

Sustainability Report 2022



SVENSKA
LITTERATURSÄLLSKAPET
I FINLAND

We preserve cultural heritage

We work in publishing, archiving, research funding and wealth management. We support humanities and social science research and promote Finland-Swedish literature through prizes and scholarships.

We are one of the largest managers of assets for the public good in Finland. We own and manage the Swedish Cultural Foundation in Finland.

Our activities are made possible by private donations.

Our values of knowledge, quality, renewal and diversity are also the foundation for our sustainability efforts. By means of greater knowledge, high quality, continual renewal and respect for diversity we achieve goals connected to sustainability as well.



At the Stensböle estate in Porvoo, we preserve cultural heritage both within the environment of the estate itself and in the surrounding natural landscape. The estate's pastures and expansive, protected forest areas provide variation that favours biodiversity.

Photo: Janne Röntölä

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Fresh eyes on sustainability

It pays for organisations to think about sustainability in the long-term instead of just offsetting their emissions, according to economics students and former SLS interns Frida Sande and Oscar Schalin.

When **Frida Sande** began her internship in the summer of 2021, SLS had just become a signatory of the UN-supported Principles for Responsible Investment (PRI). Sande was tasked with preparing the annual PRI reporting.

“I worked on fostering a greater understanding of how SLS can make responsible investments in accordance with the PRI principles,” says Sande, who studies Accounting and Corporate Social Responsibility at the Hanken School of Economics.

The following summer, Hanken student **Oscar Schalin** took on the intern mantle working with SLS’s asset management team, where he had the chance to work on sustainable development for SLS’s properties.

“I compared different environmental certifications, read up on the organisations who maintain them and found out to what degree the certifications were suited to SLS’s objectives. Preparations were already underway for a survey of SLS’s office properties, working in collaboration with an engineering firm. The preliminary choice of certification was BREEAM In-Use. My research enabled me to suggest that the certification was the most suitable for SLS”.

Thanks to his research and discussions with the engineering firm, Schalin was then able to put forward concrete suggestions regarding where SLS could make improvements in its office properties to satisfy the certification’s requirements.



Former interns at SLS
Frida Sande and Oscar Schalin.

Photo: Jan Ahlstedt

SLS Internship Programme

During the programme, students in higher education get to grips with SLS’s operations in a variety of ways. The interns contribute their knowledge and new ideas whilst at the same time gaining valuable work experience. The interns often conduct research work and carry out analyses: they are encouraged to challenge our working practices and come up with fresh approaches. In summer 2022 we welcomed seven interns, and the programme is due to continue in 2023 with the same number of interns being welcomed over the summer months.

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“At SLS, I gained insight into the investor outlook on sustainability issues, and that experience was extremely valuable.”

“Reduce rather than offset”

For Frida Sande and Oscar Schalin, sustainable development and responsibility should be a natural part of every organisation’s operations in both the for-profit and non-profit sectors.

“Organisations cannot expect their operations to be financially sustainable if they don’t heed aspects such as environmental and social issues,” says Sande. A practical piece of advice that Sande and Schalin would give to organisations is to focus on their own operations before trying to exert any external influence.

“During my internship, I read about the ways different companies report their sustainability. I think it’s important not just to invest in carbon offsetting and then communicate that as being sustainability in action – that could be regarded as greenwashing. You should reduce your emissions rather than offset them,” Schalin says.

Internal communication regarding sustainable development and its significance for the organisation is important for implementing changes, according to both Sande and Schalin.

“If you want to improve sustainability, you need to get your employees to understand the value of the changes,” Sande says.

Schalin believes it is easier to incentivise organisational changes if, in addition to having a positive impact on the environment, the changes also save money.

“What’s more, it’s a good thing if you’re able to demonstrate that the organisation is on the way to becoming a sustainable development pioneer,” he says.

Schalin considers this to be something SLS has achieved:

“Sustainability requirements are not as strict for associations and foundations as they are for companies. Nevertheless, SLS has invested heavily in sustainability issues and is a pioneer in its own industry, and as a result it’s able to share its experience of these issues with equivalent organisations.”

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“You don’t need all the expertise to come from within your own organisation.”

Collaborating on sustainability is, overall, something that Schalin and Sande advocate.

“SLS collaborates really well on responsible investments with the asset management companies who manage SLS’s portfolio, for example. You don’t need all the expertise to come from within your own organisation; it’s good to be able to work together with others to find sustainable solutions,” Sande says.

An educational internship

Both Sande and Schalin are satisfied with their input at SLS and feel they have contributed to the dissemination of important sustainability knowledge.

“I think our work has provided both new ideas and new insights,” Schalin says.

“Through its investments, SLS has a major impact on sustainability and I hope my work has provided a greater understanding of this impact,” Sande says.

Both she and Schalin also consider their internships to have been educational.

“I had no previous experience in real estate management, so I’ve learnt a lot of new things, especially with regards to sustainability certifications for properties and real estate technology,” Schalin says.

“At SLS, I gained insight into the investor outlook on sustainability issues, and that experience was extremely valuable as it has meant I’ve been able to continue working on sustainability in my current job at a listed company,” Sande says.

Caption: Sofia Grünwald

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Photo: Malin Lönroth

Responsible investment

SLS takes a long-term approach to investment. We strive to generate good overall returns in the long term, in order to secure funding and activities for future generations. We respect our history and the wishes of the donors. At the same time, we want future generations to be of the opinion that we succeeded in managing our assets sustainably – something we strive for on a daily basis.

We consider responsible investment to be a natural part of a long-term perspective. Companies equipped to identify developmental requirements and opportunities for a sustainable future are also more successful in the long term. Responsible investment is also risk management as companies that act responsibly can be expected to face fewer risks in their business activities.

Responsible investment also extends to the selection of investment funds and external asset managers. We strive for continuous collaboration with both asset managers and other investors in order to advance our responsible investment operations.

Responsible operations are always built on transparency. This sustainability report presents our principles and how these have been reflected in our operations in 2022.

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Our responsible investment principles

The investment activities are governed by the SLS Financial Board and through the investment policy set by the board. The Financial Board has also established SLS's principles for responsible investment, which describe, among other things, how environmental responsibility, social responsibility and good governance are integrated into investment decisions.

In 2021, we became a signatory of the PRI initiative (Principles for Responsible Investment), which supports investors in their work with responsible investments. By signing the six principles of the initiative, we undertake to continue to emphasise environmental, social and governance issues in our investment activities. With effect from 2023, we will follow up on the implementation of the principles through annual reporting to the PRI. The initiative therefore also serves as a tool for the continued development of our responsible investment strategy.

In accordance with our responsible investment principles, we work with actors which have committed to incorporating responsibility considerations in their investment activities. At the end of 2022, 99% of the externally managed assets in the portfolio were managed by partners who have also signed the PRI and accepted the principles.



The carbon footprint of our equity investments in 2022 was 18% lower than the market average.

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Monitoring of responsible investment

The level of responsibility in the portfolio is assessed annually through a comprehensive analysis performed by our partners. In 2022, 71% of the investments in the portfolio were included in the responsible investment analysis. The analysis included the majority of the equity investments as well as those fixed income investments for which responsible investment information is available. The analysis did not include unlisted shares, holdings in private equity funds or real estate holdings because comparison data for these asset classes are not available. For private equity investments, we review the asset managers' separate responsible investment reports at least once a year.

Categorisation of investment funds' sustainability

In 2018, the European Union launched an action plan for stimulating sustainable growth, with the goal of the EU being carbon-neutral by 2050 at the latest. All asset managers and fund management companies in the EU are required to report how sustainable their products are in accordance with the Sustainable Finance Disclosure Regulation (SFDR). SLS strives to invest primarily in funds categorised as Article 8 or 9.

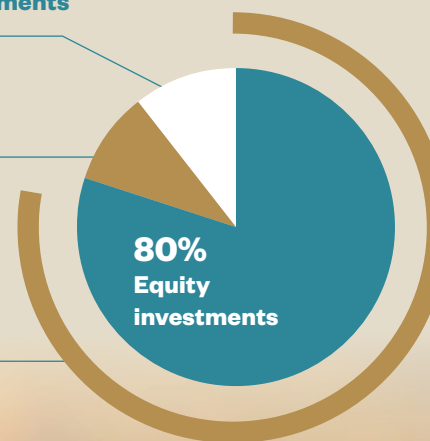
- **Article 9:** Funds which have a direct positive impact on the environment and society, while also not negatively affecting other sustainability goals. These funds are often referred to as impact funds.
- **Article 8:** Funds that promote environmental or social characteristics. Examples of funds included in this category are those with ESG integration and exclusion criteria.
- **All others:** Funds that do not meet the criteria in Articles 9 or 8 are funds that do not take sustainability issues into account at all, or do so only partially.

Portfolio content

11% Fixed income investments

9% Real estate investments

71% of the portfolio has been included in our responsibility analysis

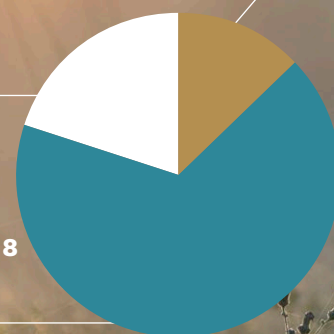


Equity funds' SFDR categorisation

Article 9
13%

Other
20%

Article 8
67%



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Photo: Malin Lönroth

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Active ownership

In accordance with the SLS Principles for Responsible Investment, active ownership is exercised through, e.g., participation in and voting at general meetings. SLS's active ownership focuses on Finnish directly-owned companies. In 2022, we participated in advance voting at the general meetings of 9 of our directly-owned companies. Our external asset managers have their own processes for active ownership and engagement with companies.

Progress in ESG rating

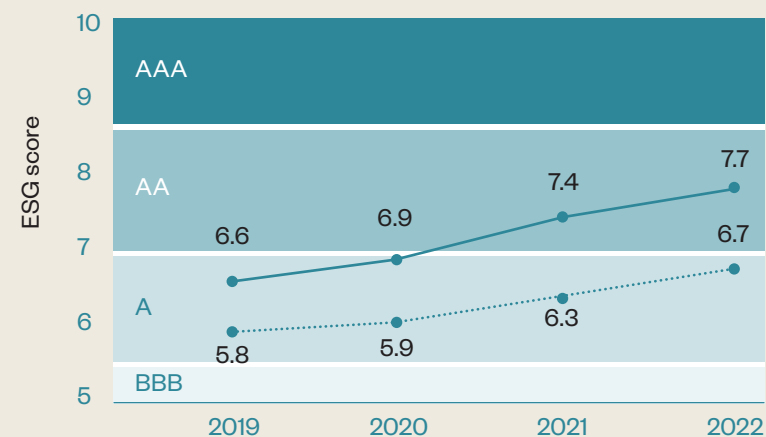
The average level of responsibility in SLS's liquid investments showed continued positive development in 2022. The portfolio's ESG score rose by 4% compared with 2021. The ESG score is based on criteria related to environment (E), social factors (S) and governance (G), and reflects the performance of companies in comparison with other companies in the same industry.

The portfolio's ESG score of 7.7 grants it the second highest sustainability rating of AA, whilst the market average (MSCI All Country World index) has the rating A (6.7). The portfolio's ESG score is 15% higher than the market average, which means that the portfolio companies' management of risks and opportunities related to responsibility outperformed the market average.

Carbon footprint

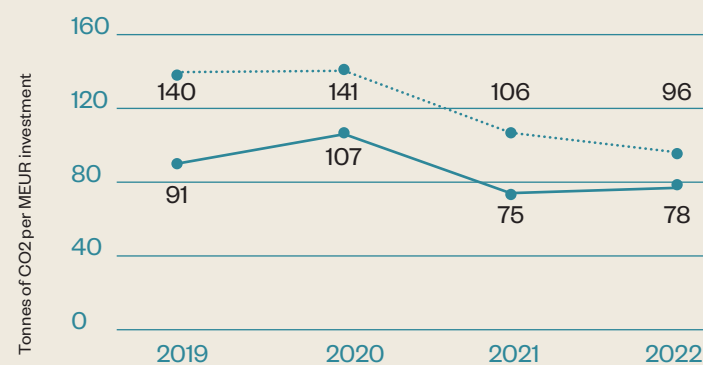
An important key metric for evaluation of portfolio performance in terms of climate issues is the measurement of carbon dioxide emissions from investments in the portfolio. The carbon footprint of SLS's equity investments is at the same level as in 2021. Changes in the carbon footprint are usually due both to changes within the portfolio as well as the companies'

ESG rating 2019–2022



Source: Nordea. Coverage ratio 94% of the holdings in the analysis.

Carbon footprint 2019–2022



Source: SEB

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own efforts to reduce their emissions. In 2022, the carbon footprint of our equity investments was 18% lower than the market average. The equity investments' carbon intensity indicators are also significantly below the market average.

In addition to the backward-looking perspective provided by the carbon footprint, it is also important to have a forward-looking approach to climate work. The analysis of the portfolio showed that 88% of the companies in SLS's equity portfolio are committed to reducing their emissions. 69% of the companies have set ambitious targets to be carbon neutral by 2050. The corresponding proportions of the benchmark index are 86% and 64%.

We also invest in thematic funds focusing on companies that produce solutions for energy efficiency, renewable energy or other environmentally related operations.

Carbon dioxide indicators 2022

	SLS	Benchmark index	Comparison
Carbon footprint of equity investments Tonnes of CO ₂ per MEUR investment	78	96	-18%
Carbon intensity of equity investments Tonnes of CO ₂ per MEUR sales	71	168	-58%
Weighted carbon intensity of equity investments Tonnes of CO ₂ per MEUR sales	106	151	-30%
Analysis coverage ratio	84%	85%	

Source: SEB



Photo: Malin Lönroth



Photo: Malin Lönnroth

Analysis of global norms violations

Our portfolio is analysed on an annual basis to identify any violations of global norms amongst our investments. The analysis is based on the principles listed in the UN Global Compact Framework and the OECD Guidelines for Multinational Enterprises. The analysis includes four areas: human rights, labour standards, environmental protection and anti-corruption. The analysis of direct investments found no confirmed violations of global norms. Our external asset managers have their own processes for following up on violations of global norms in the investment funds and influencing the companies' sustainability efforts as needed.

Real estate investments

SLS's real estate portfolio consists of real estate funds and direct property investments in both residential/commercial real estate and property companies, amongst others. Evaluations of the properties' environmental impact began in 2022 with preliminary BREEAM studies of two office buildings as well as energy audits of five residential buildings. We will proceed from the results of the studies and surveys to take concrete measures for the energy efficiency of properties, such as the 2023 renewal of the building automation in an office building.

All of our real estate funds are categorised according to SFDR Article 8. This means our funds take sustainability issues into account in the investment process.

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UN Sustainable Development Goals

The 17 global goals on the UN's Agenda 2030 have set ambitious demands to eradicate global poverty and injustice and combat climate change.

The SDGs serve the operations of states as well as companies and investors.

Every operation tends to have both negative and positive impacts on society and the environment. Thousands of companies still struggle to define and measure this impact. SLS has chosen investment in specific, thematic funds and impact funds, all of whose strategies strive to achieve measurable, positive impact. As an example, up to 10% of the fixed income portfolio consists of microloan funds. By lending funds to local microfinance institutions, who in turn grant microloans to entrepreneurs and small companies, microloan funds create employment and growth in developing countries.

Looking ahead

Responsible investment is a constantly evolving area that is further incentivised by EU-driven sustainability regulation. At the same time, more and more tools are becoming available to investors. In spring 2023, we created a new position for responsible investment, with the aim of increasing the resources available for our sustainability efforts. Portfolio Manager and Head of Responsible Investment, **Magdalena Lönnroth**, is one of the pioneers of this field in Finland. Through this appointment we seek to further strengthen the significance of sustainability in our investments.

Microloan funds contribute to several global sustainability goals



Objective 1: No poverty. Enabling the sustainable inclusion of people and businesses who would otherwise be excluded from the financial system.



Objective 2: Zero hunger. Focusing on financing the agricultural value chain.



Objective 5: Gender equality. Granting women equal access to economic resources and opportunities.



Objective 8: Decent work and economic growth. Supporting very small, small and medium-sized businesses.



Objective 13: Climate action. Investing in green bonds.

Other sustainability indicators 2022

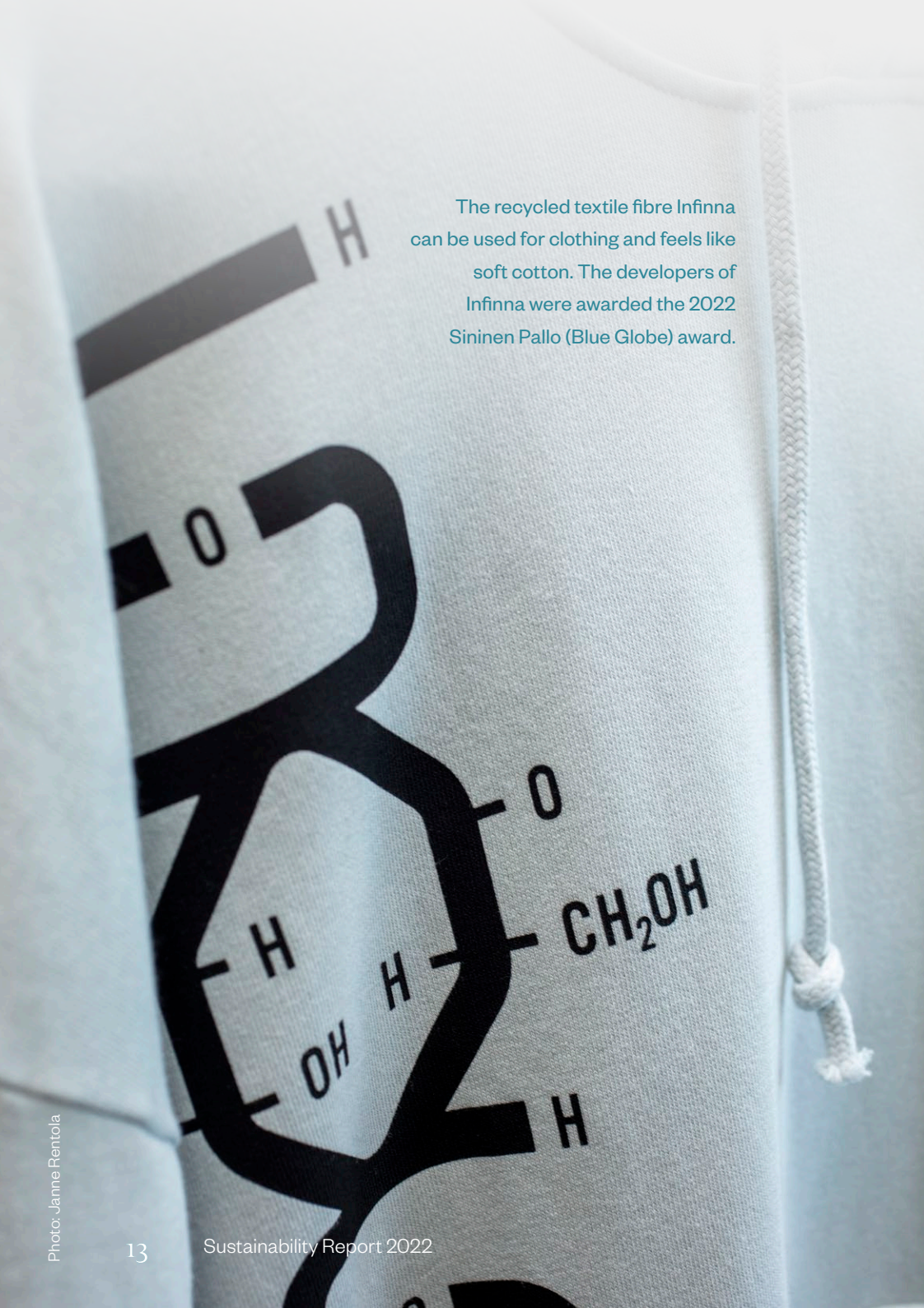
	SLS portfolio	MSCI ACWI	Comparison
Water efficiency Cubic meters of water used in countries with water scarcity per MUSD turnover	195	1023	-80.9%
Waste efficiency Tons of waste per MUSD turnover	94	277	-66.1%
Gender equality Share of women in management	29%	30%	-3.3%
Good governance Share of independent directors	73%	75%	-2.7%
Fair pay Managing Director's salary per employee's average salary	109x	196x	-87x
Job creation Share of turnover in developing countries	2.4%	3.5%	-1.1%

Photo: Malin Lönnroth

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The recycled textile fibre Infinna can be used for clothing and feels like soft cotton. The developers of Infinna were awarded the 2022 Sininen Pallo (Blue Globe) award.

Sustainability of our own operations

Donation funds for environmental protection and preservation of natural assets

SLS manages over 600 funds which have been created via donations and bequests. One of these is the Ingrid, Margit and Henrik Höijer Donation Fund II. One of the fund's numerous purposes is supporting studies in environmental protection and technology. In 2022, we awarded a total of EUR 112,600 from the fund in grants to students pursuing doctoral studies in the environmental protection and technology fields, as well as in community grants.

Also made possible by Höijer's Donation Fund II is the Sininen Pallo (Blue Globe) award, which is funded by SLS in collaboration with the Tiina and Antti Herlin Foundation and the Maj and Tor Nessling Foundation. The prize is awarded for scalable or reproducible solutions to the challenges posed by environmental and climate issues, either through groundbreaking technology or scientific research. The 2022 recipients were **Ali Harlin** and **Petri Alava**, who were awarded the prize for developing and productising the textile fibre Infinna. The recycled fibre contributes to both a reduction in textile waste and a decreased need for virgin cotton, while simultaneously increasing awareness of recycled materials for the fashion industry and consumers.

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At the Stensböle estate in Porvoo, we preserve cultural heritage both within the environment of the estate itself and in the surrounding natural landscape. Pastures and expansive, protective forest areas create varied environments which favour biodiversity. The grounds contain dry and wet meadows, pine forests and groves, and ancient woodland, all of which provide habitats for birds and butterflies amongst other animals. Natural assets are important to the board of the estate. In caring for the Stensböle landscape we also preserve our shared cultural heritage.

Offsetting air travel

Emissions from activities that cannot be avoided can instead be offset. We have offset emissions from work-related air travel via the Compensate service. Offsetting emissions means that projects which lead to reduced emissions are financed with an amount equal to or greater than the emissions cost of the air travel in question.

Several of the photographs in this report are of the Stensböle estate's natural surrounds.

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For more information about our operations, please find our
Annual Report at sls.fi or contact info@sls.fi.

