

**Product name:** SEB Nordic Small Cap Fund

**Legal entity identifier:** 529900TZ8RRBXQL4SG02

## Environmental and/or social characteristics

**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?

<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective: ___%</b> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It made <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input checked="" type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>



## To what extent were the environmental and/or social characteristics promoted by this financial product met?

The sub-fund promoted environmental and social characteristics.

To promote general sustainability characteristics, such as fair business practices, human rights, labor rights, anti-corruption, and fair competition, the fund excluded companies that breached international norms and standards where the company could not present clear goals and ongoing measures to address the issue(s).

To promote social and general sustainability characteristics, the fund excluded investments in companies that operated in sectors or business areas that were assessed to present major sustainability challenges, such as tobacco, recreational cannabis, pornography, commercial gambling, civilian weapons, and alcohol.

In order to accelerate the reduction of global greenhouse gas emissions, the fund limited or had no exposure to companies involved in fossil fuels.

The sub-fund integrated sustainability risks and opportunities by considering SEB Investment Management's proprietary sustainability model, in which companies were ranked on a set of sustainability performance parameters. Characteristics within the model included, but were not limited to, carbon emissions, climate solutions, diversity, and equality.

In addition, active ownership was exercised with the ambition of influencing companies in a more sustainable direction related to the above-mentioned challenges and aspects.

More information on exclusion criteria could be found in the Sustainability Policy, available at the web page of the Management Company (sebgroupp.com).

### ● How did the sustainability indicators perform?

The outcome for the SIMS-S indicator was 4.76 at the end of 2022, while the score of the fund's benchmark index was 5.26. The lower score for the portfolio has more to do with the lack of transparency in reporting, which many of the portfolio companies have not yet prioritized given their sizes and phases of maturity, than them being less sustainable than the index companies. Although we consider SIMS-S to be a useful tool, our focus going forward is not to optimize the portfolio for a higher score – but rather for it to highlight how companies quantitatively score on certain ESG aspects and continue to use that information when engaging with our portfolio companies. However, as we are investing long-term with sustainability as an integrated part of our fundamental analysis, we do expect the scores on individual company levels to rise over time.

The outcome for the sustainability indicator shows that the fund voted at the AGMs of 46 companies and engaged with 36 companies during 2022, although the efforts made in regard to these engagements vary considerably. While some are very detailed and time consuming, others can be handled quite easily within a limited amount of time. Consequently, the number of dialogues is not directly correlated to how much

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

time and resources have been spent in this area. In addition to the engagement dialogues, sustainability is also an important topic of discussion when we meet with our portfolio companies on a more continuous basis. As a comparison, the Fundamental team averages about 1000 company meetings per year. Moreover, representatives from the fund company participated in 23 election committees for companies owned by the fund during the year.

The outcome for the exclusion indicator shows that the fund succeeded to fulfil its objective to exclude companies that did not meet the fund company's criteria for sustainability. From the fund's benchmark index of 478 companies, 54 were excluded.

● **...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.

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The product did not commit to any sustainable investments during the period.

● **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

The product did not commit to any sustainable investments during the period.

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

The product did not commit to any sustainable investments during the period.

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

The product did not commit to any sustainable investments during the period.

*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.*

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

- PAI 1: GHG emissions
- PAI 2: Carbon footprint
- PAI 3: GHG intensity of investee companies
- PAI 4: Exposure to companies active in the fossil sector
- PAI 7: Activities negatively affecting biodiversity-sensitive areas
- PAI 8: Emissions to water
- PAI 9: Hazardous waste ratio

- PAI 10: Violations of UN Global Compact Principles & OECD Guidelines for multinational enterprises
- 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 14: Exposure to controversial weapons

During the investment period, these PAIs are considered:

- In engagement dialogues with issuers:

PAI 13 from Annex 1 - Table 1 of CDR (EU) 2022/1288



## 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
Chemometec A/S	Health Care	4.26	Denmark
Beijer Ref AB	Industrials	4.19	Sweden
AAK AB	Consumer Staples	3.78	Sweden
AddNode Group AB	Information Technology	3.58	Sweden
Lagercrantz Group AB	Information Technology	3.53	Sweden
Vitec Software Group AB	Information Technology	3.51	Sweden
Biotage AB	Health Care	3.24	Sweden
NCAB Group AB	Information Technology	3.07	Sweden
OEM International AB	Industrials	2.98	Sweden
BTS Group AB	Industrials	2.95	Sweden
Nexus AG	Health Care	2.78	Germany
Ringkjoebing Landbobank A/S	Financials	2.76	Denmark
Loomis AB	Industrials	2.75	Sweden
AddTech AB	Industrials	2.72	Sweden
Ossur HF	Health Care	2.51	Iceland



## What was the proportion of sustainability-related investments?

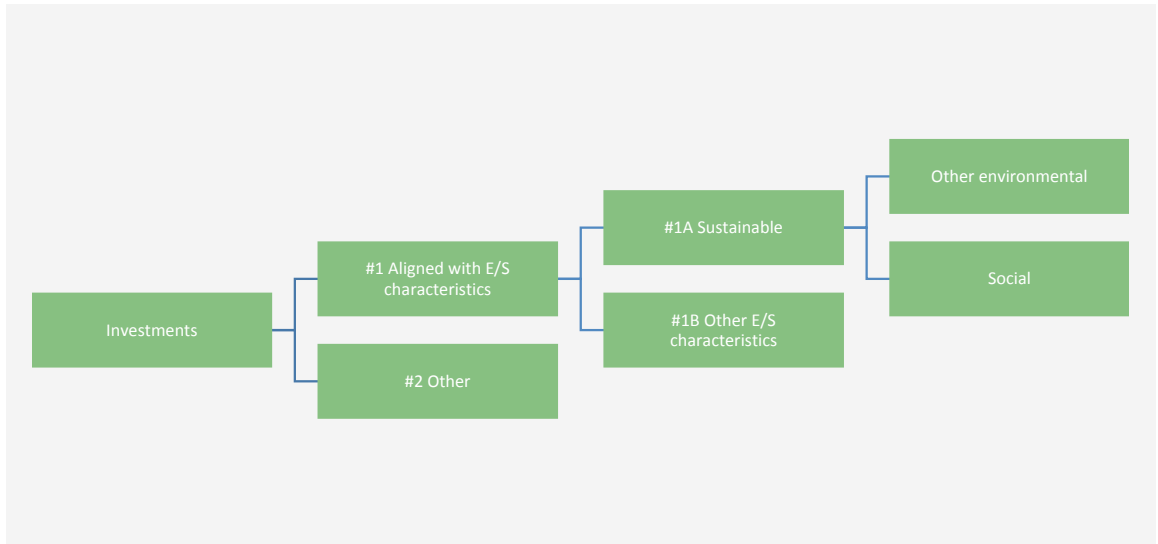
**Asset allocation** describes the share of investments in specific assets.

### ● What was the asset allocation?

As at 31 December 2022 96.74% of the Assets under Management were aligned with E/S characteristics.

As at 31 December 2022 3.26% of the Assets under Management were classified as "Other". These Assets consisted of Cash and Futures.

The product did not commit to any sustainable investments during the period, and only cash and derivatives would fall under Other.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

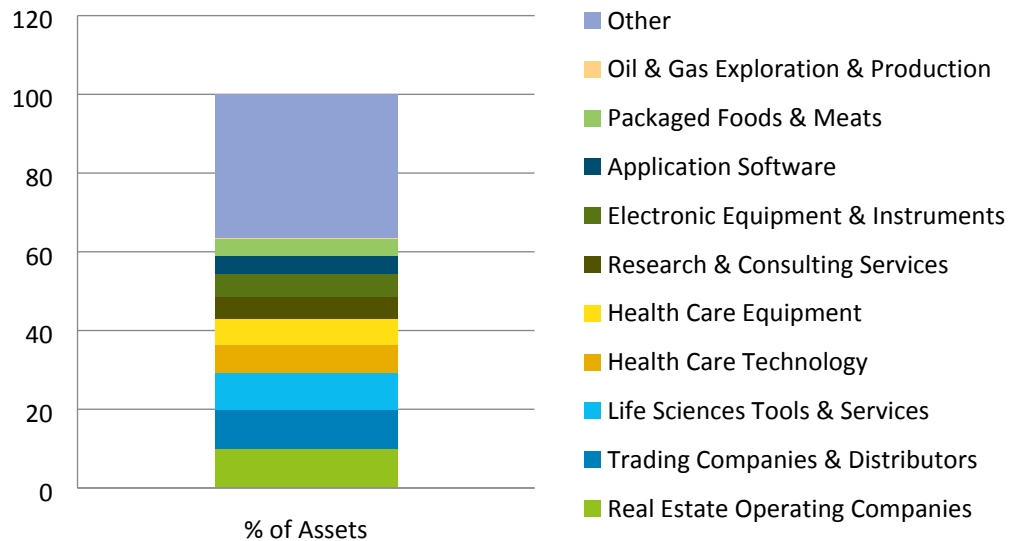
**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● **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:





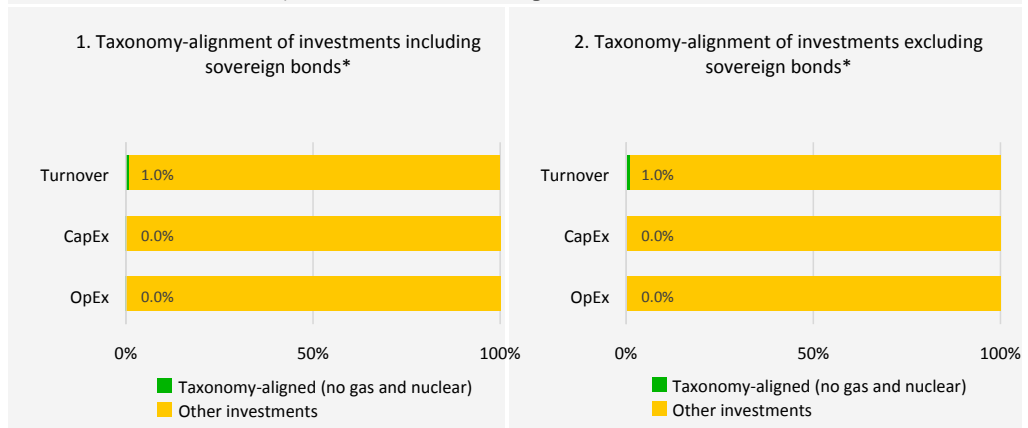
To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

● **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.



\* 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 on 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?

The product did not commit to any sustainable investments with an environmental 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 Regulation (EU) 2020/852.



## 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 “other”, what was their purpose and were there any minimum environmental or social safeguards?

Cash in the meaning of ancillary liquid assets and derivatives.

The purpose of cash is liquidity and flows, the purpose of derivatives was efficient portfolio management techniques. There was during the period no minimum environmental or social safeguards for these investments.



## What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The fund promotes environmental and social characteristics by including companies with clear sustainability profiles and companies that are, or likely will be, benefitting from regulations targeting environmental change. One example is Beijer Ref, a supplier of cooling technology that benefits from the EU F-Gas Regulation, which implies a global phase out of HFC refrigerants by 2030 in support of environmentally friendlier alternatives. In addition to the fundamental analysis of ESG characteristics, companies that take social and environmental factors into account, are highlighted by the Management Company's proprietary sustainability model. The model gives each investment a sustainability rating based on the investment's sustainability-related risks and opportunities.

The fund excludes companies that do not meet the fund company's extensive criteria for sustainability. This is ensured through SEB Investment Management's screening process and risk management function. One of the fund's exclusion criteria includes not investing in companies with operations in fossil fuels. The fund has therefore chosen not to invest in Vår Energi, among others, as the company's business is focused on the extraction of oil and gas.

Active ownership is an important tool in the investment process for several reasons. This tool promotes greater knowledge, and both proactively influences companies in a more sustainable direction and adds the ability to reactively demand change in companies that do not live up to international norms and conventions. Throughout the year, the fund company has influenced companies through participating in election committees and by voting at general meetings. In many Swedish and Nordic companies, we are one of the largest shareholders, and we have continuous dialogues with the management groups and boards. Our focus areas this year have been remuneration and incentive programs connected to sustainability factors, science-based target setting, and increased reporting and transparency regarding the companies' impact on the climate. As an example, we discussed the importance of having a role dedicated solely to environmental and sustainability efforts with the real estate company SLP during their IPO process, and later on during the year the company employed someone to coordinate and lead the company's environmental initiatives. Another example is our dialogue with the investment company Bure, in which we shared our expectations on their sustainability work.



## 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.

### ● 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.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

● **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.