Sustainability Policy for SEB Investment Management AB

March 2019

SEB

Adopted by the Board of Directors of SEB Investment Management AB ("fund management company") on 23 February 2010. Last revised on 15 March 2019.

The management company believes that responsible ownership is a condition for long-term, sustainable value creation, since this affects the funds' returns over time. Responsible investments include the integration of environmental, social and corporate governance factors in investment processes and investment decisions, in order to better handle risks and opportunities. This is expected to lead to sustainable, long-term, value creation. In this respect, the management company therefore has a specific responsibility to act in the unitholders' interests.

Scope

The sustainability perspective is an integrated element of the entire fund management organisation, and this policy applies to the management company's own funds. It therefore always covers the funds' holdings of equities and fixed income securities. Derivative instruments and structured products are included to the greatest possible extent. Through the requirement to sign the PRI (see below), or equivalent, holdings in the funds of other fund management companies are also included. Continuous assessment is applied to the process of selecting external funds, including analysis of sustainability work and exclusion criteria. See "In-depth information concerning the Sustainability Policy for SEB Investment Management AB" for further details.

For unitholders who wish to make special sustainability considerations, the fund management company offers sustainability funds with a variety of investment orientations.

The UN's Principles for Responsible Investments, PRI

The management company supports international initiatives and guidelines to promote and support sustainable enterprises. As an asset manager, SEB has adopted the UN's Principles for Responsible Investments (PRI) - www.unpri.org. PRI comprises six principles, as an open global initiative, launched in 2006, which has become a global standard for sustainable investments. SEB signed PRI in 2008.

Other international standards and guidelines, in such areas as the environment, labour rights, human rights, anti-corruption and controversial weapons, applied by the fund management company are:

The UN Global Compact, which comprises ten principles within human rights, the environment, labour rights and anti-corruption (www.unglobalcompact.org).

The OECD Guidelines for Multinational Enterprises, including issues related to human rights, publication of information, employees, the environment, bribery and anti-corruption, consumer interests and competition, etc. (www.oecd.org).

SEB has also adopted a number of sector policies which guide the management company in its standpoints concerning companies in certain sectors (https://sebgroup.com/about-seb/sustainability/how-we-work/policies).

Together with the management company's values, these international initiatives, standards and guidelines are an important foundation for the management of our funds.

The management company's work on environmental and climate issues

Stable, productive and resilient ecosystems are the basis for secure and sustainable development. Saturation of the ecosystem leads to everything from deforestation and drought to shortages of water, loss of biological diversity and increased atmospheric carbon emissions. These climate changes have consequences for the stability of economic systems.

The global Sustainable Development Goals (SDGs) and Agenda 2030 clearly set the course and objective for sustainable development. In addition, the Paris Agreement, which is a global multilateral agreement, sets the clear objective to keep global warming well below two degrees, compared to pre-industrial levels, and its aim is 1.5 degrees. This requires financial flows to be reorganised, in order to promote low greenhouse gas emissions, and development towards resilience to climate change. A key driver of this development to reduce emissions is greater transparency and climate reporting, for both companies and investors.

A large part of the management company's sustainability work is focused on the environment and climate, for which the management company as an investor has an important role to play in achieving the goals of the Paris Agreement. The management company seeks to increase investment in companies offering solutions to global sustainability challenges, and which contribute to achieving the global Sustainable Development Goals. The management company also seeks to reduce the funds' negative environmental and climate impact by such measures as reducing the proportion of investments in companies that extract fossil fuels. On an annual basis, the management company identifies measures and publishes selected funds' carbon footprints. This work provides valuable information for unitholders, through dialogue with the companies in which the funds invest, as well as for investment decisions.

Integration of sustainability in asset management

Direct investments in equities and fixed income securities apply the management company's three principles for sustainability: include, engage and exclude. To the greatest possible extent, the sustainability perspective is considered when investing in certain types of assets and instruments, such as other fund management companies' funds, hedge funds, derivatives and commodities. The management company also seeks to constantly maintain a high sustainability level for its solutions products.

Include

By incorporating the environment, social responsibility and corporate governance (ESG)[1] issues in all investment decisions and dialogue with companies, the management company

[1] ESG is a term used in the financial sector and stands for Environmental, Social and Governance issues.

will influence and support companies in becoming more responsible and sustainable. The management company believes that consistent integration of various sustainability perspectives in the funds' portfolio structures creates long-term value for unitholders. All teams managing the management company's sustainable funds actively select companies that, through their activities, can be expected to contribute to sustainable development, such as companies that work actively to manage waste or water resources and which also take great responsibility for reducing their share of carbon dioxide emissions.

Engage: Dialogue with companies in which the management company invests

The management company exerts influence through company dialogue and corporate governance. The basis for this influence is the management company's commitment, international standards and guidelines, and SEB's values. The management company considers influencing companies through dialogue to be a more constructive way of exerting influence than divesting holdings, even though this engagement can be a prolonged process.

Dialogue is either proactive or reactive. Proactive dialogue entails influencing companies in order to improve general sustainability initiatives, and also working proactively with the company on specific issues. Through corporate governance, the management company can influence companies through membership of nomination committees of companies in which we are major shareholders, and by voting at AGMs when the management company has a major interest in the company. The management company considers direct dialogue with companies to be the most productive way to promote change and exert influence. Outside the Nordic region, we collaborate with other fund managers as we assess that this improves our opportunities to achieve more successful ownership dialogue with foreign companies in which we usually have smaller ownership.

Reactive dialogue is pursued when the management company assesses that a company fails to fulfil international standards and guidelines. Through dialogue, the management company will investigate the factual circumstances and any corrective measures planned by the company. The objective of each dialogue is to seek to achieve change so as to avoid future infringements, and to ensure that, in the longer term, the company adheres to applicable guidelines and international standards. All company holdings are reviewed regularly in order to identify any holdings that are in conflict with the fund management company's values concerning the environment, human rights, labour rights and anti-corruption. The management company's assessment of companies is thus based on objective review by a third party. In such cases, the management company must carefully assess the severity of the infringement and the reviewer's assessment of the event.

If the identified infringements are confirmed and the company does not show an interest in change, or if the change process is unusually protracted, the management company will divest the holdings within three months, if this is deemed to be beneficial for the unit holders. Sudden divestment may not take place, however, if this is detrimental to unitholders or the management company.

Company dialogue can be initiated in different ways, such as:

- Companies that fail to observe, or risk infringement of, international standards and guidelines.
- Companies that are active in sectors or markets with high sustainability risks.
- Companies that are active in identified focus areas in which we collaborate with others.
- Companies that operate in geopolitical conflict areas.
- Companies that have been identified as lagging behind their competitors within the sustainability area.
- A need for increased transparency and reporting from identified companies concerning specific sustainability issues.

Dialogue is conducted in different ways:

- Dialogue between fund managers and companies.
- Dialogue between ESG team and companies.
- Dialogue with other investors.
- Collaboration and sector initiatives via international cooperation, such as Hermes EOS, PRI, IIGCC or CDP.

The management company believes that all companies should have a sustainability policy that covers various issues that are vital to the company's long-term competitiveness, for example concerning the environment, social responsibility and corporate governance.

It is a fundamental requirement that the company demonstrates openness and transparency by reporting its work in annual reports or separate sustainability reports, so that the fund management company can continuously follow up and analyse the company's sustainability work and activities.

Exclude

The funds exclude investments in companies that operate in industries or business areas assessed to face major sustainability challenges, as well as companies that do not match the fund management company's values. Below, the criteria applied to SEB's funds are described.

Basic criteria for all of SEB's funds	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 the funds do not invest in companies with activities in the following areas: • Manufacture, development or sale of weapons that violate international conventions. Examples of such weapons are cluster bombs and land mines, as well as chemical and biological weapons (controversial weapons). Controversial weapons are weapons that can cause great suffering for the civilian population, or target them indiscriminately. • Participate in the development of nuclear weapon programmes, or production of nuclear weapons. • Turnover from extraction of thermal coal exceeding 20%. • Companies that are verified to be in breach of international norms and conventions regarding human rights, the environment, anti-corruption or labour rights, and where we do not see any impetus to address the problems. If a company is accused of violating international norms and conventions regarding environmental regulations, anti-corruption, human rights and/or labour rights, the management company may initiate specific direct advocacy measures. These specific advocacy measures may be relevant when a company's market value accounts for more than 5% of a relevant benchmark index, and/or when the company operates in geopolitical conflict areas. If the company does not demonstrate readiness for change after a reasonable period of dialogue, the company may be divested. Information about companies that are subject to specific advocacy dialogue is available on the fund management company's website. The fund management company does not invest in companies that are controlled by persons subject to sanctions adopted by the EU, the UN or the USA.
SEB's ethical funds	In addition to the fund management company's basic criteria, the sustainable and ethical funds follow additional exclusion criteria. Sustainable and ethical funds do not invest in companies or company groups which receive more than 5% of their turnover from alcohol, weapons, commercial gaming or pornography. Additionally, no investments are made in companies or company groups that produce or distribute tobacco products. See "In-depth information concerning the Sustainability Policy for SEB Investment Management AB" for further details.
SEB's sustainability funds	Besides the aforementioned criteria, the sustainability funds adhere to additional exclusion criteria. Sustainability funds do not invest in companies that extract coal, gas or oil. See "In-depth information concerning the Sustainability Policy for SEB Investment Management AB" for further details.
SEB's sustainable index funds	Additional exclusion criteria are applied to the management company's sustainable index funds. These funds follow the management company's highest level of exclusion criteria, as described above. In addition to these criteria, the sustainable index funds do not invest in energy companies that generate energy from fossil fuels.
Nordic Swan Ecolabelled funds	The management company's Nordic Swan Ecolabelled funds adhere to the fund management company's highest level of exclusion criteria – as described above. Besides these excluding criteria, the Nordic Swan Ecolabelled funds do not, for example, invest in companies that receive more than 5% of their revenue from extraction of uranium, or from production of genetically-modified crops; or in energy companies that generate energy with more than 5% of revenue come from fossil fuels. The fund management company's Nordic Swan Ecolabelled funds continuously comply with the requirements made by Nordic Ecolabelling in order to retain the Nordic Swan Ecolabel.

The management company’s sustainability activities

The management company’s sustainability activities embrace three main areas: the operative function in the form of the ESG team, the fund management organisation, and the sustainability committee. The operative sustainability function undertakes the work of supporting the fund management organisation by incorporating sustainability in the investment process, and driving the strategic sustainability work. The investment management organisation is responsible for the implementation of sustainability in its investment process. The sustainability committee has an advisory function and comprises various interests’ representatives. Decisions concerning changes are taken by the fund management company’s management group.

Further information concerning the fund management company’s sustainability work

The fund management company provides information about its sustainability work in an open and transparent manner and thereby contributes to ensuring that unitholders receive an accurate picture of the fund management company’s risks, standpoints and active sustainability work. Fund-specific sustainability information is available on the management company’s website. The management company’s work is also described in SEB’s annual sustainability report.

You can read more on the management company’s website: www.seb.se/fondbolaget.

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

As of 15 March 2019

SEB

SEB's fund-of-funds

The management company's fund-of-funds follow the same sustainability criteria as our other funds. This means they follow – at a minimum – the management company's core criteria for sustainability. When a fund-of-fund invests in external 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 are used on a continuous basis to evaluate external funds.

The same requirements apply when the management company's other funds invest in external funds.

Master funds

The management company's 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 the management company's exclusions then the management company establishes an active dialogue with the goal of convincing the external company to exclude the same companies as the management company's other funds.

Index funds

The management company's selection of index funds aims to follow as closely as possible the same exclusion criteria as other funds. However, there may be differences at company level regarding which companies are excluded depending on the external index provider and its sustainability analysis. This process can take some time before our own exclusion criteria can be implemented. Currently, MSCI and SIX provide benchmark indexes for index funds. Each respective index supplier's web site indicates which companies they exclude.

Use of ETF and index instruments

When the management company's 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 additional exclusion criteria. This means our ethical and sustainable funds do not invest in companies or company groups which receive more than 5% of their turnover from:

- Production of alcohol
- Development, production or service of weapons including combat 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 pornography

Additionally, no investments are made in companies or company groups that produce or distribute tobacco products. The goal is to completely exclude companies that produce tobacco. Thus the maximum turnover for a company is 0%. Additionally, the maximum turnover for a company that distributes tobacco is 5%.

In addition to the above criteria, the sustainable funds follow additional exclusion criteria. Sustainable funds aim to completely avoid investing in companies that extract coal, gas or oil. However, a company's subsidiaries may have small, indirect investments in their underlying operations or business activities. In these cases, coal, gas or oil extraction must not exceed 0.5% of the company's total turnover, which is continuously monitored. Complete exclusion is very difficult to achieve for investment companies and conglomerates.

Hedge funds

Hedge funds are managed according to a variety of strategies. When the management company's funds invest in hedge funds, we require the external fund company to sign the UN Principles for Responsible Investment or to follow an equivalent sustainability framework. For funds with an investment strategy based on investing in equities or corporate bonds, we evaluate each external company's exclusion criteria, among other things. Each fund's investment strategy is assessed individually for inclusion and engagement. We require the external fund companies to have a sustainability policy that we can take part of during our evaluation phase.

Company dialogues

The time perspective for engaging in company dialogues varies according to the relevant issues, the industry and the company. The fund company aims to complete the dialogues for the foreseeable future, but at the same time is aware of dependencies, ownership issues and local conditions.

The management company aims to complete company dialogues within 24 months, although it is not unusual for dialogues to take longer. When we engage in company dialogues for our Nordic Swan Ecolabelled funds, our goal is to complete them within 24 months, in line with Nordic Ecolabelling's guidelines.