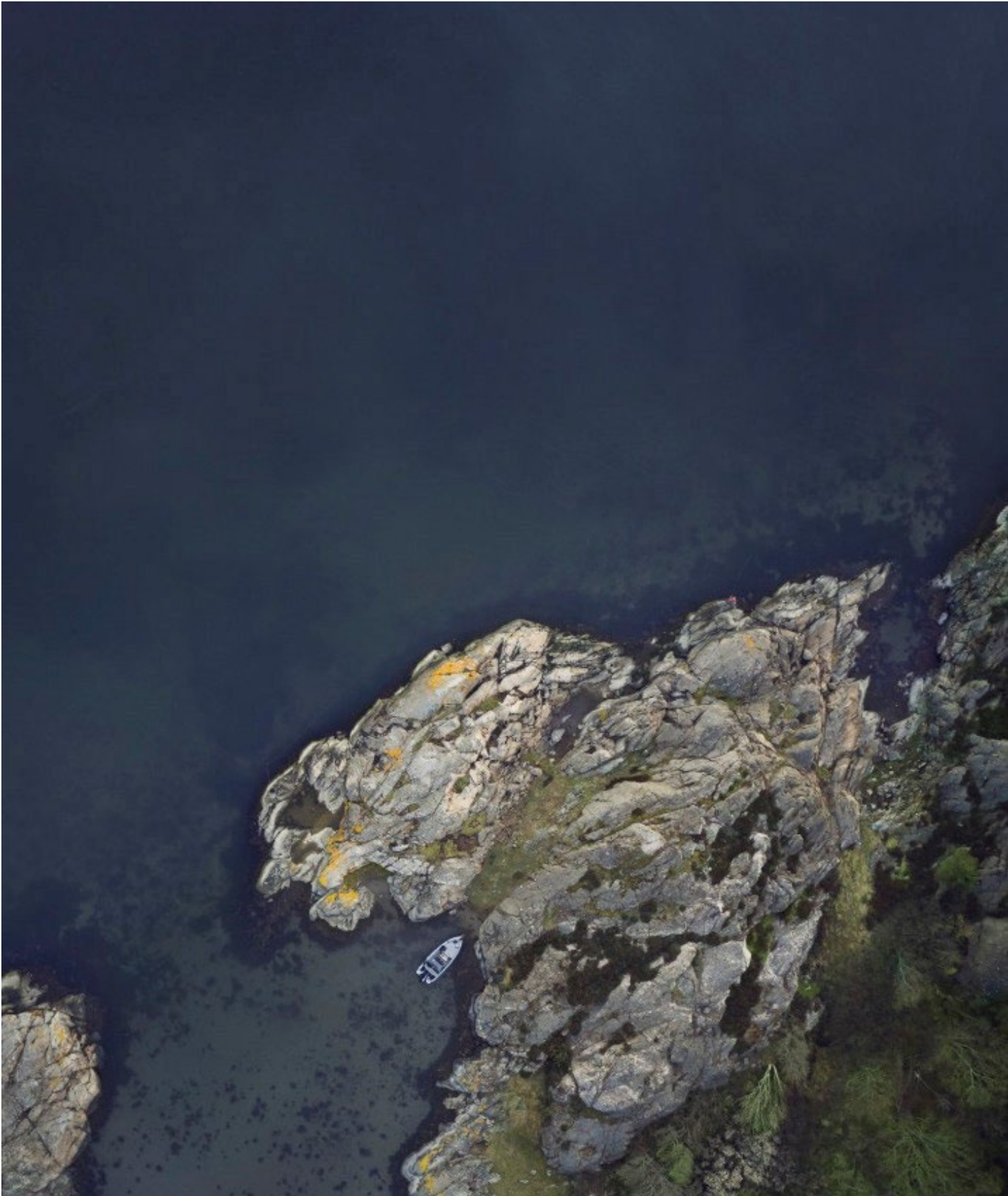


SEB Investment Management  
Exclusions and Transition June 2024



## Exclusion

SEB Investment Management's Exclusion list is based on the exclusion criteria as stated below, more detailed information can be found in the **Sustainability Policy**.

SEB Investment Management's exclusion criteria can be divided into three categories: fossil fuels, international norms and products:

- Fossil-based exclusions: companies that produce fossil fuels or use unconventional extraction methods. SEB Investment Management's objective to achieve a carbon neutral portfolio by 2040 will be realized by using several methods, including avoiding investments in enterprises with activities and business models that have a severe negative impact on the climate. Consequently, SEB Investment Management does not invest in:
  - Companies engaged in developing, processing and exploiting coal, oil and/or natural gas resources companies are excluded. Exclusion is related to direct investment in the companies as well as associated equity derivatives.
  - Companies generating energy from fossil fuels
  - Companies where distribution linked to fossil fuels exceeds 5% of total revenues
  - Companies for which services related to fossil fuels exceed 50% of total revenues
- Norms-based exclusions: we expect companies to adhere to international laws and conventions such as the UN Principles for Responsible Investments, conventions from ILO and the UN Global Compact, and we exclude companies that have confirmed violation against any of these. For info on these issuers, please see the list at the end of this section. We also exclude companies with insufficient governance structures, along with companies negatively affecting biodiversity-sensitive areas or red-listed species.
- Product-based exclusions are exclusions based on ethical positions. These are tobacco, cannabis, pornography, weapons<sup>1</sup>, commercial gambling and alcohol.

Exceptions from our exclusion criteria can be made for companies in transition, such as companies involved in the fossil sector. Detailed description of this methodology and examples can be found in the *Transition* section of this document.

We co-operate with ISS ESG, a well-known and established screening provider. The screening criteria SEB Investment Management follows are matched against the entire ISS ESG universe, approx. 35 000 listed- and 30 000 unlisted companies which result in a list of almost 4000 companies. Far from all these companies are a part of SEB Investment Management's investable universe which means that the exclusion screen will cover more companies than each fund could potentially invest in.

Criteria	Number of companies excluded*
Military	350
Controversial weapons	267
Fossil fuel production	1417
Fossil fuel distribution and services	1163
Alcohol	330
Norm-based research	86
Gambling	319
Cannabis	178
Tobacco	153
Coal	197
Unconventional extraction	413
Pornography	14
Civilian firearms	15
Total fossil fuel exposure	1766
Threatened species	57
Biodiversity sensitive areas	33
Good governance	226
<b>Net total</b>	<b>4047</b>

\* As of 2024-06-01

<sup>1</sup> All funds exclude companies that, in conflict with international conventions, are engaged in the manufacturing, development or sale of nuclear weapons and controversial weapons. Some funds also exclude investments in companies that receive more than 5 per cent of their revenue from the defense industry.

## Excluded companies due to norm breaches

Companies excluded due to verified and non-mitigated breaches against global norms.

Company	Country
Adani Ports and Special Economic Zone Ltd	India
Bharat Heavy Electricals Limited	India
BHP Billiton Finance (USA) Ltd.	Australia
BHP Billiton Finance BV	Netherlands
BHP Billiton Finance Ltd.	Australia
BHP Group (UK) Ltd.	United Kingdom
BHP Group Limited	Australia
China National Chemical Corp., Ltd.	China
CNAC (HK) Finbridge Co. Ltd.	Hong Kong
CNAC (HK) Synbridge Co., Ltd.	Hong Kong
CNRC Capital Ltd.	Hong Kong
CNRC Capitale Ltd.	Virgin Islands (British)
Companhia de Saneamento do Parana	Brazil
Dianjian Haixing Ltd.	China
Elsowedy Electric Co.	Egypt
Enbridge Energy Management LLC	USA
Enbridge Energy Partners LP	USA
Enbridge Inc.	Canada
Energy Transfer LP	USA

Company	Country
Energy Transfer Operating LP	USA
Eni Finance International SA	Belgium
Eni SpA	Italy
Eni USA, Inc.	USA
Export-Import Bank of India	India
Exxon Mobil Corporation	USA
General Dynamics Corporation	USA
JBS Finance II Ltd.	Brazil
JBS Investments GmbH	Austria
JBS Investments II GmbH	Austria
JBS SA	Brazil
Korea Electric Power Corp.	South Korea
Korea Western Power Co., Ltd.	South Korea
Leader Goal International Ltd.	Virgin Islands (British)
Marathon Petroleum Corporation	USA
MPLX LP	USA
NTPC Limited	India
Petroleos de Venezuela SA	USA
Phillips 66	USA

Company	Country
Phillips 66 Partners LP	USA
POSCO Holdings Inc.	South Korea
POSCO INTERNATIONAL Corp.	South Korea
Power Construction Corporation of China, Ltd.	China
RATCH Group Public Company Limited	Thailand
Raytheon Co.	USA
Raytheon Technologies Corp.	USA
Red Rock Resorts, Inc.	USA
Rosneft Finance SA	Luxembourg
Rosneft International Finance Ltd.	Ireland
ROSNEFT International Ltd.	Ireland
Rosneft Oil Co.	Russia
Samarco Mineracao SA	Brazil
SeaRiver Maritime Financial Holdings, Inc.	USA
Serco Group Plc	United Kingdom
Shell Finance (Netherlands) BV	Netherlands
Shell International Finance BV	Netherlands
Shell Plc	United Kingdom
SK, Inc.	South Korea

Company	Country
Starbucks Corporation	USA
Station Casinos LLC	USA
Sumitomo Chemical Co., Ltd.	Japan
Sunoco Logistics Partners Operations LP	USA
Syngenta AG	Switzerland
Syngenta Finance AG	Switzerland
Syngenta Finance NV	Netherlands
Syngenta Luxembourg Finance No. 2 SA	Luxembourg
Syngenta Luxembourg Finance SA	Luxembourg
Tesoro Logistics Finance Corp.	USA
TotalEnergies Capital Canada Ltd.	Canada
TotalEnergies Capital International SA	France
TotalEnergies Capital SA	France
TotalEnergies SE	France
Vale Overseas Ltd.	Cayman Islands
Vale SA	Brazil

## Transition

Limiting global warming to 1.5°C demands the fastest economic transition in human history. Substantial investments will be needed to transform current business models to align with the goals of the Paris Agreement and Agenda 2030. We acknowledge that the move from unsustainable to sustainable business models is demanding, takes time and will be gradual. All sectors will need to contribute, and we, as investors, need to be aware of risks and opportunities concerning this transition.

Many companies in transition may be providing important infrastructure, products and services that are essential for both today's and tomorrow's societies. We believe that companies that have a credible transition strategy and financially sound plans to shift them from fossil-based to renewable-based business models can, and should be, included in our investment universe. It is therefore imperative that we identify companies that are engaged in this transition and be part of the journey by supporting them with investments and continuous dialogue.

### Transition definition

Successful transformation of currently unsustainable business models requires strategic commitment and sustained investments. Example of sectors that have specific challenges are oil & gas, utilities and power producers, transportation, mining and metals, food, beverages and forestry, construction materials, industrials, finance, information and communications technology, and chemicals. SEB Investment Management will apply a sector-based approach to best support the change, where companies' strategic commitment, operational preparedness and transition trajectories will guide the investment process.

When we decide whether a company is eligible for transition assessment, we consider if it:

- Meets the minimum requirements of our sustainability policy from a conduct-based perspective. For example, the company's activities should follow international norms, conventions and environmental regulatory frameworks such as UN Guiding Principles, UN Global Compact, OECD, ILO.
- Has high future potential to contribute to the achievement of the Paris Agreement and UN Sustainable Development Goals (SDGs) through its

products or services, even if the companies' business activities are not yet fully aligned. For example, the company could provide products or services that contribute significantly in enabling other companies to reach the 1.5°C goal but its direct business activities are less sustainable.

- Has a strategic decarbonization plan with a concise, measurable transition timeframe as part of the company's transition strategy. This timeframe can vary but should be transparent from a Capital expenditure (CAPEX) perspective.
- Open to investor dialogue and commitment to science-based targets.

## Evaluation of transition

### Willingness

We assess a company's strategic understanding and plan for managing climate related risks and opportunities, including:

- Adherence, implementation, and adaptation to frameworks such as SBTi, TCFD, EU Taxonomy or other relevant present and future sustainability regulatory frameworks.
- Scenario analysis of the company's business model and its strategic plan to adapt and manage climate risk adherent to the business model, using among others insights from: Transition pathway initiative, Climate action 100 and other similar strategic analysis available to SEB IM.
- Management buy-in and company sustainability KPIs.

### Readiness

We assess a company's current operational preparedness to assess if the business model can transform to meet the 1.5°C goal as stated in the Paris Agreement within set timeframes, including:

- Company's products or revenues enable the low carbon transition of other sectors such as the percentage of non-fossil revenue streams, taxonomy alignment etc.

- Alignment with average sectoral decarbonization, i.e., is the company a climate leader or laggard compared to peers.
- Energy efficiency, Scope 1,2 and 3 emissions.

### Action

At this stage, we examine a company's actual work and its investments towards the 1.5°C goal. A company must demonstrate its financial commitment to strategic plans, including:

- Investments related to transition, energy efficiency or other climate related investments that can be identified in company accounting and reporting.
- Assessment of investment plans going forward and evaluation of the effects of capital expenditure.
- Fulfillment of the company's medium/long-term decarbonization targets at company level such as science-based target adherence.

## Transition companies

Transition cases are assessed regularly with the methodology described above.

Company	Country
Atlantica Sustainable Infrastructure Plc	United Kingdom
Borex Inc	Canada
Brookfield Renewable Corp.	Canada
China Longyuan Power Group Corp. Ltd.	China
China Suntien Green Energy Corporation Limited	China
Clearway Energy Operating LLC	USA
Clearway Energy, Inc.	USA
Consolidated Edison, Inc.	USA
Drax Group Plc	United Kingdom
Edison International	USA
EDP-Energias de Portugal SA	Portugal
Electricite de France SA	France
Enefit Green AS	Estonia
Enel SpA	Italy
ERG spa	Italy
Exelon Corporation	USA
Fortum Oyj	Finland
Neste Corp.	Finland

Company	Country
NextEra Energy, Inc.	USA
Orsted A/S	Denmark
Pohjolan Voima Oy	Finland
Siemens Energy AG	Germany
Statkraft AS	Norway
Stockholm Exergi Holding AB	Sweden
Sunpower Group Ltd.	Bermuda
TransAlta Corporation	Canada
TransAlta Renewables, Inc.	Canada
Vattenfall AB	Sweden
Verbund AG	Austria