Senast uppdaterad 2022-11-28

Clarification of Sustainability Factors for Swesif's Hållbarhetsprofilen

The EU's Sustainable Finance Disclosure Regulation (SFDR)

The SFDR stipulates that financial market participants (fund companies, insurance companies and financial advisors) must provide information about their sustainability work and their financial products.

All fund managers must provide certain information in a regulated format in accordance with SFDR, which varies according to the sustainability classification of the fund prescribed by the regulation (see below). As an individual investor, you may wish to review how classifications and definitions have been designated in order to have a better picture of a fund's sustainability direction and how funds are comparable. Therefore, you should also read the information that the fund managers publish, in compliance with the SFDR, both on the fund's website, and in the information brochure, referred to at the end of the fund's Hållbarhetsprofil.

The fund's sustainability classification according to the SFDR

Each product or fund is classified according to Articles 6, 8, or 9.

Article 6 – integrates sustainability risks

A fund manager is under a duty to integrate sustainability risks into their operations and publish their policy with regard to the investment decision process. The category of fund, not covered by Articles 8 or 9 below, is classified as "grey or neutral".

Article 8 – Promotes environmental or social factors

This is the broadest category, and these funds promote environmental or social characteristics in their management. There are no current limits as to the percentage value of fund investments that are designated to "promote" such factors. The instruments used to promote environmental-related factors may include positive screening, negative screening and/or exerting influence on companies which the fund invests in.

Measurement of various indicators regarding the negative impact of investments on sustainability is a further instrument indicating whether a fund promotes environmental-related or social factors. Article 8 funds may make so-called "sustainable investments" (see below), but are not required to do so. This category of fund is classified as "light green". Furthermore, investment targets under this category of fund must pursue good corporate governance practices.

Article 9 – Sustainable investment objective

This category of funds has sustainable investments as its objective. These funds, for example, want to accelerate the transition to a sustainable society and for the most part commit to only making sustainable investments (see below). This category of funds is classified as "dark green".

<u>A sustainable investment</u> (according to the SFDR)
A sustainable investment refers to an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not cause any significant damage to any other of these goals and that the investment targets pursue good corporate governance practices. Fund managers, according to articles 8 and 9 above, must state/inform about the minimum proportion of sustainable investments in the fund and annually follow up and provide information on the proportion of sustainable investments that were actually made.

It is currently up to the fund manager to determine what must be required for an investment to be considered to “contribute to” or “not cause significant damage to” an environmental objective, as well as how much of the company's economic activity must meet the requirement of “contributing” to the investment being considered sustainable. In the assessment, the entire investment can therefore be classified as sustainable even if only part of the operations of the company, in which the fund has invested, contributes to the sustainability objective.

What is a <u>sustainability risk?</u>
Sustainability or ESG risks are risks based on an environmental, social or an economic perspective. ESG stands for environmental, social and corporate governance. Sustainability risks in this context are only linked to whether an ESG-related event could result in returns being negatively affected.

What are <u>negative sustainability consequences?</u>
Negative sustainability consequences refer to company operations that have a negative impact on the wider world with regard to the environment, working conditions, and social conditions. For example, operations may impact carbon dioxide emissions, biodiversity, violate OECD guidelines for multinational companies regarding child labour, or poor working conditions. Therefore, by being aware of the detrimental consequences on sustainability, a company can take measures to reduce the negative impact which may accompany its business operations.

What are <u>international standards?</u>
These refer to international conventions, laws, and regulations as well as agreements such as the UN's Global Compact and the OECD's guidelines for multinational companies which are aimed at the environment, human rights, child labour, labour rights, corruption, and controversial weapons.