Product name: SEB Climate Focus Hy Fund (former European HY)

Legal entity identifier: 5299008JUQGJUW3U4446

Sustainable investment objective

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☑ **Yes**	☐ **No**
☑ It made **sustainable investments with an environmental objective: 95,14%**	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of **%** of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☑ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective**: ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent was the sustainable investment objective of this financial product met?

The sustainable investment objective of the Sub-Fund was to establish a perdurable positive environmental impact to achieve the long-term goals of the Paris Agreement. The SEB Investment Management Sustainability Score (the "SIMS-S"), was central to the sustainability integration process and evaluation. SIMS-S focuses on risks and opportunities related to sustainable development in company management, products & services, and opera-tions, using metrics such as alignment with the Paris Agreement, carbon footprint, gender diversity, Taxonomy alignment, and sustainable development goals ("SDG") revenues.

The Sub-Fund used the SIMS-S framework and scores to attain its sustainable investment objective. The SIMS-S consists of overall scores and underlying component scores. Each of them has two versions, a raw and an adjusted score. The raw score is the issuer's standalone overall sustainability score, whereas the adjusted is sector and region adjusted. The underlying component scores, building up to the overall SIMS-S, made it possible to have a specific focus on specific sustainability topics. The SIMS-S ranged between 0 and 10, with 10 being the highest sustainability score.

The Sub-Fund invested in issuers that contributed to and/or enabled reducing global greenhouse gas, GHG, emission based on the combined assessment of their:

- Committed science-based emission targets and strategy
- Potential EU taxonomy-aligned revenue, Operational Expenditure ("OpEx") and/or Capital Expenditure ("CapEx") related to climate mitigation
- Current and historical absolute GHG emission, carbon footprint and carbon intensity
- Enabling activities for other activities to make a substantial contribution to reducing GHG emissions

The Sub-Fund promoted investments in green and sustainability-linked bonds to finance projects with environmental objectives. The benchmark was the Bloomberg Pan-European High Yield Index, which did not qualify as an EU Climate Transition Benchmark nor an EU Paris-aligned Benchmark and did not fully comply with all the methodological requirements in the Commission Delegated Regulation (EU) 2020/181. The benchmark was purely for performance comparison.

The objective of reducing carbon emissions was instead attained by identifying and investing with continued efforts in issuers or projects:

- with ambitious science-based emission reduction strategy and targets.
- with products and services that mitigated climate change

- with an operation setup involved in energy efficiency solutions, renewable energy, and a circular economy

A pass-fail approach was used to classify if an issuer is environmentally sustainable and aligned with the objectives of the Paris Agreement. An issuer is environmentally sustainable if the issuer fulfilled one or more of the following conditions:

1. Committed science-based emission targets and strategy
2. Potential EU taxonomy-aligned revenue, Operational Expenditure ("OpEx") and/or Capital Expenditure ("CapEx") related to climate mitigation
3. Current and historical absolute GHG emission, carbon footprint and carbon intensity
4. Enabling activities for other activities to make a substantial contribution to reducing GHG emissions

In addition to complying with at least one of the conditions above, the issuer had to pass the do no significant harm ("DNSH") test (as further described below) applied to the issuer's entire revenue.

Issuers with science-based targets had clearly defined pathways to reduce emissions in line with Paris Agreement goals. Combined with products and services aiming to mitigate climate change, as well as energy efficiency solutions and renewable energy and circular strategy in their operations, investments in these issuers and in green and sustainability-linked bonds ensured that the Sub-Fund's GHG emissions were aligned with the objectives of the Paris Agreement.

Green, social, and sustainability-linked bonds could be classified and accounted as sustainable as their use of proceeds contributed to the environmental objective of the Sub-Fund. The Management Company had procedures in place to ensure that the bonds invested in were aligned with the relevant principles, such as Green Bond Principles ("GBP"), the Sustainability-Linked Bond Principles ("SLBP") from the International Capital Market Association ("ICMA") or similar organisations.

- **How did the sustainability indicators perform?**

The outcome for the SIMS-S adjusted score was 5.8 in the portfolio. The score for each company is adjusted by sector and region with a scale range from zero to ten, the higher the score the better. This makes the distribution relatively normalised with an average around five. The portfolio scoring above five means that the companies in the portfolio are better than average from a sustainability perspective.

The fund has invested in sustainable bonds during the year, and now has a total of 20.3% sustainable labelled bonds, and the benchmark has 10.4%. The sustainable labelled bonds can be green, social, sustainability bonds or sustainability linked bonds.

The fund excluded 8.3% of the funds within its benchmark due to either violating human rights, contributing to serious environmental damage, or developing products and services that we consider unsustainable.

The fund had a total of 33 engagement dialogues during 2022, of which ten were direct dialogues and the remaining via EOS at Federated Hermes.

- **...and compared to previous periods?**

During the year, the Fund Company has developed, and quantified which indicators are included in the Fund. Based on this development, it is not accurate to compare the Fund's indicators with previous periods.

- **How did the sustainable investments not cause significant harm to any sustainable investment objective?**

The Management Company's sustainability policy was used to ensure no sustainable investment caused sig- nificant harm to any environmental or social sustainable investment objective.

Companies are excluded and not applicable for investment if they:

· did not comply with international norms and standards

· operated in controversial sectors and business areas

· had exposure to fossil fuels or other activities with negative environmental impact

The Sub-Fund was also screened for misalignment/obstruction towards the UN SDGs. A significant misalignment led to exclusion from the Sub-Fund's sustainable investments universe if the issuer was considered at risk of causing significant harm to environmental and/or social objectives.

Apart from the data-driven analysis and exclusion, each sustainable investment was subject to fundamental tests (challenges) to identify whether it causes any significant harm to any other environmental or social sustainable investment objective.

The Management Company has developed internal tools and processes to assess and consider the negative consequences of the Principal Adverse Impact ("PAI") indicators in Annex I of the CDR 2022/1288, relevant PAIs in relevant PAI Tables 2 and 3 of Annex 1 of the CDR 2022/1288. However, the indicators was subject to current data availability. They were, together with the fundamental analysis, the internal exclusion process, and the internal proprietary sustainability score from SIMS-S, included in the impact analysis in the do no significant harm ("DNSH") test.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- *How were the indicators for adverse impacts on sustainability factors taken into account?*

Principal Adverse Impacts Indicators (PAI) from Annex 1 - Table 1 of the CDR (EU) 2022/1288, that were taken into account by the Management Company's sustainability policy, and excluded from investments:

· PAI 4: Exposure to companies active in the fossil sector

· PAI 10: Violations of UN Global Compact Principles & OECD Guidelines for multinational enterprises

· PAI 14: Exposure to controversial weapons

PAIs from Annex 1 - Table 1 of the CDR (EU) 2022/1288, that were taken into account through the SIMS-S and fundamental analysis by applying a threshold approach to remove the issuers in risk of causing significant harm:

· PAI 1: GHG emissions

· PAI 2: Carbon footprint

· PAI 3: GHG intensity of investee companies

· PAI 5: Share of non-renewable energy consumption and production

· PAI 6: Energy consumption intensity per high-impact climate sector

· PAI 7: Activities negatively affecting biodiversity-sensitive areas

· PAI 8: Emissions to water

· PAI 9: Hazardous waste ratio

· PAI 11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD guidelines for Multinational Enterprises.

· PAI 12: Unadjusted gender pay gap

· PAI 13: Board gender diversity

· PAI 4 from Annex 1 - Table 2 of CDR (EU) 2022/1288: Investments in companies without carbon emission reduction initiatives

· PAI 4 from Annex 1 - Table 3 of CDR (EU) 2022/1288: Lack of a supplier code of conduct

All the PAI indicators are subject to data availability and may also change with improving data quality and availability. Hence, all adverse impact on sustainability factors is carried out based on best effort.

- *Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The sustainable investments were aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights via the norm-based exclusion criteria stated in the Management Company's sustainability policy.

Norm-based exclusions mean that the Management Company expects issuers to adhere to international laws and conventions such as:

- the UN Principles for Responsible Investment
- the UN Global Compact, the OECD Guidelines for Multinational Enterprises
- the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Issuers with confirmed breach were not considered as sustainable.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do not significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

Prior to the investment decision, the following PAIs were considered:

· On an exclusionary basis:

From Annex 1 – Table 1 of CDR (EU) 2022/1288

- PAI 4: Exposure to companies active in the fossil sector
- PAI 10: Violations of UN Global Compact Principles & OECD Guidelines for multinational enterprises
- PAI 14: Exposure to controversial weapons

- During the ESG integration process using the SIMS-S combined with fundamental analysis:

From Table 1-Annex 1 of CDR (EU) 2022/1288

- PAI 1: GHG emissions
- PAI 2: Carbon footprint
- PAI 3: GHG intensity of investee companies
- PAI 5: Share of non-renewable energy consumption and production
- PAI 6: Energy consumption intensity per high-impact climate sector
- PAI 7: Activities negatively affecting biodiversity-sensitive areas
- PAI 8: Emissions to water
- PAI 9: Hazardous waste ratio
- PAI 11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD guidelines for Multinational Enterprises.
- PAI 12: Unadjusted gender pay gap
- PAI 13: Board gender diversity

From Table 2-Annex 1 of CDR (EU) 2022/1288

- PAI 4: Investments in companies without carbon emission reduction initiatives

From Table 3-Annex 1 of CDR (EU) 2022/1288

- PAI 4: Lack of a supplier code of conduct.

During the investment period, these PAIs were considered:

- In engagement dialogues with issuers:

PAI 1 – 6 from Table 1-Annex 1 of CDR (EU) 2022/1288

PAI 4, from Table 2-Annex 1 of CDR (EU) 2022/1288: Investments in companies without carbon emission reduction initiatives.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: Jan 1, 2022 to Dec 31, 2022

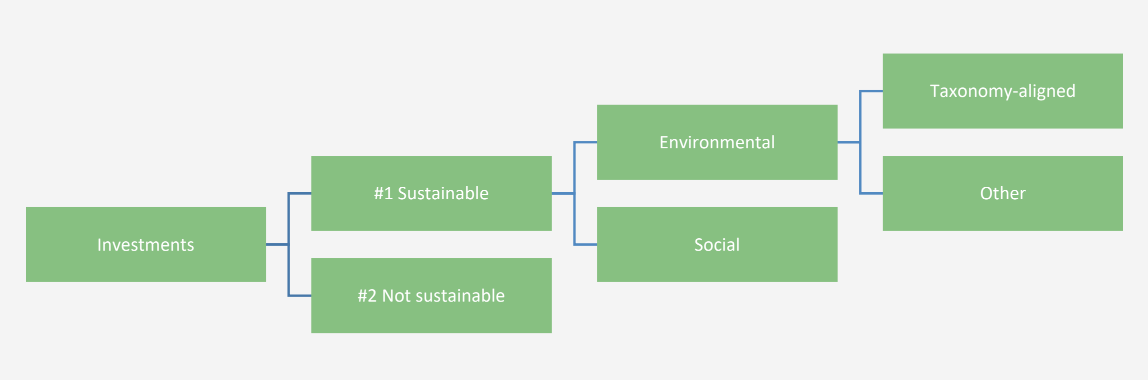
Largest investments	Sector	% Assets	Country
Cellnex Telecom SA	Communication Services	2.42	Spain
Elis SA	Industrials	2.19	France
Telecom Italia SpA/Milano	Communication Services	1.99	Italy
ZF Finance GmbH	Consumer Discretionary	1.88	Germany
Autostrade per l'Italia SpA	Industrials	1.78	Italy
Ford Motor Credit Co LLC	Financials	1.77	United States
AIB Group PLC	Financials	1.73	Ireland
UniCredit SpA	Financials	1.72	Italy
Telefonica Europe BV	Financials	1.69	Spain
Quintiles IMS Inc	Health Care	1.64	United States
Verisure Holding AB	Industrials	1.64	Sweden
Barclays PLC	Financials	1.59	United Kingdom
United Group BV	IT and technology	1.45	Netherlands
Crown European Holdings SA	Materials	1.45	United States
Marks & Spencer PLC	Food and Drugs Stores	1.39	United Kingdom

What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

As at 31 December 2022 95.14% of the Assets under Management were sustainable investments contributing to the funds sustainable objective during the period. As at 31 December 2022 4.86% of the Assets under Management were classified as "Not sustainable". These Assets consisted of Cash, Currency Contracts, Government Bonds and Futures.

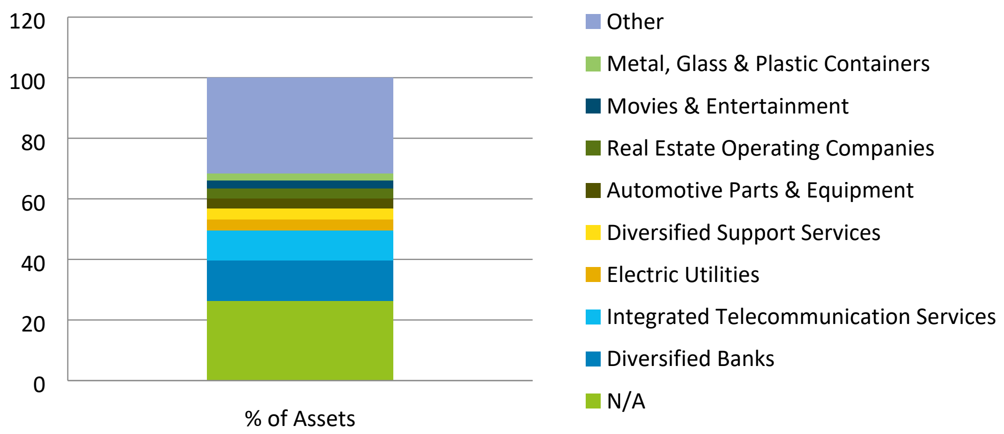


#1 Sustainable covers sustainable investments with environmental or social objectives. As at 31 December 2022 95.14% of the Assets under Management were sustainable.

#2 Not sustainable includes investments which do not qualify as sustainable investments. As at 31 December 2022 4.86% of the Assets under Management were classified as "Not sustainable". These Assets consisted of Cash and Currency Contracts.

In which economic sectors were the investments made?

Investments were made in the following sub-sectors, with a breakdown of the 10 largest sub-sectors:



"N/A" includes investments in mutual fund units and index derivatives where it is not possible to define the sector or sub-sector of the entire investments.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy*?

☐ Yes:

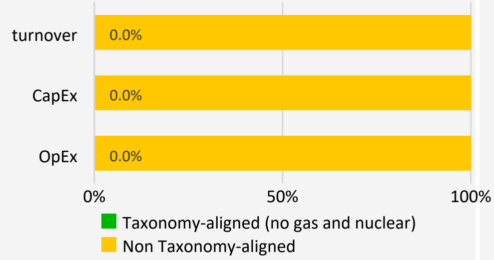
☐ In fossil gas ☐ In nuclear energy

☑ No

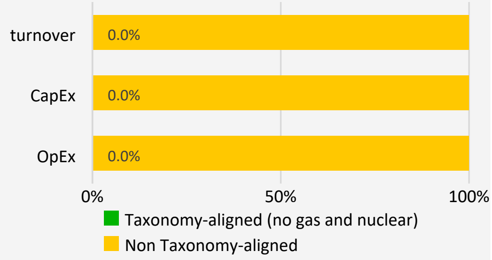
* available data on the sub-fund's investments are reported to be zero.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



This graph represents 100% of the total investments

* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What was the share of investments made in transitional and enabling activities?

The proportion of investments in transition activities and enabling activities are so low in relation to the fund's investments that, given uncertainties linked to data quality, it does not make sense to report this separately.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Due to ambiguity around the allowed use of estimated taxonomy alignment data for taxonomy reporting there are no previous reporting to compare this year's taxonomy alignment to.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

As the product commits to only make sustainable investments, all investments aside from cash and derivatives were sustainable investments contributing to the sub-fund's sustainable objective during the period.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

What was the share of socially sustainable investments?

The product did not commit to any sustainable investments with a social objective during the period.

What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

Cash in the meaning of ancillary liquid assets, sovereigns, supranationals (when not a sustainability labeled bond), mortgage bonds/covered bonds (when not a sustainability labeled bond), other investments for where data is missing and derivatives.

The purpose of cash is liquidity and flows, the purpose of derivatives was efficient portfolio management techniques and the purpose of mortgage bonds, sovereigns, supranationals was for allocation/investment strategy reasons. The minimal environmental and social minimum safeguards include for mortgage bonds the exclusionary process where issuers with confirmed breaches of international norms and standards are excluded and for sovereigns and supranationals there were no investments made in entities under US, EU, UK or OECD sanctions.

What actions have been taken to attain the sustainable investment objective during the reference period?

The fund has invested in green bonds during the year. The green bonds are bonds where the use of proceeds is earmarked for investments with a clear positive environmental impact. One such green bond investment has been Ørsted. Ørsted has a clear green energy vision and was the first energy company to have its net-zero target validated by Science-Based Targets initiative (SBTi). Their green bond framework has a dark green shading from third party provider Cicero. The proceeds of their green bonds go to financing offshore and onshore wind power, as well as solar PV projects which have a substantial contribution to climate change mitigation.

The fund excludes companies that do not meet the fund company's extensive criteria for sustainability. One such company in the fund's investment universe, is the integrated oil and gas company, Repsol. Despite its efforts in renewable energy, they face significant environmental risks in the area of climate change, due to Repsol Oil & Gas Canada Inc.'s hydraulic fracturing for the production of unconventional oil and gas. The company has also been involved in human rights controversies. For these reasons, Repsol is excluded from our investment universe.

The fund managers have had engagement dialogues with companies related to their sustainability work. The dialogues have had a focus on environmental characteristics, with reducing greenhouse gas emissions being the main target. Reporting on scope 1-3 emissions, and a clear pathway to reducing these by committing to science-based targets have been our main points of engagement. During the year, we have had engagement dialogues with Huhtamaki, Ball corporation, Volvo Cars and Teollisuuden Voima Oyj, among others.

How did this financial product perform compared to the reference benchmark?

The fund does not use a benchmark index to achieve its promotion of environmental and social characteristics.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective

- **How does the reference benchmark differ from a broad market index?**

  The fund does not use a benchmark index to achieve its promotion of environmental and social characteristics.

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

  The fund does not use a benchmark index to achieve its promotion of environmental and social characteristics.

- **How did this financial product perform compared with the reference benchmark?**

  The fund does not use a benchmark index to achieve its promotion of environmental and social characteristics.

- **How did this financial product perform compared with the broad market index?**

  The fund does not use a benchmark index to achieve its promotion of environmental and social characteristics.