

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

**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.

**Product name:** Simplicity Maturity 2029

**Legal entity identifier:** 63670014Z5396F5I3P26

## 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 \_\_\_\_% 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.

The fund promotes the following environmental characteristics:

- **Climate action (SDG 13)** by including companies with science-based climate targets and by excluding fossil fuels. Proactive dialogues are conducted with the aim of encouraging companies to set science-based targets verified by the Science Based Targets initiative (SBTi)
- **Affordable and clean energy (SDG 7)** by excluding energy-producing companies where more than 25% of their energy capacity is based on fossil fuels, and electricity distributors where more than 25% of their distribution comes from fossil energy sources.

The fund promotes the following social characteristics:

- **Responsible business conduct** by norm-based screening and selecting companies that are signatories to the UN Global Compact. Proactive dialogues are conducted with the aim of encouraging companies to adopt and join 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.

<b>Sustainability indicators</b>	<b>Description of indicator</b>	<b>Purpose</b>
<b>Exclusion</b>	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.
<b>Green, social, sustainable and sustainability linked bonds</b>	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.
<b>Norm-based screening</b>	Exposure to companies that violate international norms and conventions, such as the ILO Conventions, the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, or that are involved in other types of incidents.	The fund excludes companies that systematically violate international norms and conventions without demonstrating a willingness to change and/or that have not compensated third parties who have suffered serious harm from a verified violation.
<b>Science Based Targets</b>	Share of fund holdings with climate targets approved by the Science Based Targets Initiative (SBTi).	Simplicity has, as a fund company, established targets and interim targets for the share of investments in its funds that should have climate goals verified by the SBTi.  Simplicity engages with companies to encourage them to set an SBT.
<b>UN Global Compact</b>	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.	Simplicity has, as a fund company, established targets and interim targets for the share of investments in its funds that should be signatories to the UN Global Compact.  Simplicity engages with companies to encourage them join the UN Global Compact.

*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?

**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.

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 ILO conventions, 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 likelihood that the negative impact associated with the area will occur and its severity if it does. Investments are analyzed based on data availability, and the analysis and assessment vary depending on the companies' industry, geography, and business model. Very negative impacts related to the other PAI factors may lead the Company to determine that an investment should not be made, even if the Company has not set specific thresholds for these PAI factors.

Below is a list of all PAI indicators and two optional ones (PAI 2.4 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 3.6. 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/>.

Nej



## What investment strategy does this financial product follow?

The fund is an actively managed fixed income fund with investments in corporate bonds and commercial paper primarily tied to the Nordic region. The fund's investment strategy aims to have a maturity until December 31, 2029 (maturity date). After January 1, 2030, the fund transitions to being managed with maturities that, on average, do not exceed one year.

The fund may invest in corporate bonds with low or no credit ratings, known as high yield, or with high credit ratings, known as investment grade. The fund invests at least 15% in investment grade corporate bonds. The fund aims, with respect to its investment focus, to achieve the highest possible value growth for the fund's assets and, in the base scenario, provide a return equivalent to the fund's interest income. The fund also aims to deliver a positive return annually.

Additionally, the fund aims to distribute the fund's assets to shareholders by the end of 2029. In exceptionally extraordinary market conditions, the fund aims to achieve a positive return within a two-year period. Extraordinarily events refer to situations where the risk, measured as market volatility, is higher than normal.

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

Sustainability is a central part of the investment process, and the fund follows the fund company's policy for responsible investments. The fund promotes environmental and social characteristics. Sustainability factors are considered to have a neutral effect on the fund's return.

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, established targets and interim targets for the share of investments in its funds that should be signatories to the UN Global Compact.
- Companies with carbon emission reduction efforts and commitments to promote SDG 13 (Climate action) and the Paris Agreement. Simplicity has, as a fund company, established targets and interim targets for the share of investments in its funds that should have climate goals verified by the SBTi.
- 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.** The fund excludes companies that produce or distribute tobacco, cannabis, alcohol, pornography, commercial gaming, weapons, or fossil fuels, as well as other companies within sector 10 according to the GICS classification. The table below shows the thresholds, as a share of revenue, for exclusion:

Sector	Production	Distribution
Tobacco	0%	5%
Cannabis	0%	5%
Alcohol	5%	5%
Pornography	0%	1%
Commercial gambling	5%	5%
Conventional weapons	0%	1%
Military Equipment & technical assistance	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 25% of its electricity distribution coming from fossil fuels.
- With more than 5% of revenue from electricity generation through the combustion of thermal coal.
- That are investment companies and majority owners of companies that extract fossil fuels or any other company within sector 10 according to the GICS classification.
- Companies from other sectors with more than 25 % revenue derived serving fossil fuel companies or other companies within GICS sector 10.
- That produce or distribute electricity where more than 25% of the generated energy comes from nuclear power.
- 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 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.

**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 ILO conventions, UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD guidelines for multinational enterprises. 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 fund will typically have the following distribution:

**#1 Aligned with E/S characteristics: at least 90 %**

All investments in bonds.

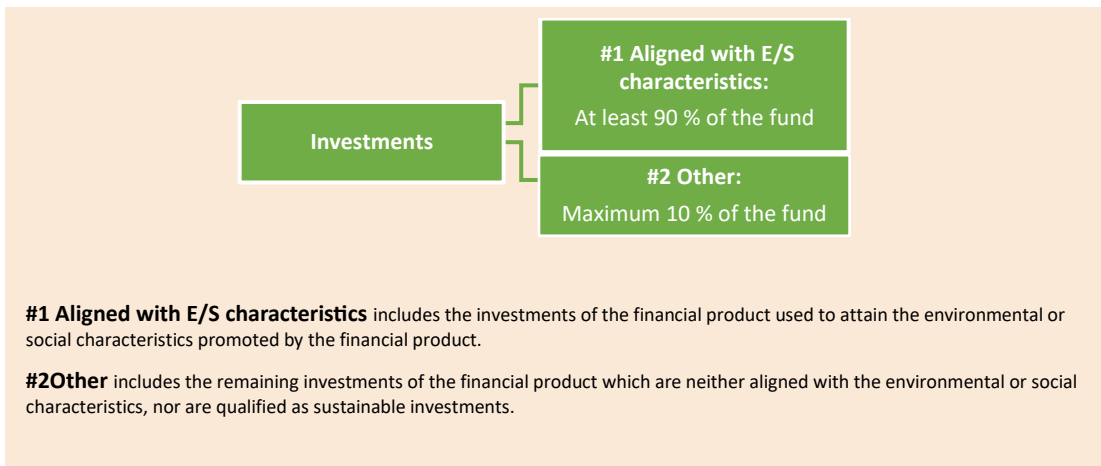
**#2 Other: maximum 10%**

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.

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

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

The fund uses currency forwards to hedge bonds issued in foreign currencies. The intention is for the fund to be fully currency hedged. The fund also uses interest rate derivatives to create duration based on the fund's maturity date. 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 bonds in currencies other than Swedish. By using derivatives, the fund's investment universe for bonds that promotes environmental or social characteristics becomes larger.



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

The fund has no commitments to make a minimum share of sustainable investments with an environmental objective aligned with the requirements of the EU Taxonomy.

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.

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

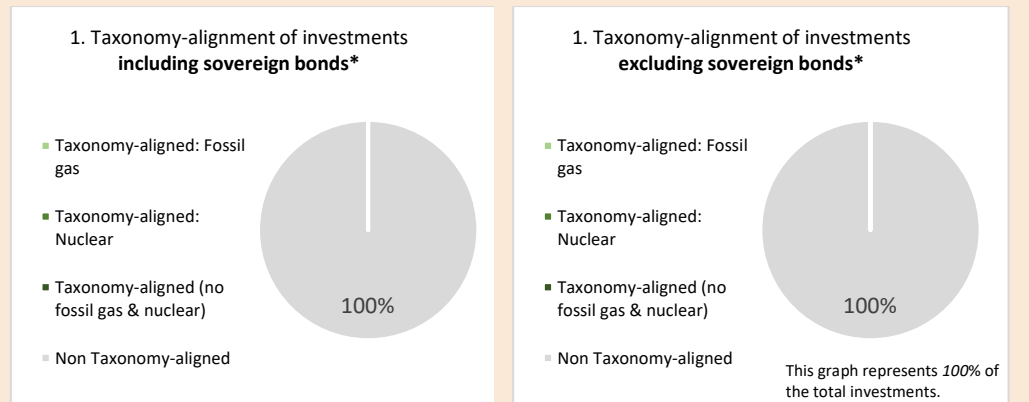
Yes,

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?**

The fund has no commitments to make a minimum share of investments in transition activities or enabling activities.



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 has no commitments to make a minimum share of sustainable investments with an environmental objective that is not aligned with the requirements of the EU Taxonomy.



**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.

<sup>1</sup> 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.



## 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/maturity-2029-eng>