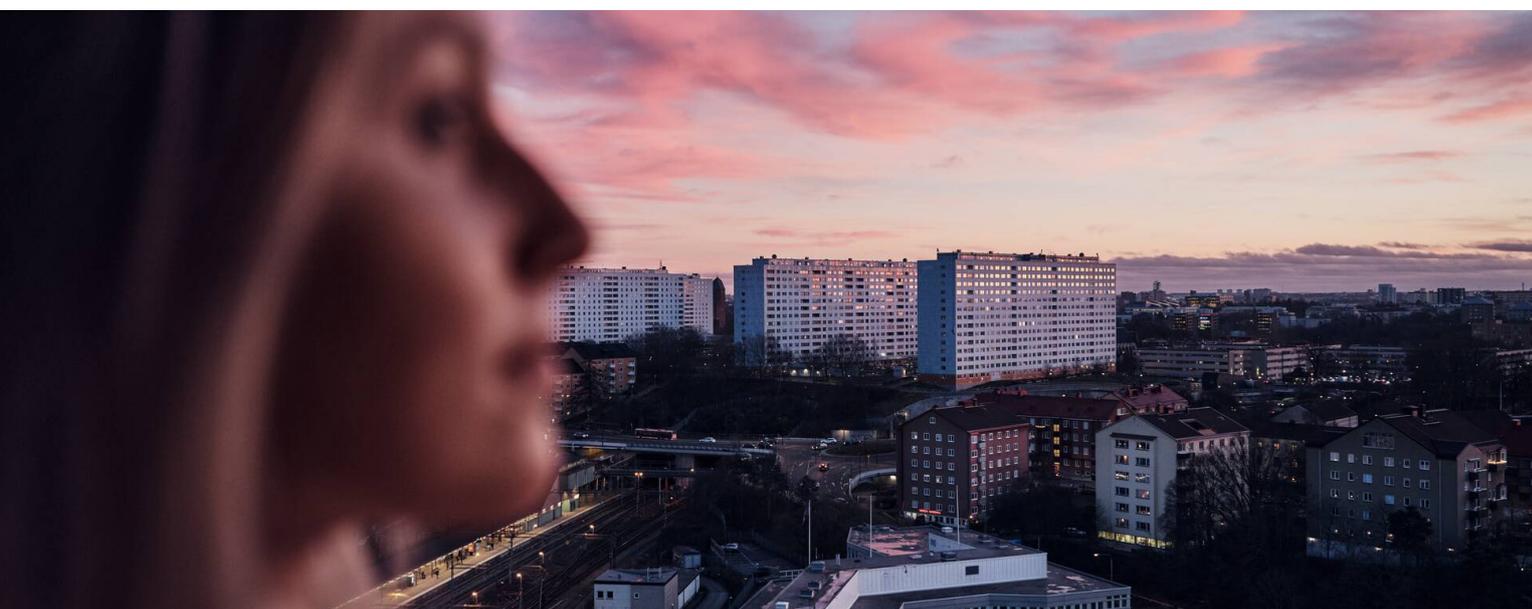
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Foreword

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

While the second half of 2021 was still marked by the pandemic and its effects on societies and economic development, the first half of 2022 brought a dramatic change in the economic and financial landscape. The prior escalation and the final outbreak of Russia's war against Ukraine dramatically changed the geopolitical situation. The combined effects of the pandemic and the war on supply chains, energy prices, inflation and growth were massive.

It is also clear that climate change has not taken a break. As in previous years, the outcome of our annual customer survey in 2021 put Climate Action at the very top of our customers' priorities for which Sustainable Development Goals we should consider in sustainable investments and in active ownership. Together with Clean Water and Sanitation, as well as Life on Land (ecosystems and biodiversity), Climate Action is clearly top of mind for our customers and this has guided us in some of the efforts described in this report.



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

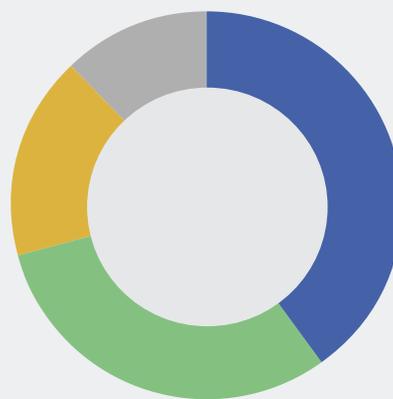
Engagement highlights

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

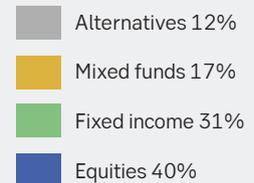
SEB Investment Management¹

SEK 759 billion

AUM in SEB Investment Management funds



Asset class allocation



Active ownership²

40 (35)

Number of nomination committees

>2000

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

41% (37%) women

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

579 (314)

Number of Annual General Meetings voted at

26% (22%)

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

¹ AUM as of Q1 2022

² Numbers as of Q2 2022

Investment philosophy

SEB Investment Management is one of the largest institutional investors in the Nordic region. As an asset manager, SEB Investment Management has high ambitions to contribute to sustainable development by investing in companies and other assets that can contribute to the transition to a more sustainable economy. We are convinced that companies that work in a structured way with sustainability will be more successful in the long term and will thereby over time have the opportunity to generate higher returns on investment.

SEB Investment Management is a long-term, forward-looking asset manager. We believe that active ownership is crucial to the investment strategy to meet our overall objective to optimise returns for customers, while avoiding erosion of the possibilities for future generations to meet their needs. It is our responsibility to make sure we do business in an ethical and sustainable way, attending to our customers' needs and protecting people's rights, as well as the environment.

Global economic development over the last century has certainly come at a cost to our natural environment. Population growth and rising standards of living have led to exponential demand for energy and other natural resources, causing damage to our environment and biosphere, and now exceeding the Earth's capacity to regenerate. In addition, the demand for energy and natural resources will accelerate even further in the coming era of electrification.

As an asset manager, we have a duty to act in the best long-term interests of our customers. We believe that the transition from unsustainable activities, together with new innovations and technical solutions, will have a material impact on the risk and return characteristics of investments. We therefore believe that companies with a strong determination to manage sustainability risks and constantly work to develop into a sustainable business have a better chance of superior long-term performance. Furthermore, we recognise the fundamental importance of building companies and societies on the rule of law, safeguarding human rights, equality and the absence of corruption.

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

As the link between sustainability and long-term value creation has become clear, SEB Investment Management anticipates a future where most asset owners and investment managers use dialogue as an effective way to contribute to positive change.

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

SEB adopted the UN's Principles for Responsible Investment (PRI) in 2008. We are committed to the principles and consider the sustainability aspects to be at the core of investment analysis and decision-making processes, as well as in our ownership policies and practices. A sustainable economic future relies on sustainable investment practices today.

Investment strategy and active ownership

SEB Investment Management analyses and evaluates critical investment criteria when building our portfolios. A company's business model, strategic position, market growth potential, as well as financial risks and capital structure are all paramount input to the investment process. Sustainability factors are core to the long-term investment strategy.

There is solid evidence that global sustainability challenges, such as climate change, biodiversity loss and violations of human rights, have a material impact on the risk/return characteristics of investments. That said, we believe that sustainability is one of the key drivers for creating value for the customers who have entrusted their investments to us. We therefore conclude that our fiduciary duty is aligned with sustainable investments.

We believe that environmental, social and corporate governance (ESG) issues are inextricable parameters in any investment decision and will affect the performance of investment portfolios. These parameters are therefore analysed and considered in the same way as other important investment criteria in the investment process. In other words, there are no parallel ESG processes, but one single investment strategy.

The proprietary sustainability integration model
Our proprietary sustainability model integrates factors linked to the environment, social responsibility, and corporate governance when assessing individual companies' ability to manage sustainability risks and opportunities. The purpose of the sustainability model is to provide a relevant, forward-looking, and individual sustainability score for the fund's investment universe and to provide guidance in relation to current and future sustainability factors that may affect long-term risks and returns.

Divestments and exclusion

The investment strategy does not just concern investing. It naturally also contains elements of defining the investment universe – which sometimes entails the exclusion of certain assets, as well as divesting holdings. There may be situations where we no longer want to own a specific holding. If we conclude that a company has a business model that we do not regard as sustainable, or which does not show enough signs of becoming sustainable, this may result in divestment.

In addition to the risk-based divestments addressed above, there are also ethically justified exclusions. SEB Investment Management has identified companies and sectors that are excluded from the investment universe. We exclude investments in companies that operate in sectors or business areas that are assessed to present major sustainability challenges. Our exclusion criteria can be divided into three categories: fossil-fuel based, norms-based and product-based. See [SEB Investment Management Sustainability Policy](#) for further details.

Active ownership enhances potential outcome

While sustainability factors are paramount in assessing risks and possibilities, the investment strategy not only targets companies with highly developed sustainability work, but also identifies possible investments in companies committed to improving their sustainability efforts and that are delivering positive transformation.

An important part of the investment strategy is to continuously measure and analyse the strategical development to acquire knowledge about the management's intentions, commitment and ability to adapt and, when needed, transform the company towards the wanted position.

However, we do not only want to measure the company's performance, but we also want to contribute to a positive change in accordance with a defined objective through a constructive dialogue. A target for the engagement dialogue is defined as early as possible and depends on the relevance and materiality of the risks and opportunities in the specific company.

When and if a company is willing to engage in a dialogue we strive to bring relevant knowledge and insight to the table in order to build trustful and constructive relations. It is in our, and our customers', interest that we, through a target-driven engagement, contribute to the company's future-proof business model. A proactive engagement, with a clear agenda and a clear target, contributes to a better long-term risk adjusted return for our customers - and to more sustainable results for the society as a whole.

If an engagement does not lead to necessary progress within a reasonable time frame, we may escalate the activity. If deemed appropriate, we may for example use our voting rights and vote against specific proposals, vote against all or part of the Board of Directors or put forward a shareholder proposal at the Annual General Meeting. If we assess that the impact through dialogue or the above escalation measures do not have the required effect, the holding may be divested. A decision to divest a holding is dependent on the company's response to the above escalation and whether the company is undergoing a credible and substantial change in the direction expected.

Our customers' view on the UN Sustainable Development Goals (SDGs)

The UN's 17 Sustainable Development Goals (SDGs), adopted in 2015, represent a joint, integrated approach, balancing the three cornerstones of sustainable development: economic growth, social inclusion and environmental issues.

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

In our engagement with companies, we encourage them to act responsibly and reduce their negative impacts on society, across their value chains. We also suggest changes that could have a positive impact, for example to develop a clear and ambitious pathway to achieve net zero emissions. Our view is that the long-term success of a company's business is inextricably linked to achievement of the goals because the SDGs help to create an economic context and society in which businesses can thrive.

Each year we ask our customers which of the UN SDGs they consider most important. We attach considerable weight to the outcome of the survey when prioritising the engagement themes in our company dialogues. Consequently, the answers serve as a valuable input to SEB Investment Management's focus going forward. 2021, more than 7,300 of our customers responded, and the result this year was similar to the previous year:



59 % (49 %)
Goal 13: Climate Action



34 % (36%)
Goal 6: Clean Water and Sanitation



27 % (23%)
Goal 15: Life on Land
(Biodiversity & Ecosystem)

The cornerstones of active ownership

SEB Investment Management seeks to be a strategic partner to our investee companies, in particular if we are a large shareholder or hold a large share of corporate debt in the Nordic market. We consider direct dialogue with companies to be the most productive way to promote positive change and exert influence. However, in some cases there are strong reasons to work via partners when engaging in dialogue. In other cases, collaborative engagement together with several other asset owners and asset managers may be the most effective engagement.

Corporate engagement approach

SEB Investment Management focuses our engagement dialogue on larger holdings, i.e. a larger ownership interest or a larger amount invested. In addition, we may focus our efforts on an engagement dialogue when the holding is considered a transition company (i.e. a company transforming from fossil-fuel based towards renewable operations). In addition, we will engage in dialogue with our top-20 high-emitting holdings, in accordance with the commitment SEB Investment Management entered into on joining the Net Zero Asset Managers' initiative.

To ensure positive development in our holdings we use a range of approaches when exerting our active ownership. We conduct stewardship, including direct or partner-led dialogues, participate in collaborative initiatives, exercise Paris-aligned voting policies and serve on nomination committees to ensure that we contribute to positive change and meet our goals. Engagement may relate to the financial performance and strategic plans of portfolio companies, or environmental, social and governance risks or opportunities.

In-house-led dialogue

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

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

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

Partner-led dialogue

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

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

Furthermore, during 2022, SEB Investment Management joined ISS' initiative to launch proactive theme-based dialogues with some 140 companies internationally. In this case we are directly involved in the ongoing dialogue with the targeted companies.

Collaborative initiatives

SEB Investment Management has joined several international collaborative initiatives to leverage the power of ownership influence, for example in forums such as UNPRI, IIGCC, CDP and IPDD. We also form part of Swedish collaborative initiatives such as Sustainable Value Creation and Swesif (see explanation and further memberships on page 16).

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

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

Our focus areas in engagement processes with other investors, in the initiatives described above, are primarily related to human rights and climate change, such as:

- Climate issues with focus on the 160+ largest CO2 emitters worldwide to reduce their environmental impact
- Climate issues with an emphasis on water and palm oil production
- Access to medicine in developing countries

Seven prioritized engagement themes



SEB Investment Management's customers guide us in defining focus areas and provide valuable input when defining engagement themes going forward. The UN Sustainable Development Goals (SDGs) are considered paramount when formulating SEB Investment Management's long-term priorities and themes. Our view is that businesses' long-term success is inextricably linked to the SDGs since they create an economic context and society in which businesses can best thrive.

When taking a holistic view of active ownership, it is natural to address not one, but several issues in a company dialogue. Furthermore, certain issues tend to be inter-linked or should be handled as such. For example, when interacting with a large multinational company it makes a lot of sense to address climate or environment transition plans connected to the management's incentive programmes. At the same time, it is a short logical step to address and scrutinise the supply chain challenges when implementing a climate or environmental strategy.

As long-term investors, we engage in dialogue to encourage companies and policymakers to improve their performance on a range of different topics. The number of areas of considerable importance (our seven prioritised engagement themes)

highlights the diversity of issues affecting companies in a global portfolio. We will therefore also most certainly address one or several sustainability related issues in the dialogue - depending on relevance and materiality in the specific case. By being transparent about our priorities we also disclose the topics that our investees, partners and asset owners may expect us to address in various dialogues.

The seven themes are of great importance to identifying risks, opportunities and issues of relevance and materiality when we engage with our investee companies or other investors.

Regardless of theme, type of investment, or type of challenge, we will always address the company's overall business purpose & strategy and risk management, while expecting open and transparent communication.

In the appendix, we describe our approach to active ownership, as well as our seven engagement themes.

Engagement activities

In-house-led engagement activities

Our in-house led engagement is focused on three different activities, namely shareholder meetings, participation in nomination committees and engagement dialogues. In general, the portfolio managers and sustainability specialists perform the work.

Shareholder meetings and nomination committees

We participate actively in shareholder meetings through voting and other governance duties. From July 2021 to June 2022, SEB Investment Management voted at 90 Swedish AGMs. We voted against one shareholder resolution proposing an incentive programme for the board. We do not believe it to be best practice for the board to have an incentive programme, and thereby the same incentives as the top executive management, since the function and responsibility of the board is to monitor and adjust the appropriate level of operational and financial risk. That function might be negatively affected and the risk might be greater when the board has the same incentives as the executive management.

During the same period, we served on 40 (35) nomination committees in Swedish companies. One of the single most important engagement themes in the committees' work continues to be diversity in the board composition. In companies with SEB Investment Management as a member of the nomination committee, 41% of the directors nominated were women. That represents a total increase of four percentage points of female representation in the 40 companies this year. In total 29 (17) new board members and 4 (5) new chairs were nominated. Another topic high on the agenda has been board fees, where we saw an upward trend well above the historical annual increases of 2 to 3%.

Engagement dialogues

The engagement dialogues conducted during the year were most often based on the seven engagement themes, in combination with relevant and material challenges and opportunities for the specific sector and company. During the year, our portfolio managers, as well as the ESG team, held ongoing dialogues with our large holdings in our core markets of Sweden and the Nordic

region. We identified over 80 companies where SEB Investment Management, as one of the larger owners, has an enhanced ability to contribute to positive change and support transition activities through committed engagement over time. Engagement on specific issues or topics may also be triggered by new information in the media or from stakeholder dialogues. Below is a brief summary of a few of our ongoing engagements.

Engagement dialogue with AAK

SEB Investment Management engaged in dialogue with the Swedish listed company in 2019, to address the sustainability challenge concerning palm oil. More granular traceability reporting was requested, as well as a breakdown of geographical regions to enhance traceability per country and per refinery level, to identify the high-risk regions and how the risks are mitigated. Furthermore, the dialogue involved our recommendation to report on climate-related financial risks, preferably in line with the TCFD reporting framework and Science Based Targets.

AAK is aligned and committed to working towards the expectations set. During the past year AAK has established scorecards enabling their suppliers to follow up and drive progress. AAK has now initialised satellite monitoring of the plantations and mills, which has resulted in several supplier engagements and investigations.

Furthermore, sustainability is now included in the executive remuneration schemes. This is one factor positively affecting staff engagement and talent recruitment. Finally, AAK aims to develop the reporting in accordance with the TCFD recommendations.

Engagement dialogue with Volvo Group

A substantial sustainability challenge for many companies is the relatively high carbon emissions from road transport. Evidence from a number of our dialogues, and sales statistics, shows a sharp increase in demand for fossil fuel-free transport. Large-scale investments in heavy trucks are implemented to develop tomorrow's fossil fuel-free vehicles, and more is to come. In our dialogue with Volvo, we addressed their climate

ambitions and transformation into fossil fuel-free engines and transport. The company has recently taken a leap forward to meet the market's demand for fossil fuel-free transport when electric heavy truck models for regional traffic are launched.

An overall observation from the dialogues with various companies is that both the ambitions and levels of action on sustainability-related issues are now at a higher level. This includes more stringent climate plans and strategies, as well as more transparent communication and reporting. This also applies for Volvo. In 2020, Volvo signed the Science Based Targets initiative, and the company's commitments were approved in 2021, thereby visualising the pathway for reducing their greenhouse gas emissions.

Engagement dialogue with Garo

The demand for, and the number of electrical, rechargeable vehicles is growing continuously. There is also a need for development of a comprehensive, well-functioning charging infrastructure. Garo's product offering comprising vehicle charging stations and solutions makes the company well-positioned for contributing to improving the charging infrastructure and the transition towards a fossil fuel-free society.

We have engaged in dialogue with Garo to gain a better understanding of how the transition towards an electrified society will impact the company, from both a sustainability risk and opportunity perspective. In our dialogue with the company, we have for example discussed the importance of a better understanding of the total environmental impact of its products throughout the value chain, encouraging Garo to implement a life-cycle analysis to increase their ability to produce innovative new products with a lower environmental impact throughout their service life. It is therefore inspiring to note that Garo recently completed and presented the results of a life cycle analysis of its LS4 charging station for electric and hybrid vehicles. We expect the outcome of the analysis to be used for further improvement of Garo's sustainability ambitions and efforts going forward.

Partner-led engagement activities

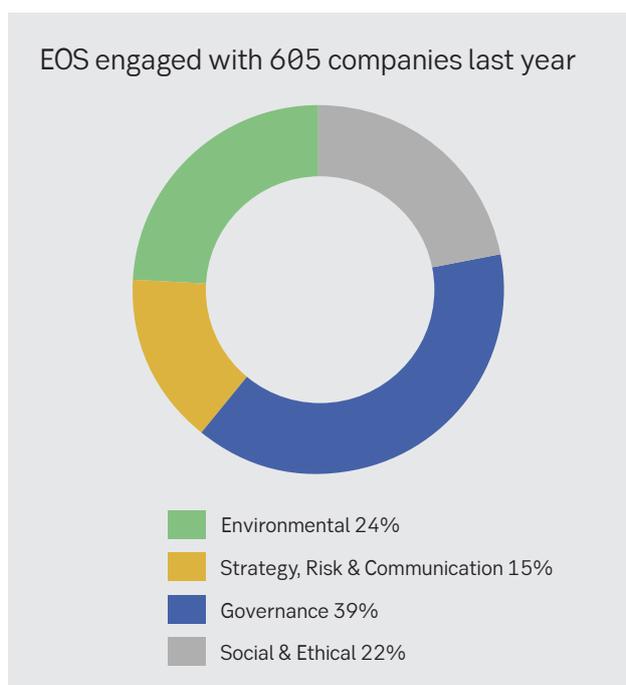
SEB Investment Management cooperates with partners when engaging with our international holdings, mainly outside the Nordic countries. The two main service providers are ISS and EOS at Federated Hermes. The services we acquire are mainly proxy voting and pooled/ collaborative engagement dialogues.

When voting at shareholder meetings globally we use proxy voting. Based on SEB Investment Managements Principles of Active Ownership, Sustainability Policy and Voting Policy, our partner ISS presents voting recommendations. We make the final decision on how to cast our vote. During the July 2021-June 2022 period, we voted at 489 AGMs at locations across the world. 464 meetings have taken place so far in 2022, and at these meetings SEB Investment Management voted on more than 6,000 agenda items, while the number of votes against the board proposals accounted for almost 10%. The most common issue for which we voted against the board's proposal was related to the composition of the board. Usually, these issues relate to proposals for the CEO of the company to also be chair of the board. Furthermore, SEB Investment Management voted against several executive management incentive programmes, due to unambitious targets and criteria for the successful outcome of the remuneration.

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

In terms of proactive company dialogues internationally, we collaborate with EOS at Federated Hermes, who conducted dialogues with 605 companies on more than 2,200 issues during

the period. Most of the dialogues are led by EOS at Federated Hermes, although SEB Investment Management staff may be directly involved in the dialogue in some cases. Around 1,200 of the topics discussed were related to at least one of the Sustainable Development Goals.



EOS at Federated Hermes and SEB Investment Managements engagement in Climate Action 100+

The collaborative initiative Climate Action 100+ (CA100+), where EOS continued to lead or co-lead engagement with around 30 companies, was continued and expanded during 2021, with more company commitments to mitigate systemic climate risks. According to the CA100+ 2021 Progress Report, published in January, 52% (43%) of the 167 focus companies engaged under the initiative have now set a net-zero target. But with only 14% of the focus companies fully committed to a decarbonisation strategy, and only 6% with a plan to align capex with a 1.5-degree pathway, there is still room for improvement.

Several large companies in the oil & gas, manufacturing and utility sectors committed to net-zero targets during 2021, clearly highlighting the increased relevance of the issue of climate change. Furthermore, 70 new investors have joined the initiative, which further enhances the effectiveness of the engagement.

Collaborative engagement activities

Access to Medicine, a Human Right

Today, more than 2 billion people still lack access to relevant medicine. This implies that more than 2 billion individuals risk dying from diseases that are treatable.

SEB Investment Management has been engaged in this initiative since 2016. The purpose, in accordance with the UN's SDG, is to ensure access to medicine, particularly in developing countries. Together with several other investors, we collaborate with the Access to Medicine organisation. We engage in impact dialogue with some of the largest pharmaceutical companies on price setting and access to medicine and healthcare in developing countries.

For the last three years, SEB Investment Management, together with the pension company Alecta, and now also Swedbank/Robur, has engaged in dialogue with the Danish pharmaceutical company Novo Nordisk, one of the world's leading manufacturers of insulin. The engagement has been very fruitful, and the company continues to show great transparency and appreciation of the engagement. As an example of progress, the company has expanded the Diabetes in Children programme from 30,000 to 100,000 children. The programme is now running in 24 countries, with a target to ramp it up to 45 countries by 2030.

One challenge is the lack of access to clean water and refrigeration in some developing countries, which impedes distribution. As a consequence, the focus is on developing heat-stable insulin and easier application tools containing less plastic. Progress has also been made in the identification of children in developing countries who are underprivileged and lack access to medicine and medical care.

Thematic collaborative engagement

In this collaborative engagement, led by ISS, we reinforce our efforts by participating in company dialogue covering four of our seven prioritised themes, addressing some 130 companies in total. This collaborative initiative was launched in Q1 2022 and the initial steps of addressing the selected companies took place during the spring. The company dialogues will focus on material sustainability-related themes and issues. ISS facilitates the engagement on behalf of ourselves and other institutional investors to promote positive change through active ownership and dialogue. SEB Investment Management will obviously benefit from ISS' expertise to identify areas in need of improvement and also measure the engagement progress over the engagement life cycle, which is estimated to be two years, and finally, to evaluate the engagement progress. The four prioritised themes – which include 30-40 companies per theme – are:

Net Zero – Aims to improve companies' commitments to achieving net zero emissions by 2050, by calling for ambitious targets and decarbonisation strategies.

Water – Intends to improve corporate disclosure of water-related risk and impact, focusing on two high-impact industries: Chemicals and Textiles & Apparel.

Biodiversity – Seeks to improve transparency concerning biodiversity impact and strategies to manage nature-related risks in the key high-impact industries of Mining & Integrated Production and Food Products.

Gender equality – Aims to increase female representation at board and executive management levels and improve disclosure regarding the gender pay gap ratio and of measures taken to promote equal opportunities and gender diversity.

The Net Zero engagement was initiated with 30 companies in March 2022. As at 15 June, engagement meetings had been held or were scheduled with 5 companies, and 4 companies had provided written responses about their Net Zero plans.

Investor Policy Dialogue on Deforestation

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

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

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

During 2021 the IPDD Brazil has held a series of meetings with various stakeholders, such as the central bank and ministries, along with outreach and lobbying efforts during COP26.

In 2022, political stakeholders will be prioritised, due to the upcoming presidential and national elections.

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

Memberships supporting responsible investments

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



SEB Investment Management

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

SEB

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

Additionally, SEB supports the following international codes and agreements:

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

Appendix - Engagement themes in detail

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

Climate change, biodiversity and clean water

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

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

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

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

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

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

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

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

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

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

3. Clean Water, such as water-related ecosystems, plays a fundamental ecological role and provides essential products and services. Currently, freshwater ecosystems are changing dramatically. One fifth of the world's river basins are experiencing either rapid increases or decreases in surface water area. Furthermore, natural wetlands all over the world are in long-term decline. More than 80% are estimated to have been lost since the pre-industrial era.²

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

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

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

Healthy societies and supply chain management

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

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

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

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

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

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

We expect companies to apply the UN Guiding Principles on Business and Human Rights, reporting on their management of the most salient human rights issues and risks that could have

the most severe negative impacts on company operations and supply chains. In engagement dialogues with our holdings we will address and emphasise the importance of:

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

Executive remuneration and board effectiveness

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

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

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

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



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

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