

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Simplicity Företagsobligationer

Legal entity identifier: 549300M3YR0EYNHWWI30

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No

☐ It will make a minimum of **sustainable investments 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

☐ It will make a minimum of **sustainable investments with a social objective: ____%**

☒ **It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20 % of sustainable investments

☒ with an environmental objective in economic activities that 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 promotes E/S characteristics, but **will not make any sustainable investments**



What environmental and/or social characteristics are promoted by this financial product?

The fund promotes environmental and social characteristics by exclusion, inclusion, norm-based screening, and engagement.

Moreover, the fund should consist of at least 20% sustainable investments. More information about the objectives of the sustainable investments that the fund makes can be found below under "What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?"

The fund promotes the following environmental characteristics:

- **Climate action (SDG 13)** by including companies with science-based climate targets and by excluding fossil fuels. The fund company engage with companies to encourage setting science-based targets verified by the Science Based Targets initiative (SBTi).
- **Affordable and clean energy (SDG 7)** by excluding companies with more than 25 % of their energy production based on fossil fuels. The fund does only invest in companies producing or distributing power with large exposure to nuclear that are considered as ESG-leaders in their sector.

The fund promotes the following social characteristics:

- **Responsible business conduct** by including companies that are members of the UN Global Compact. The fund company engage with companies to encourage them joining the UN Global Compact.
- **Good health and well-being (SDG 3)** by excluding companies involved in alcohol, tobacco, and cannabis.
- **Reduce violence everywhere (in SDG 16)** by excluding companies that produce or distribute weapons.
- **Social responsibility** by excluding companies that are involved in pornography or commercial gambling.
- **Good governance praxis** by excluding companies that systematically violate international norms and conventions, without showing any progress or will to improve.

The fund invests in green, social, sustainable and sustainability linked bonds, where the capital raised is earmarked for environmental and social projects. At least 5% of the fund should consist of green, social, sustainable and/or sustainability linked bonds.

No index is designated as a reference benchmark to meet the environmental and social characteristics that are promoted by this fund. Instead, the sustainability indicators described in the section below are used to measure the attainment of the fund's sustainable characteristics. Find more information on how the fund promotes environmental and social characteristics under "What investment strategy does this financial product follow?".

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

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The table below includes the sustainability indicators used to measure the attainment of the environmental or social characteristics promoted by the fund. The indicators are considered in investment decisions and are controlled regularly.

Sustainability indicators	Description of indicator	Purpose
Sustainable Investments	The share of investments that fulfill the fund's thresholds of a sustainable investment according to Article 2 (17) in SFDR. Find the definition under "What investment strategy does this financial product follow?".	At least 20 % of the fund should be sustainable investments.
Green, social, sustainable and sustainability linked bonds	The share of investments that is invested in green, social, sustainable and/or sustainability linked bonds.	At least 5 % of the fund should be in this type of bonds.
Exclusion	Find the fund's exclusion policy under "What investment strategy does this financial product follow?".	The fund should have no exposure in companies that do not meet the fund's exclusion policy.
Norm-based screening	Exposure to companies violating international conventions and norms, for example UN Global Compact and OECD Guidelines for Multinational Enterprises.	The fund excludes companies that systematically violate international norms and conventions, without showing any progress or will to improve.
Science Based Targets	Share of fund holdings with climate targets approved by the Science Based Targets Initiative (SBTi). SBTi is an organization that drives ambitious climate action in the private sector by enabling companies to set science-based emission reduction targets.	Simplicity has, as a fund company, the target that all investments in Simplicity's funds should have climate targets approved by the SBTi year 2040. For 2025 the target is 50 % and for 2030 the target is 75%. The goals are company-wide, which means that the percentage may be lower than the sub-targets for an individual fund. Simplicity engages with companies to encourage them to set an SBT.
UN Global Compact	Share of companies that are members of the UN Global Compact and thus has committed to ten principles related to human rights, labor, environment, and anti-corruption. The UN Global Compact requires participating companies to produce an annual report that details their work on the ten principles as well as the UN Sustainable Development Goals.	Simplicity has, as a fund company, the target that all investments in Simplicity's funds should be members of UN Global Compact year 2040. For 2025 the target is 50 % and for 2030 the target is 75%. The goals are company-wide, which means that the percentage may be lower than the sub-targets for an individual fund. Simplicity engages with companies to encourage them to join the UN Global Compact.

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

A sustainable investment is an investment in an economic activity that contributes to an environmental objective or a social objective, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices. All sustainable investments of the fund are aligned with an environmental or a social objective. The objectives of the fund's sustainable investments are the following:

- **The UN Sustainable Development Goals (SDGs)** by investing in companies whose products and services contribute positively to meeting one or more of the SDGs.
- **The Paris Agreement** by investing in that have climate targets verified by the Science Based Targets initiative (SBTi) and that are also affiliated to the UN Global Compact.
- The EU taxonomy's environmental objectives **Climate change mitigation** and **Climate change adaptation** by investing in taxonomy-aligned companies.
- The sustainable investments in green, social, sustainable or sustainability linked bonds are directly contributing to **one or more sustainability objective**. For green and social bonds, the capital that is raised is earmarked for environmental and social projects, respectively. Sustainable and sustainability linked bonds are contributing to both social and environmental objectives.

No index is designated as a reference benchmark to meet the environmental and social characteristics and the sustainable investment objectives that are promoted by this fund.

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 do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The fund considers principle adverse impacts of sustainability factors in investment decisions for sustainable investments to not cause significant harm to any environmental or social sustainable investment objective. More information can be found below.

How have the indicators for adverse impacts on sustainability factors been taken into account?

By considering the indicators for adverse impacts on sustainability factors (PAI indicators) stated in the section below "Does this financial product consider principal adverse impacts on sustainability factors?", the criterion of not causing significant harm to any environmental or social investment objective for the fund's sustainable investments is met.

In addition to considering PAI indicators, the fund excludes a further number of different sectors and activities that are deemed to contribute to negative consequences for environmental and social sustainability, are ethically controversial or for other reasons, in our view, are not considered to contribute positively to a sustainable society. The fund's exclusion criteria can be found under the heading "What investment strategy does this financial product follow?".

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Simplicity does not invest in companies that systematically violate international norms and conventions without a demonstrated willingness to change, such as the UN Global Compact, UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. The guidelines and principles specify how companies should behave in terms of employment, working conditions, human rights, union organizing, taxation and corporate culture, which are intended to combat, among other things, violations of human rights, corruption, and bribery. Companies can end up on a "watchlist" if any of the principles are violated.

All holdings are screened on a regular basis to check that no violations have occurred. The norm-based screening is carried out by a third party. The fund managers are responsible for fulfilling the company's policy for responsible investments when making investment decisions as well as during the holding period. Simplicity has a sustainability committee whose function is to monitor and assist the fund managers' commitment to the sustainability policy. The sustainability committee meets regularly. The task of the sustainability committee is to discuss eventual issues and incidents, carry out company dialogues and to decide on eventual exclusions of individual companies from the funds.

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 no 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.



Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

The fund considers principal adverse impacts on sustainability factors in investment decisions. The fund strives to limit the adverse impacts on sustainability factors caused by the fund holdings' activities through two main methods: exclusion and norm-based screening.

As a first step, the company's exclusion criteria are applied, meaning that companies of a particularly negative nature are excluded from the company's funds (see more below under the heading "What investment strategy does this financial product follow?"). The funds exclude fossil fuels (PAI factor 1.4), companies with more than 25% of their energy production based on fossil fuels (PAI factor 1.5), and controversial weapons (PAI factor 1.14). The funds also exclude additional types of activities, but these do not have a direct connection to any PAI factor.

Norm-based screening is used to identify potential violations of international norms, such as the UN Global Compact, OECD guidelines for multinational enterprises, and the UN Guiding Principles on Business and Human Rights (UNGPs). Simplicity's funds should not invest in companies that systematically violate international norms and conventions without demonstrated willingness to change (PAI factor 1.10).

Other PAI factors are considered based on the probability of occurrence and the severity if the adverse impact occurs. Investments are analyzed based on data availability. The analysis and assessment also vary depending on the companies' industry, geography, and business model. Investment may not be made in companies that show very negative impact on the indicators. Very negative consequences for the other PAI factors may mean that the company assesses that an investment is not made, even if the company does not have set limits for these PAI factors.

Below is a list of all PAI indicators and two optional ones (PAI 2.4, 3.4 and 3.6)

PAI 1.1 GHG emissions

PAI 1.2 Carbon footprint

PAI 1.3 GHG intensity of investee companies

PAI 1.4 Exposure to companies active in the fossil fuel sector

PAI 1.5 Share of non-renewable energy consumption and production

PAI 1.6 Energy consumption intensity per sector with significant climate impact

PAI 1.7 Activities negatively affecting biodiversity-sensitive areas

PAI 1.8 Emissions to water

PAI 1.9 Hazardous waste and radioactive waste

PAI 1.10 Violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

PAI 1.11 Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

PAI 1.12 Unadjusted gender pay gap

PAI 1.13 Board gender diversity

PAI 1.14 Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

PAI 2.4 Investments in companies without carbon emission reduction initiatives

PAI 3.4 Lack of a supplier code of conduct

PAI 3.6 Insufficient whistleblower protection

More information about the main negative consequences for sustainability factors can be found in the annual report. The annual report (in Swedish) is available at <https://www.simplicity.se/rapport/>.

☐ No

What investment strategy does this financial product follow?

The fund is an actively managed fixed income fund. Sustainability is a central part of the investment process. The fund follows Simplicity's policy for responsible investments as well as certain sustainability criteria. The objective of the fund is to achieve the highest possible value growth for the fund's assets, and meanwhile promote environmental and social characteristics. Sustainability factors are considered to have a neutral effect on the fund's return.

The company has established threshold values to assess whether an investment significantly contributes to an environmental or a social objective in accordance with Article 2 (17) of the EU's Disclosure Regulation (SFDR). At least one of the criteria below must be met.

- **Contribution to the environmental objectives of the EU Taxonomy.** Refers to investments in companies where at least 10 % of the company's revenue is reported or estimated as environmentally sustainable according to the EU taxonomy regulation.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- **Contribution to the SDGs.** Refers to investments in companies where at least 10 % of the company's turnover must be linked to activities that are deemed to contribute to fulfilling one or more of the SDGs.
- **Contribution to the Paris Agreement and the UN Global Compact.** Refers to investments in companies that have climate targets verified by the Science Based Targets initiative (SBTi) and that are also connected to the UN Global Compact. These investments contribute to UN Goal 13 (combating climate change) and meeting the climate goals of the Paris Agreement, while promoting responsible business.
- **Specific securities with sustainability-related objectives.** Investments in these types of bonds are sustainable investments as the bonds are directly linked to one or more sustainability objectives. For green and social bonds, the capital that is raised is earmarked for environmental and social projects, respectively. Sustainable and sustainability linked bonds are contributing to both social and environmental objectives.

The fund applies both inclusions and exclusions strategies in the investment process to promote social and environmental characteristics.

Including. The fund includes:

- Companies that are members of UN Global Compact to promote responsible business conduct. Simplicity has, as a fund company, set a target that all investments in Simplicity's funds should be members of UN Global Compact by 2040. For 2025 the target is 50 % and for 2030 the target is 75%. The goals are company-wide, which means that the percentage may be lower than the sub-targets for an individual fund.
- Companies with carbon emission reduction efforts and commitments to promote SDG 13 (Climate action) and the Paris Agreement. Simplicity has, as a fund company, set a target that all investments in Simplicity's funds should have climate targets approved by the Science Based Target Initiative (SBTi) year 2040. For 2025 the target is 50 % and for 2030 the target is 75%. The goals are company-wide, which means that the percentage may be lower than the sub-targets for an individual fund.
- Green, social, sustainable and/or sustainability linked bonds, where the capital raised is earmarked for environmental and social projects respectively. At least 5% of the fund should consist of these types of bonds.

Exclusions criteria. Simplicity has chosen not to invest in the following sectors: weapons, alcohol, cannabis, tobacco, gambling, pornography, fossil fuels and other companies within the GICS sector 10 classification. We apply certain limits where an accepted percentage of overall revenue is used according to below table:

Sector	Production	Distribution
Tobacco	0%	5%
Cannabis	0%	5%
Alcohol	5%	5%
Pornography	0%	1%
Gambling	5%	5%
Weapons	0%	1%
Military Equipment	1%	1%
Controversial & nuclear weapons	0%	0%
Fossil fuels	0%	5%

The fund is also excluding companies:

- With more than 25 % of their energy production based on fossil fuels.
- With more than 5% of revenue from electricity generation through the combustion of thermal coal.
- With large fossil reserves.
- Companies from other sectors that are majority owners of fossil fuel companies or other companies within GICS sector 10.
- Companies from other sectors with more than 30 % revenue derived serving fossil fuel companies or other companies within GICS sector 10.
- Energy companies with large exposure to nuclear power that are not an ESG-leaders within their sector.
- Norm-based exclusions of companies that are subject to current EU or UN sanctions.

The investment strategies are continuously checked. Holdings that no longer meet the fund's sustainability requirements will be discussed in the Sustainability Committee, which may lead to initiating a dialogue or that the holding will be excluded.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy are:

- The share of sustainable investments should be at least 20 % of the fund.
- The share green, social, sustainable and sustainability linked bonds should be at least 5 % of the fund.
- Simplicity's policy for responsible investments, including exclusion, inclusion, norm-based screening, and engagement.

The sustainability indicators mentioned under "What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?" are also binding elements of the investment strategy.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● **What is the policy to assess good governance practices of the investee companies?**

To manage sustainability risks, it is crucial that the companies in which Simplicity invests through its funds conduct their operations in a responsible manner. The company employs norm-based screening to ensure compliance with good governance practices. At a minimum, Simplicity expects these companies to adhere to laws and international norms and conventions, such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises. Simplicity also expects a certain level of compliance regarding other types of environmental, social, and governance-related incidents. All holdings in Simplicity's funds undergo regular screening to verify that no violations have occurred. The norm-based screening is conducted by a third party.



What is the asset allocation planned for this financial product?

The asset allocation has the following split as described below. The shares may vary depending on market movements throughout the year.

#1 Aligned with E/S characteristics: > 90 %

All investments in bonds.

#1A Sustainable: > 20%

Investments that fulfil binding parts of the fund's investment strategy described in more detail above under the question "What investment strategy does this financial product follow?". These investments are divided between taxonomy compatible investments and other investments with environmental or social objectives.

#1B Other E/S characteristics: < 80%

Investments that promote environmental or social characteristics but do not qualify as sustainable investments.

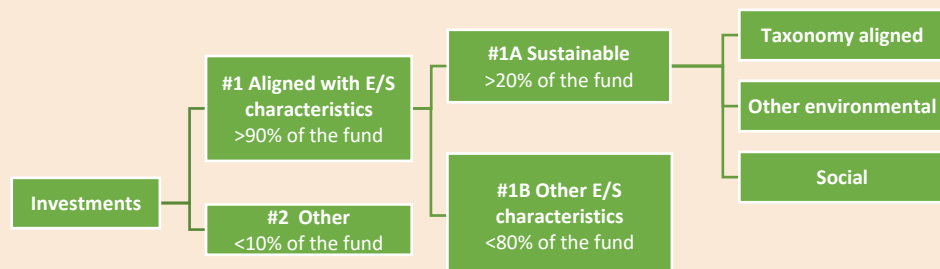
#2 Other: < 10%

Cash for liquidity management and derivatives.

Asset allocation describes the share of investments in specific assets.

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.



#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.

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

All derivatives are used for risk management and to streamline the fund management by hedging currency as well as interest rate risk. The derivatives are assessed to have a neutral impact on the environmental and social characteristics that the fund promotes. The usage of derivatives means that the fund increases the opportunity to invest in sustainable bonds in currencies other than Swedish. By using derivatives, the fund's investment universe for sustainable bonds becomes larger.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



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

The information and EU Taxonomy reporting will improve as the EU's regulatory framework develops and the access to company-specific information increases. The fund has therefore, initially, not determined a minimum share for sustainable investments with an environmental objective aligned with the EU Taxonomy. However, there can be fund holdings that are aligned with the taxonomy.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?¹**

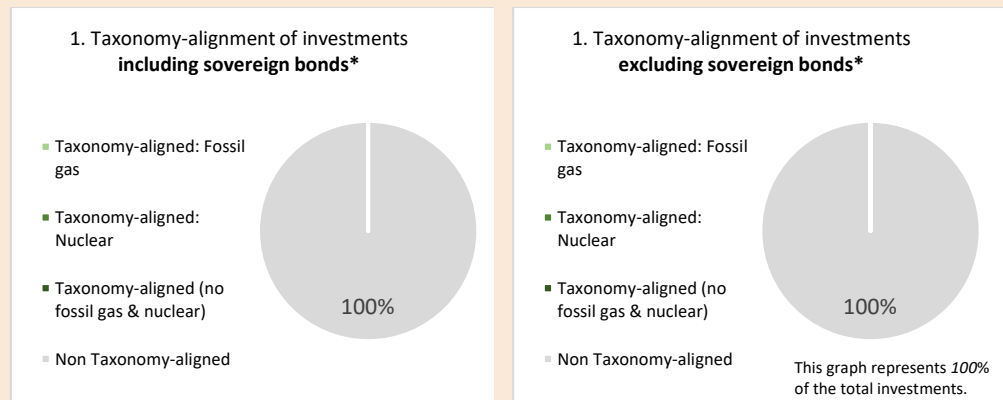
☒ Yes,

☐ In fossil gas

☒ In nuclear energy

☐ No

The two graphs below show in green the minimum percentage of investments that are 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 is the minimum share of investments in transitional and enabling activities?**

Currently, the fund has not determined on a minimum share of investments in transitional and enabling activities.

¹ Fossil gas and /or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives – see explanatory noter in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in the Commission Delegated Regulation (EU) 2022/1214.



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 is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The fund can invest in economic activities that are not considered as environmentally sustainable economic activities according to the EU taxonomy. The fund's investments that may belong to this group are, for example, green bonds, bonds issued by companies with science-based climate targets or bonds issued by companies whose products and services contribute to meeting one or more of the environmental-related SDGs, for example by providing green energy technology and other energy-efficient solutions (SDGs 7 and 13), sustainable housing and infrastructure (SDG 11), etcetera. The fund has not set a minimum share for sustainable investments with an environmental objective that is not compatible with the EU taxonomy.



What is the minimum share of socially sustainable investments?

All sustainable investments in the fund are compatible with a social or environmental objective. The fund has not committed to make a minimum proportion of sustainable investments with a social objective. However, the fund can make sustainable investments in financial products that are deemed to contribute to a social objective. The fund makes socially sustainable investments by investing in social bonds or in companies that contribute to fulfilling one or more of the social SDGs, for example by providing nutritious food and sustainable agriculture (SDG 2), healthcare-related services and products (SDG 3), safe housing at an affordable cost (SDG 11), etcetera.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The following are included in “#2 Other”:

- **Cash.** According to the fund terms, the fund may have cash held as liquidity up to 10% of the fund.
- **Derivates.** The fund can use derivatives for risk management and to streamline the fund management by hedging currency as well as interest rate risk.

The fund company has made the assessment that the cash held for liquidity neither the derivatives represent environmental nor social risks.



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.simplicity.se/en/fond/simplicity-foretagsobligationer-eng/>