

Swedbank



Robur

# Swedbank Robur's Exclusion Strategy

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## Purpose

Swedbank Robur Fonder AB, below referred to as "Swedbank Robur" is an asset manager and a wholly owned subsidiary of Swedbank AB (publ). Swedbank Robur's vision is to be world leader in sustainable value creation. Sustainable value creation refers to our ambition to create long-term returns for our customers, while also contributing to a positive development of the society and the environment. We consider sustainability as an integral part of well-managed and profitable investments. We aim to achieve this by being a key player that supports and influences positive change.

Swedbank Robur wants to invest in sustainable businesses with the potential to achieve positive impact. Swedbank Robur addresses sustainability using three methods; inclusion, exclusion and engagement. For more information see [Swedbank Robur's Inclusion Strategy](#), [Swedbank Robur's Climate Strategy](#), [Swedbank Robur's Engagement Strategy](#) and [Swedbank Robur Strategy for Biodiversity & Nature positive investments](#).

## Swedbank Robur exclusions

Swedbank Robur excludes holdings associated with products that are not compatible with our view on a sustainable development. Additionally, we may refrain from investments in operations with severe sustainability risks and weak operational management when we deem it harmful to the society or the environment. Exclusions is a manifestation to our customers and other stakeholders, of our values and investment standards. Exclusion is one of the methods we apply to avoid harm on society and the environment.

Exclusions are decided by the Swedbank Robur Board of Directors and stated in the Swedbank Policy for Responsible Investments. The implementation on business level is decided by the CEO based on the recommendation of Swedbank Robur's Sustainability Council<sup>1</sup>.

Swedbank Robur's funds do not invest in:

- Controversial weapons (cluster bombs, anti-personnel mines, chemical or biological weapons)
- Nuclear weapons
- Tobacco
- Cannabis
- Pornographic material
- Commercial gambling
- Fossil fuel (coal, oil or gas) unless they have clear transition goals and are included in Swedbank Robur's Green List, which is available on Swedbank Robur's webpage.
- Government bonds or government guaranteed fixed income securities issued by states that systematically and seriously violate human rights or are subject to sanctions by the UN Security Council, EU, UK (OFSI) and US (OFAC) sanction list.

<sup>1</sup> The Sustainability Council consists of CEO, CIO, Head of Client Solutions, Head of Risk Management, Head of Business Support & Strategy, Head of Sustainability & Governance and Head of Product Development.

Swedbank Robur excludes companies with revenue from manufacturing (production) or sales (distribution) of the excluded product type (see Table 1). We also exclude service providers with a clear connection to an excluded product after a thorough, case-by-case analysis. A combined assessment is made based on total exposure. For service a maximum allowance threshold of 50% revenue is applied except for controversial weapons (nuclear weapons cluster bombs, anti-personnel mines, chemical- and biological weapons) and nuclear weapons (for these we apply a threshold of 0%).

When investing in external fund units, companies that Swedbank Robur exclude based on the criteria above may appear. In such cases, we initiate and maintain a close dialogue with the external fund provider with the hope of finding common values. If Swedbank Robur sees no willingness to change, the fund units are sold within two years from the finding. Exceptions may be made for investments in fossil companies, if the external fund as a whole has a clear and concrete focus on transition toward a clean and sustainable future. These funds are listed on **Swedbank Robur's Green List**.

Table 1:	Production/ Manufacturing	Distribution/ Sales	Service	
Controversial weapons*	0 %	0 %	0 %	
Nuclear weapons	0 %	0 %	0 %	
Tobacco	5 %	5 %	50 %	
Cannabis	5 %	5 %	50 %	
Pornographic material	0 %	5 %	50 %	
Commercial Gambling	5 %	5 %	50 %	

  

Fossil fuel	Production/ Extraction	Distribution/ Transportation	Electricity generation	Service
Coal	5 %	5 %	5 %**	5 %
Oil	5 %**	5 %**	5 %**	50 %
Gas	5 %**	50 %	50 %	50 %

  

International norms	May invest in companies where we can see a will to change and expect the company can address the problem within an acceptable time horizon.			
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\* Cluster bombs, anti-personnel mines, chemical- and biological weapons.

\*\* Investments may be made in transitioning companies in accordance with the definition. Invested companies can be found on Swedbank Robur's Green List.

## International norms

All Swedbank Robur funds avoid investments in:

- Seriously and systematically have breached international sustainability norms and conventions issued by the UN<sup>2</sup>, ILO<sup>3</sup> and OECD<sup>4</sup> or in any other way been involved in business practices deemed to be unacceptable from a sustainability or corporate governance perspective,
- have other high sustainability risks.

When we receive information that a company is associated with violations of international norms and

conventions, Swedbank Robur reviews the assessment made by our norm analysis suppliers. Based on the information from our suppliers and other available information, Swedbank Robur makes their own assessment if the occurrence seriously and systematically have breached international norms and conventions. If Swedbank Robur invests or stays invested in a company a systematic monitoring process is implemented to manage these types of sustainability risks and the company is listed on our internal Watch List. For more information see **Swedbank Robur's Watchlist**.

## Extended level

These funds exclude, in addition to Tabel 1, also weapons, military equipment, alcohol and have stricter criteria for extraction of coal. The funds do not invest in companies breaching international norms or conventions. More information about which funds follow this exclusion level, please see Swedbank Roburs Fundlista and each fund's prospectus.

Table 2:	Production/ Manufacturing	Distribution/ Sales	Service	
Controversial weapons*	0 %	0 %	0 %	
Nuclear weapons	0 %	0 %	0 %	
Weapons or military equipment	5 %	5 %	5 %	
Tobacco	5 %	5 %	50 %	
Cannabis	5 %	5 %	50 %	
Alcohol	5 %	5 %	50 %	
Pornographic material	0 %	5 %	50 %	
Commercial Gambling	5 %	5 %	50 %	
Fossil fuel	Production/ Extraction	Distribution/ Transportation	Electricity generation	Service
Coal	1 %**	5 %	5 %**	5 %**
Oil	5 %**	5 %**	5 %**	50 %
Gas	5 %**	50 %	50 %	50 %

International norms	Does not invest in companies that do not comply with international standards.
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\* Cluster bombs, anti-personnel mines, chemical- and biological weapons.

\*\* Investments may be made in transitioning companies in accordance with the definition. Invested companies can be found on Swedbank Robur's Green List.

## Monitoring of exclusions

Swedbank Robur uses a combination of internal analysis and external data providers to collect information on sustainability data such as product involvement, sector analysis, controversy scores and norms analysis etc.

The external data regarding product involvement (from several external data suppliers) is analysed at least quarterly. All companies detected in the product screening and found not to meet the policy requirements for product exclusions are assessed by Swedbank Robur's sustainability analysts. The CEO decides on the exclusion of companies in cases where one of

the funds has investments in these companies. When the funds do not have holdings, these decisions are automatically generated in the system for ESG-analysis, RobuS. A company that discontinues its business activity causing an exclusion may again be investible after assessment.

Swedbank Robur daily applies a pre-trade and post-trade control of all investments to ensure compliance with product exclusion criteria described in this strategy. Screening, decision-making and monitoring follows a model of first, second and third line of defence, involving Portfolio Managers as well as the teams for Trading, Sustainability Analysis and risk management and risk control.

<sup>2</sup> www.un.org

<sup>3</sup> www.ilo.org

<sup>4</sup> www.oecd.org

## Definitions and criteria for exclusions

### Controversial weapons

Cluster bombs, also referred to as cluster munitions, are projectiles such as aerial bombs, artillery shells or missiles where the warhead is divided into a number of smaller parts, known as submunitions.

Anti-personnel mines are explosive devices fitted with a detonator placed on land or in water and that detonate when touched by a person.

Chemical weapons are weapons based on chemical toxins, often in the form of nerve agents. These include nerve gas, mustard gas and tear gas.

Biological weapons are weapons based on living organisms. Biological weapons primarily comprise pathogenic microorganisms, such as a bacterium, virus, fungus or chemical substance.

**Revenue from production/manufacturing: 0%**

**Revenue from distribution/sales: 0%**

**Revenue from service: 0%**

### Nuclear weapons

Nuclear weapons are explosive devices that derive their force from a nuclear reaction. Nuclear weapons use the release of the energy that holds together atom nuclei.

**Revenue from production/manufacturing: 0%**

**Revenue from distribution/sales: 0%**

**Revenue from service: 0%**

### Tobacco

Tobacco refers to the definition based on the WHO Framework Convention on Tobacco Control (WHO FCTC) which aims to protect health, sustainable supply and natural environments. Growing and manufacturing tobacco damages people, nature and water resources. The consumption of tobacco products is addictive and seriously injures the health of the user and people nearby. According to the WHO, tobacco consumption is a global health problem that generates extensive costs for society and individuals.

**Revenue from production/manufacturing: 5%**

**Revenue from distribution/sales: 5%**

**Revenue from service: 50%**

Examples of activities that are excluded:

- Growing tobacco and warehousing and trading tobacco raw materials.
- Manufacturing consumer products containing tobacco, such as cigarettes, e-cigarettes, cigars, pipe and chewing tobacco and moist snuff.

- Manufacturing and research and development of products specifically designed for tobacco products, such as flavours and aromas, auxiliary chemicals and specially adapted filters, papers and packaging products, etc.
- Companies that sell tobacco products to consumers or transport tobacco.

Examples of activities that are **not** excluded:

- Manufacturing, developing and selling pharmaceuticals that contain nicotine.
- Manufacturing, developing and selling e-cigarettes and Smoke free and Vapour Products not including tobacco.
- Manufacturing products used by the tobacco industry but that are not specifically adapted for tobacco growing or manufacturing tobacco products.

### Cannabis

Cannabis refers to products that contain marijuana and tetrahydrocannabinol (THC) cannabis. Swedbank Robur's definition of cannabis is based on the UN's narcotic drugs control conventions. Cannabis (THC) is classified by the WHO as addictive with a very great risk of harmful effects on human health. This type of compound is regulated by international controls relating to the terms for manufacturing, trading and distributing.

**Revenue from production/manufacturing: 5%**

**Revenue from distribution/sales: 5%**

**Revenue from service: 50%**

Examples of activities that are excluded:

- Growing, warehousing and trading cannabis plants and tetrahydrocannabinol (THC) cannabis
- Manufacturing, developing and selling cannabis products to consumers mainly intended for smoking cannabis products.
- Manufacturing products containing cannabis that are designed for private consumption.

Examples of activities that are **not** excluded:

- Manufacturing, developing and selling pharmaceuticals that contain cannabis.
- Manufacturing and selling consumer products that primarily contain Cannabidiol (CBD) for non-medicinal use, such as food and hygiene articles, on the condition that these comply with national law and levels are lower than the WHO's limit values.

## Pornographic material

Pornographic material refer to companies that make available pornography that reproduce sexual situations or events that violate human value and dignity.

Revenue from production/manufacturing: 0%

Revenue from distribution/sales: 5%

Revenue from maintenance or service: 50%

## Commercial gambling activities

Commercial gambling activities refers to casino, bingo, poker, sports betting, odds and scratch cards – physical gambling and online and mobile phone gambling where the main purpose is gambling for money or the value of money. It also includes development and associated services to companies that offer gambling activities.

Revenue from production/manufacturing: 5%

Revenue from distribution/sales: 5%

Revenue from service: 50%

Examples of activities that are excluded:

- The sale of gambling products to private individuals, for example, casino, bingo, poker, sports betting, odds and scratch cards – physically, online and via mobile devices.

Examples of activities that are not excluded:

- Sales and development as well as services for the types of gambling whose primary purpose is not to win money, such as individual or social gambling, online or offline, using a console, computer or mobile phone.
- Research and development into gambling behaviour and safe gambling.

## Fossil fuel<sup>4</sup>

Fossil fuel refers to coal, oil and gas. This definition also includes extraction or refining from shale oil/gas, Arctic oil/gas and oil sand. The combustion of fossil fuels in, for example, vehicles, industries or the power sector increases the total volume of carbon dioxide in the earth's atmosphere, which in turn contributes to global warming and other climate change.

### Coal

Revenue from production/extraction or refining: 1% or 5% (Extended level and Policy)

Revenue from distribution/transportation: 5%

Revenue from electricity generation: 5%

Revenue from service: 5%

### Oil

Revenue from production/extraction or refining: 5%

Revenue from distribution/transportation: 5%

Revenue from electricity generation: 5%

Revenue from service: 50%

## Gas<sup>5</sup>

Revenue from production/extraction or refining: 5%

Revenue from distribution/transportation: 50%

Revenue from electricity generation: 50%

Revenue from service: 50%

### Transition companies

When it comes to fossil fuels, Swedbank Robur wishes to support the important transition towards a low-fossil society, and therefore has a pragmatic approach in its investments. Accordingly, deviations may be made if a company meets all of the criteria below:

- Fossil operations must not generate more than 50 per cent of the company's revenue.
- The company generates no revenue from shale oil/gas, arctic oil/gas or oil sand.
- The company has committed to work in line with the Paris Agreement's objectives to keep the increase in global average temperature to well below 2 degrees Celsius, for example by using Science Based Target, and the commitment is considered credible.
- The investment decision must be approved and documented by Swedbank Robur's Sustainability Council.

### Transition bonds

- The bond should follow Green Bond Principles (GBP) and be verified by third-party ("second opinion). If the framework is classified as Light Green the investment is not approved. All bonds under the EU Sustainable Finance; Green Bond Standard are approved.
- The issuer has signed Science Based Targets (SBT).
- The issuer generates no revenue from shale oil/gas, arctic oil/gas or oil sand.
- The issuer generates no more than 5% revenue from extraction or refining from coal, oil, gas or transportation of coal.
- The issuer has committed to work in line with the Paris Agreement's objectives to keep the increase in global average temperature to well below 2 degrees Celsius.
- The investment decision must be approved after the investment is made and documented by Swedbank Robur's Sustainability Council. If it is not approved, it will be sold.

The transition companies and transition bonds will be published on the **Swedbank Robur's Green List**.

<sup>4</sup> In order to deal with price and revenue volatilities caused by the current energy crisis, a small number of companies may be temporarily excepted from these limits, provided the revenue increase is minor and carbon emissions targets remain on track.

<sup>5</sup> Our aim is to have a consistent approach to the mid- and downstream gas value chain; hence we chose the same 50% revenue threshold for gas distribution and electricity generation. This allows for some limited investment to support companies in transition from coal to gas and from gas to renewables in the near and medium term, but discourages major longer-term investments in gas infrastructure or extraction. This way we can keep portfolio carbon intensities relatively low and avoid contributing to the so called "gas lock-in" effect. Under these thresholds, we assess the list of investable gas companies is limited but of good quality.

## Alcohol

### (only applicable for extended level)

Alcohol refers to beverages with an alcohol content exceeding 2.25 per cent by volume.

**Revenue from production/manufacturing: 5%**

**Revenue from distribution/sales: 5%**

**Revenue from service: 50%**

Examples of activities that are excluded:

- Production or distillation of alcohol or ethanol.
- Manufacturing consumer products containing alcohol, such as wine, spirits or beer
- Manufacturing and developing products that are specifically designed for the alcohol industry, such as custom-made corks, containers or packaging for alcoholic products.

Examples of activities that are not excluded:

- Manufacturing products used by the alcohol industry but that are not specifically adapted for alcoholic products, for example bottle caps or aluminium cans.
- Companies that provide land or property that may be used by wine producers.
- Companies that produce labels, with an area of application that is broader than the alcohol industry.

## Further information

On our website we disclose more information about responsible investments and documents with respect to sustainability such as:

- Swedbank Robur's Policy for Responsible Investments
- Swedbank Robur's Principles for Shareholder Engagement
- Swedbank Robur's Climate Strategy
- Swedbank Robur Strategy for Biodiversity & Nature positive investments
- Swedbank Robur's Inclusion Strategy
- Swedbank Robur's Engagement Strategy
- Swedbank Robur's Green List
- Swedbank Robur's Watchlist
- The race to Net Zero - Swedbank Robur's roadmap to net zero emissions
- Swedbank Robur's Proxy Voting Dashboard
- Swedbank Robur's Expectation Papers
- Prospectus for each fund

## Weapons and military equipment

### (only applicable for extended level)

Weapons refers to products intended to kill, maim or destroy and are sold for military purposes. Military equipment refers to products or sub-components specifically developed to be part of weapons or weapons systems.

The definition of weapons and military equipment is based on the Military Equipment Act (1992:1300) and the Military Equipment Ordinance (1992:1303) regulates authorisation requirements and obligations regarding operations related to military equipment.

**Revenue from production/manufacturing: 5%**

**Revenue from distribution/sales: 5%**

**Revenue from service: 5%**