

# Sustainability policy for SEB Investment Management AB

December 2017

**Adopted by the board of directors of SEB Investment Management AB ("the Management Company") on 23 February 2010. Most recent revision: 15 December 2017.**

The Management Company believes all companies should be responsible for environmental, social and business ethical issues since they have a long-term effect on the return of the funds. Consequently, the Management Company has a particular responsibility for making demands, from a broad sustainability perspective, on the companies in which we invest.

We believe all companies should have a sustainability policy covering the issues that are essential to each company's long-term competitiveness, such as environmental, social and corporate governance. At the same time, a carefully considered sustainability strategy is also essential for a company to be able to maintain and expand its market position and thereby achieve good returns in the long term.

The Management Company believes companies have a specific responsibility to ensure that business activities are conducted in accordance with the aforementioned policies and strategies. Maintaining openness and transparency, for example, by describing their work in annual reports or in separate sustainability reports is a basic requirement to enable the Management Company to continuously monitor and analyse companies' sustainability and business activities.

### **The UN's Principles for Responsible Investment, PRI**

In its role as asset manager, SEB has adopted the UN's Principles for Responsible Investment – PRI [www.unpri.org](http://www.unpri.org). PRI embraces six principles, and is an open global initiative launched in 2006. SEB signed PRI in 2008, since which the principles have become a global standard for sustainable investments. The Management Company works actively to follow the PRI's intentions.

Other international norms and guidelines to which we pay particular attention, including the environment, labour legislation, human rights, corruption and controversial weapons, are as follows:

The UN Global Compact, which contains 10 principles regarding human rights, the environment, labour legislation and anti-corruption: [www.unglobalcompact.org](http://www.unglobalcompact.org)

The OECD's Guidelines for Multinational Enterprises, which cover issues such as human rights, information disclosure, labour and industrial relations, the environment, bribery and corruption, consumer interests, competition, and so on: [www.oecd.org](http://www.oecd.org)

### **The Management Company's work with environmental issues**

SEB has adopted a number of sector policies to guide the Management Company when adopting an approach regarding companies in certain sectors: <http://sebgroup.com/sv/om-seb/hallbarhet/sa-har-arbetar-vi/policys>

Because the Management Company focuses on climate and has signed the Montreal Carbon Pledge, the carbon footprint of our funds is identified, measured and published each year. This information provides valuable data to unitholders of our funds, and in dialogue with the companies in which the funds have invested or prior to an investment decision.

## **Integrating sustainability in asset management**

All management teams in the Management Company work actively to integrate sustainability in their investment decisions. By incorporating responsibility for environmental, social and corporate governance issues in all investment decisions and company dialogues, the Management Company will influence and encourage such companies towards more responsible and sustainable business activities. The Management Company believes consistent integration of various sustainability perspectives in the funds' portfolio structures creates long-term value for our fund unitholders.

Because the sustainability perspective is integrated in the entire fund management organisation, this Policy applies to the Management Company's own funds. Monitoring of the funds' investments is ongoing. The funds' holdings in equities and bonds are always included. Derivative instruments and structured products are included to the greatest extent possible. Holdings in funds managed by other fund companies are covered by requiring them to sign PRI, as well as maintaining a dialogue regarding the exclusion of holdings in accordance with the Management Company's criteria. The selection process we use to evaluate external funds includes analysing the sustainability and exclusion criteria. For more information, see the appendix "In-depth information about SEB Investment Management AB Sustainability Policy."

The Management Company offers sustainability funds with a range of investment strategies – for unitholders who are especially interested in pursuing sustainable investment.

## **Dialogue with companies in which the Management Company invests**

The Management Company believes that influencing companies through a dialogue is more successful way than by divesting its holdings, even if the influencing process can take time. If the Management Company believes a company in which funds are invested does not comply with laws and ordinances or that it breaches standards and guidelines, the Management Company immediately starts a dialogue with the company. Via this dialogue, the Management Company reviews the situation as well as corrective measures the company plans to take.

These dialogues aim to establish changes so that future infringements can be avoided, and to ensure the company complies with regulations and international norms in the long term. The Management Company's appraisal of companies may, in some cases, be based on an objective review by an external party. In these cases, the Management Company carefully evaluates the gravity of the violation, and the reviewing party's appraisal of the incident.

When a violation is confirmed, but the company shows no interest in rectifying the situation, or if the process of change takes an exceptionally long time, the Management Company divests the holding within three months if it is deemed to benefit unitholders. However, sudden divestments are avoided if it could cause detriment to unitholders or the Management Company.

## Exclusion of companies in the funds

Our funds exclude investments in companies that operate in specific industries or areas of activity that we consider to have major sustainability challenges or can be perceived as unethical. Below is a description of our basic criteria that we apply to all our funds, as well as the additional exclusivity criteria that we apply to our ethical and sustainable funds.

<p><b>Core criteria applied to all our funds</b></p>	<p>The signing of PRI and various considerations to international norms and guidelines affect the Management Company's work and management of all funds. Exclusion means that our funds do not invest in companies:</p> <ul style="list-style-type: none"> <li>• That manufacture or sell weapons that violate international conventions such as cluster bombs, landmines, chemical and biological weapons</li> <li>• That participate in the development of nuclear weapon programmes or produce nuclear weapons</li> <li>• That derive more than 20% of their turnover from the extraction of thermal coal.</li> <li>• That verifiably breach international norms and conventions regarding labour legislation, anti-corruption, the environment or human rights, and are not willing to solve the situations that cause the breaches.</li> </ul> <p>When a company is accused of violating international norms and conventions relating to environmental violations, anti-corruption, human rights or labour law, the Management Company may initiate a specific direct-impact activity for a maximum of two years in order to try and persuade the company to rectify the infringement. This specific impact mechanism may be used only when a company's market value represents more than 5 percent of the relevant benchmark. If, after a period of 24 months, the company still violates international norms and conventions, we will divest the holding immediately. Information about companies that are subject to specific impact dialogue is available on the Management Company's website.</p>
<p><b>SEB's ethical funds</b></p>	<p>In addition to the Management Company's core criteria, our sustainable and ethical funds follow extended exclusion criteria.</p> <ul style="list-style-type: none"> <li>• Sustainable and ethical funds do not invest in companies with more than five percent of the company group's revenue derived from alcohol, tobacco, weapons, commercial gambling or pornography. For more information, see the appendix "In-depth information about SEB Investment Management AB Sustainability Policy."</li> </ul>
<p><b>SEB's sustainability funds</b></p>	<p>In addition to the criteria above, our sustainable funds follow additional exclusion criteria.</p> <ul style="list-style-type: none"> <li>• Our sustainable funds do not invest in companies that extract coal, gas, or oil.</li> </ul> <p>The aim is to completely avoid investing in companies that extract coal, gas or oil. However, in some cases subsidiaries or companies in a corporate group may have small, indirect investments in underlying operations. In these cases, we have set the limit at 0.5%: coal, gas or oil extraction may not exceed 0.5% of the Group's total turnover. We regularly monitor this. A total exclusion can be difficult to achieve for investment companies and conglomerates.</p>

### Nordic Swan Ecolabelled funds

Our Nordic Swan Ecolabelling funds follow the Management Company's highest level of sustainability criteria in terms of excluding companies - as stated above. In addition to these exclusion criteria, our Nordic Swan Eco-labelled funds do not invest, for example, in companies with more than 5 percent of their revenue resulting from uranium extraction, production of GM crops or in energy companies that generate energy with more than 5 percent of revenue come from fossil fuels. Our Nordic Swan Ecolabelled Funds continuously monitor the Nordic Swan Ecolabelling requirements to be regarded as a Nordic Ecolabelled product.

### The Management Company's Sustainability Committee

Our sustainability team's activities are integrated into all activities at the Management Company. The Management Company regularly makes decisions regarding exclusion, choice of partners, and adopting positions regarding various issues. To assist in this process, the Management Company has a Sustainability Committee made up of representatives from interested parties. The Committee is consulted in particular when amending general positions such as exclusion criteria or participating in international cooperation projects.

### Further information about our sustainability activities

The Management Company presents its sustainability work in an open and transparent way, thus helping unitholders gain an accurate and fair view of the Management Company's risks, positions and active sustainability efforts.

The Management Company provides ongoing, detailed information about sustainability. You can read more about our sustainability activities on our website [www.seb.se/fondbolaget](http://www.seb.se/fondbolaget)

- Sustainability profiles describe a fund's sustainability ambitions in a clear and simple manner.
- Sustainability overview contains a description of the Management Company's sustainability activities.
- As of 2018 we will present sustainability information for all the Management Company's Sweden-domiciled funds.
- The Management Company complies with the Swedish Investment Fund Association's guidelines for marketing funds with investments based on specific environmental, social or other similar considerations.

All sustainability information is available on the Management Company's website. The Management Company's sustainability work is also described in SEB's Annual Sustainability Report.

# In-depth information about SEB Investment Management AB's Sustainability Policy

As of 15 December 2017

SEB

## SEB's fund-of-funds

Our fund-of-funds follow the same sustainability criteria as our other funds. This means they follow – at a minimum – our basic criteria for sustainability. When our fund manager invests in non-SEB funds, the external fund manager is required to sign the UN Principles for Responsible Investment or to follow an equivalent sustainability framework. Sustainability activities and exclusion criteria are two of the factors in the selection process that we use on a continuous basis to evaluate external funds.

When our other funds invest in shares in external funds the above-mentioned requirements also apply.

## Master funds

Our selection of master funds, a type of fund-of-fund, follows the same sustainability criteria as our other funds. A master fund invests primarily in another fund which is called a feeder fund. In the event that a master fund managed by an external company follows exclusions that differ from SEB exclusions then we establish an active dialogue with the aim to convince the external company to exclude the same companies as we do.

## Index funds

Our selection of index funds aims to follow as closely as possible the same exclusion criteria as other SEB funds. However, there can be differences on company levels regarding which companies are excluded. This difference depends on the respective index supplier and their sustainability analysis. This process can take some time before our own exclusion criteria can be implemented.

Currently, MSCI and SIX provide benchmark indexes for our index funds. To see which companies are excluded, please see the respective index supplier's web site.

## Use of ETF and index instruments

When our funds use ETFs (exchange traded funds) or derivative instruments based on an index, companies that are excluded can be invested in indirectly via a selected ETF or index derivatives. The fund manager aims to select products that meet the Management Company's core criteria, but in many cases there are no corresponding instruments.

## Exclusion definitions of sectors in relation to ethical and sustainable funds

In addition to the fund company's core criteria, our sustainable and ethical funds also follow a broader range of exclusion criteria.

Consequently, our ethical and sustainable funds do not invest in corporate groups with more than 5 percent of their revenue resulting from:

- Production of alcohol
- Production of tobacco, including cigarettes, cigars, snuff and pipe tobacco
- Development, production or service of weapons including combat equipment, or other military equipment, such as tanks, small arms, military aircraft, and radar and simulation systems
- Production, distribution or service of commercial gambling such as gaming machines, lotteries, card games
- Production and distribution of adult entertainment/pornography