

Swedbank



Robur

Swedbank Robur's Exclusion Strategy

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This is a translation. In case of any discrepancies between the Swedish and the English version the Swedish version shall prevail.

Swedbank Robur's Exclusion Strategy

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 contributing to a positive development of society and the environment. We consider sustainability as an integral part of well-managed and profitable investments.

Swedbank Robur wants to invest in sustainable companies with the opportunity to have a positive impact on the world around us. Swedbank Robur addresses sustainability using three methods; inclusion, exclusion and engagement. For more information, see *Swedbank Robur's Inclusion Strategy*, *Swedbank Robur's Engagement Strategy*, *Swedbank Robur's Climate Strategy* and *Swedbank Robur's Nature Strategy*.

What we exclude

Swedbank Robur excludes holdings linked to products and services that are not compatible with our view on sustainable development. In addition, we refrain from investing in businesses with high sustainability risks, lack of corporate governance or that are harmful to society or the environment. Excluding is a signal to our customers and other stakeholders about our values and investment standards. Exclusion is also one of the methods we use to reduce damage to society and the environment.

What is to be excluded is decided by Swedbank Robur's Board of Directors and is specified in our Policy for Responsible Investments. Implementation at business level is decided by the CEO based on recommendations from Swedbank Robur's Sustainability Council.

Swedbank Robur's funds do not invest in:

- Controversial weapons (cluster bombs, personal mines, chemical or biological weapons)
- Nuclear weapons
- Tobacco
- Cannabis
- Pornographic material
- Commercial gambling
- Fossil fuel (coal, oil or gas) unless companies have clear transition goals and are included on *Swedbank Robur's Watch 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.

Swedbank Robur excludes companies with revenues from the production or distribution of the product or service that is excluded (see Table 1). We also exclude service providers with a clear link to the product or service that is excluded, after careful analysis on a case-by-case basis. A combined assessment is made based on total exposure. For service, a maximum level of 50 percent of turnover is allowed, excluding controversial weapons (cluster bombs, personal mines, chemical and biological weapons), nuclear weapons and coal. For controversial and nuclear weapons, we apply a turnover limit of 0 percent and for coal a turnover limit of 5 percent.

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 fuel companies, if the external fund has a clear and concrete focus on transition toward a clean and sustainable future. These funds are listed on *Swedbank Robur's Watch List*.

Table 1:

	Production	Distribution	Service
Controversial weapons*	0%	0%	0%
Nuclear weapon	0%	0%	0%
Tobacco	0%	5%	50%
Cannabis	5%	5%	50%
Pornographic material	0%	5%	50%
Commercial gambling	5%	5%	50%

Fossil fuel	Production	Distribution	Electricity Generation	Service
Coal	5%	5%	5%**	5%**
Oil	5%**	5%**	5%**	50%
Gas	5%**	50%	50%	50%

International norms Can invest in companies where we see a willingness to change and assess that the company can resolve the problem within an acceptable time horizon.

* Cluster bombs, personal 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 Watch List*.

International norms

All Swedbank Robur's funds avoid investing in companies that seriously and systematically violate international standards or conventions issued by the UN¹, ILO² and OECD³ or are otherwise involved in unacceptable activities with regard to sustainability or corporate governance. When we receive information that a company is associated with a violation of international norms or conventions, Swedbank Robur checks the assessment of our norm analysis suppliers. Based on information from our suppliers and other available

¹ www.un.org

² www.ilo.org

³ www.oecd.org

information, Swedbank Robur makes its own assessment of whether the situation that has arisen constitutes a serious and systematic violation of international norms or conventions. If Swedbank Robur invests or chooses to remain an investor in the company, a systematic follow-up of sustainability risks is applied, and the company is included on our internal monitoring list. For more information, see *Swedbank Robur's Watch List*.

Extended Level

In addition to Table 1 above, some of Swedbank Robur's funds also exclude weapons, military equipment, alcohol and apply stricter criteria for companies that produce coal and do not invest in companies that violate international standards. For more information about which funds follow this level, see Swedbank Robur's Fund List and the funds' information brochures.

Table 2:

	Productions	Distribution	Service
Controversial weapons*	0%	0%	0%
Nuclear weapon	0%	0%	0%
Weapons or military equipment	5%	5%	5%
Tobacco	0%	5%	50%
Cannabis	5%	5%	50%
Alcohol	5%	5%	50%
Pornographic material	0%	5%	50%
Commercial gambling business	5%	5%	50%

Fossil fuel	Productions	Distribution	Electricity Generation	Service
Coal	1%**	5%	5%**	5%**
Oil	5%**	5%**	5%**	50%
Gas	5%**	50%	50%	50%

International standards Does not invest in companies that do not comply with international standards

* Cluster bombs, personal 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 Watch List*.

Monitoring of our criteria

Swedbank Robur uses a combination of internal analysis and analysis by external data providers for information about product involvement.

Data on product involvement from external data providers is analysed at least once a quarter. Swedbank Robur's sustainability analysts identify the companies that violate the criteria set out in this strategy. The CEO decides on the exclusion of companies if any of the funds has investments in these companies.

If the funds do not have holdings, these are automatically generated in the sustainability system, 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.

Controls, decisions and monitoring follow the first, second and third lines of defence model in terms of risk and internal control and include portfolio managers as well as order placement, sustainability analysis, risk management and risk control.

Definitions and exclusion criteria

Controversial and nuclear weapons

Controversial weapons are weapons that are prohibited by international law or considered controversial because they cause the opponent unnecessary suffering, unnecessary harm or indiscriminately affect the civilian population. Swedbank Robur does not invest in companies that are deemed to be involved in the development, manufacture, distribution or service of cluster bombs, personal mines or weapons of mass destruction such as biological, chemical and nuclear weapons.

Cluster bombs

Cluster bombs, also known as cluster ammunition or multi-pile weapons, refer to projectiles such as aviation bombs, artillery grenades or robots where the action part is divided into a number of smaller parts, so-called sub-combat parts.

Personal mines

A person mine is an explosive charge equipped with an ignition device that is placed on land or in the water and which detonates when a person touches it.

Chemical weapons

Chemical weapons, also known as C weapons, are weapons based on the toxicity of chemicals, often in the form of warfare gas. Examples include nerve gas, mustard gas and tear gas. Swedbank Robur also excludes companies that manufacture ammunition that forms toxic smoke through white phosphorus.

Biological and chemical weapons

Biological weapons or also called bacteriological combatants are weapons based on living organisms. Biological weapons mainly consist of pathogenic microorganisms, such as bacteria, viruses, fungi.

Nuclear weapon

Nuclear weapons are weapons that receive their power from a nuclear reaction. The effect of nuclear weapons is based on release of the energy that holds atomic nuclei together. Swedbank Robur excludes all types of nuclear weapons, including companies operating in countries that are part of the Nuclear Non-Proliferation Treaty (NPT).

Examples of operations that are excluded:

- Products or services specifically adapted for controversial or nuclear weapons.
- Manufacture, development and sale of controversial or nuclear weapons, e.g. product development or simulations.

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

- Services such as the design of a building where nuclear weapons are manufactured unless the service is specially adapted to the fact that nuclear weapons are manufactured in the building.
- Propellers for submarines capable of carrying nuclear weapons where the product and/or service is not specifically adapted for that type of submarine but can be used in any submarine.
- Materials that have been manufactured to withstand very high temperatures and can therefore be used in controversial weapons or nuclear weapons, but also in commercial aircraft, for example.

Tobacco

Tobacco refers to the definition based on the WHO Convention on Tobacco Control (WHO FCTC), which aims to protect human health, sustainable supplies and natural environments. The cultivation and production of tobacco harms people, nature and water resources. Consumption of tobacco products is addictive and seriously damages the health of users as well as the health of people in their vicinity. According to the WHO, tobacco consumption is a global health problem that involves major costs for communities and individuals.

Examples of operations that are excluded:

- Cultivation of tobacco and storage and trading of tobacco raw materials.
- Manufacture of consumer products containing tobacco such as cigarettes, e-cigarettes, cigars, squeeze and chew tobacco and snuff.
- Manufacture and research and development of products specifically designed for the manufacture of tobacco products, such as flavours and fragrances, auxiliary chemicals and specially adapted filter, paper and packaging products.
- Companies that sell tobacco products to consumers, market or transport tobacco.

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

- Manufacture, development and sale of medicinal products containing nicotine.
- Manufacture, development and sale of e-cigarettes and so-called Smoke free and Vapour Products if the tobacco content cannot be determined.
- Manufacture of products used by the tobacco industry but not specifically adapted for tobacco cultivation or the manufacture of tobacco products.

Cannabis

Cannabis means products containing marijuana and tetrahydrocannabinol (THC) cannabis. Swedbank Robur's definition of cannabis is based on the UN Conventions on the Control of Narcotic Drugs. Cannabis is classified by the WHO as addictive with a very high risk of harm to human health. Preparations of this type are under international control with regard to the conditions of manufacture, trade and distribution.

Examples of operations that are excluded:

- Farming, storage and trading of botanical cannabis and tetrahydrocannabinol (THC) cannabis
- Manufacture, development, marketing and sale of cannabis products to consumers intended primarily for smoking.
- Manufacture of products containing cannabis designed for private consumption.

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

- Manufacture, development and sale of medicinal products containing cannabis.
- Manufacture and sale of consumer products containing primarily Cannabidiol (CBD) for non-medical use such as for food and hygiene articles, provided that it complies with national legislation and that concentrations are below WHO limit values.

Pornographic material

Pornographic material refers to companies that provide pornography that depicts sexual situations or events that violate human value and dignity.

Examples of operations that are excluded:

- producers of pornographic material (rarely present as listed companies).
- revenues from active marketing and sales of pornography.

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

- platform companies, media companies, hotels or telecom operators that can be used to gain access to pornographic material.

Commercial gambling

Commercial gambling activities refer to casino, bingo, poker, sports betting and odds as well as lotteries, both physical gambling and gambling on the web and on mobile, where the main purpose is gambling about money or money's value. Game development and ancillary services to companies that offer games are also covered.

Examples of operations that are excluded:

- Sale of games to private individuals within casino, bingo, poker, sports betting and odds, as well as lotteries, both physically, online and on mobile.

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

- Sales and development as well as services for game types whose main purpose is not to win money, such as individual or social games online or offline, via console, computer or mobile.
- Research and development on gambling behaviour and safe gambling.

Fossil fuel⁴

Fossil fuels are coal, oil and gas⁵. The definition also includes the extraction or refining of shale oil/gas, arctic oil/gas and oil sands. Combustion of fossil fuels contributes to the increased total amount of carbon dioxide in the Earth's atmosphere, which in turn contributes to the warming of our planet and other climate changes.

Examples of operations that are excluded:

- exploration, extraction and refining of fossil fuels, e.g. coal mining, extraction of fossil gas or pumping crude oil from the earth's crust.
- operation of coal-fired power plants and sale of fossil fuels.
- pipelines, tankers, storage, or trading of fossil fuels.

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

- food companies that also provide fossil fuels.
- electricity companies with fossil fuels in their energy mix (within the limits for energy production).
- transport of fossil fuels, e.g. by train (within the limit values for service).

⁴In order to manage price and revenue volatility linked to the ongoing energy crisis, a few companies can be temporarily exempted from these limits, given that the revenue increase is small and the goal of reduced carbon dioxide emissions remains.

⁵ Our objective is to have a consistent approach to the middle and lower part of the gas value chain. Therefore, we have chosen to apply the same turnover limit of 50% for transport and energy production of gas. This allows investments in a limited number of companies to support their transition from coal to gas and from gas to renewable energy in the short to medium term, while limiting long-term investments in gas infrastructure or extraction.

Fossil transition

Swedbank Robur wants to support the important transition to a low-fossil society, and therefore has a pragmatic approach to our investments. Thus, deviations can be made if a company meets all of the criteria below:

- The company's turnover may not consist of more than 50% of fossil-fuel operations.
- The company generates no revenue from shale oil/gas, arctic oil/gas or oil sands.
- The company has undertaken to work in line with the Paris Agreement's goal of well below two degrees, for example through a so-called Science-Based Target, and the commitment is deemed credible.
- The investment decision must be approved and documented by Swedbank Robur's Sustainability Council.

Alcohol

(Extended Level only)

Alcohol refers to beverages with an alcohol content of more than 2.25 volume percent.

Examples of operations that are excluded:

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

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

- Manufacture of products used by the alcohol industry but not specifically adapted for alcohol products, e.g. caps or aluminium cans.
- Companies providing properties that can be used by wine producers.
- Companies that produce labels, where the area of use is broader than for the alcohol industry

Weapons and military equipment

(Extended Level only)

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

Weapons and military equipment are defined on the basis of the Act (1992:1300) on military equipment and the Ordinance (1992:1303) on military equipment regulates permit requirements and obligations concerning military equipment-related activities

Examples of operations that are excluded:

- Manufacture of armed vehicles.
- Delivery of custom-made material for military purposes (e.g. custom-made computers).
- Testing and adaptation of weapons or war equipment (e.g. for the armed forces).

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

- Production of materials that can be used in weapons and war equipment, but which are neither adapted nor specially made and can therefore also be used in civilian products and vehicles (e.g. extra durable materials).
- Sale of general goods and services such as properties and maintenance thereof, electricity and fuel, medical equipment, foodstuffs or similar to the defence industry.

Further information

On our website we disclose further information about responsible investments, sustainability work and other documents with respect to sustainability such as:

- Swedbank Robur's Policy for Responsible Investments
- Swedbank Robur's Principles for Shareholder Engagement
- Swedbank Robur's Proxy Voting Dashboard
- Swedbank Robur's Climate Strategy
- Swedbank Robur's Nature Strategy
- Swedbank Robur's Inclusion Strategy
- Swedbank Robur's Engagement Strategy
- Swedbank Robur's Watch List
- Swedbank Robur's Expectation Papers
- Principal Adverse Impact Statement
- Swedbank Robur Policy on sustainability risk integration in investment decision making
- Instruction- integrating sustainability risk in the investment decision
- Prospectus for each fund

ESG4Real

Swedbank Robur's Extended Level funds and Folksam LO funds are certified according to ESG4Real. ESG4Real is an initiative to promote a minimum standard with regards to responsible investment for asset managers. Information about which funds are considered as Extended Level are found in our Fund List on our website under Sustainability.

The criteria cover the following areas:

- Exclusion of companies involved in nuclear weapons
- Norm screening
- ESG analysis
- Active ownership by engagement and voting