



Storebrand Asset Management

Exclusion Policy

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Contents

1. Background and purpose	3
2. Roles and responsibilities	4
3. Exclusion criteria	4
3.1 Norm-based exclusions (conduct and non-conduct based)	4
3.2 Product- and activity-based exclusions:	5
3.3 Risk based Sale of assets	5
3.4 Sovereign bonds	5
3.5 Green Bonds	6
3.6 Additional product-based exclusion criteria	6
4. International norms and conventions	7
4.1 International Law and Human Rights	7
4.2 Environmental Damage – including climate and biodiversity	7
4.3 Corruption and Financial Crime	8
4.4 Controversial Weapons	8
4.5 Lobbying	9
4.6 Tobacco	9
4.7 Recreational Cannabis	9
5. Exclusion process.	10
5.1 Screening and Monitoring	10
5.2 Observation list	10
5.3 Execution	10
6. Reporting	11

1. Background and purpose

This policy is a supporting document to the Storebrand Sustainable Investment Policy. The policy applies to investments made by companies or on behalf of customers of Storebrand Asset Management (Storebrand AM) including subsidiaries and it covers all of Storebrand's internally managed funds and pension portfolios. The Policy does not distinguish between passive and active investments and applies to all asset classes.

Storebrand AM works systematically to invest in companies that contribute positively to sustainability. Our long-term vision for the year 2050 is a world where nine billion people live well, and within the earth's natural limits. Our approach to sustainable investments is based on the assumption that the companies which contribute to solving societal problems in a sustainable way, will also be the most profitable in the long term. The Storebrand Exclusion Policy shall therefore help to ensure our clients' future returns. The Storebrand Exclusion Policy (previously called "Storebrand Standard") was established in 2005.

“ Our long-term vision for the year 2050 is a world where nine billion people live well, and within the earth's natural limits

Storebrand AM regards exclusion as a last resort in cases where companies fail to demonstrate the will to cease their practice, or to engage and improve. When companies breach our Exclusion Policy, Storebrand will in most cases first use its position as an investor to engage companies in dialogue and seek to make adequate improvements to end these breaches. If dialogue and further escalation measures do not lead to positive changes, a company may be excluded from investment.



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2. Roles and responsibilities

This Policy is approved by the Board of Directors of Storebrand AM.

Storebrand's Sustainable Investment Committee is responsible for the final decision to exclude companies based on a conduct-based norm-breach and thus mitigate and prevent the adverse impact. The committee comprises several representatives of the Storebrand Group's senior management team and other executives, who meet on a quarterly basis. Companies will be excluded if the adverse impact and the breaches of our standards are considered severe or systematic, and the risk of recurrence is assessed as high after engaging with the company on measures to prevent recurrence and mitigate the adverse impact, and escalation measures have failed to achieve the desired results.

Storebrand AM Risk & Ownership team is responsible for the screening and exclusion of non-conduct-based norm-breaches, such as controversial weapons and for product-based and activity-based exclusion.

The Risk and Ownership team is responsible for selecting data providers that deliver relevant data enabling the organization to perform these screens, as well as the methodologies that are applied for specific screens. Data providers may vary over time and are described in the standards pertaining to each product or practice, as outlined in the **Exclusion Guidelines**.

3. Exclusion criteria

It is of fundamental importance that companies we invest in respect international laws, norms, principles and conventions. We continuously monitor several thousands of companies for potential breaches of these through our external data providers. Screening and exclusions at Storebrand AM are based on norm- and product-based exclusions, as well as activity-based exclusions, and apply to all funds and asset classes (see Exclusion Guidelines for more detailed description of each exclusion criterion):

3.1 Norm-based exclusions (conduct and non-conduct based)

Storebrand AM's norm-based exclusions are firm-wide exclusions that are applicable to all funds and pertain to companies involved in the following norm breaches*:

- Companies that contribute to serious and systematic breaches of International Law and Human Rights, or International Humanitarian Law (conduct based),
- Companies involved in serious environmental degradation, including climate and biodiversity (conduct based),

- Companies involved in systematic corruption and financial crime (conduct based),
- Companies that produce or sell controversial weapons, such as nuclear weapons, land mines, cluster munitions, biological and chemical weapons (non-conduct-based norm-breaches).

**A parent company will also be excluded when subsidiaries controlled by the company, typically through ownership of 50 percent or more, are in breach of these criteria. Other subsidiaries within the company's group structure will not be excluded if their operations, activities, products, or services are within other sectors or segments unrelated to those of the subsidiary that is excluded or otherwise unrelated to the specific grounds for exclusion.*

3.2 Product- and activity-based exclusions:

Storebrand AM's product and activity-based exclusions are firm-wide exclusions and are applicable to all funds. These exclusions pertain to investments in companies within certain single product categories or industries, or activities that are unsustainable. These products or industries are associated with significant risks and liabilities from societal, environmental or health related harm. In these product categories there is also limited scope to influence companies to operate in a more sustainable way, hence limited possibility to use engagement and escalation as tools for influencing changes in practices. These companies include*:

- Companies with more than 5 percent of revenue from coal-related activities
- Companies with more than 5 percent of their revenue from oil sands
- Companies with more than 0 percent of revenue from tobacco production or cultivation and more than 5% from distribution
- Companies with more than 5 percent revenue from recreational cannabis
- Companies that are involved in deforestation or conversion of native ecosystems through severe and/or systematic unsustainable production of palm oil, soy, beef and leather, timber, cocoa, coffee, rubber and minerals
- Companies involved in lobbying that deliberately and systematically work against international norms and conventions, such as the goals and targets enshrined in the Paris Agreement or the Global Biodiversity Framework
- Operations in biodiversity sensitive areas
- Deep sea mining
- Mining operations that conduct direct marine or riverine tailings disposal
- State-owned and controlled companies (from states excluded under sovereign bond criteria)

**Revenue data is based on data from various data providers which may have differentiating methodologies and calculations and where there can be a lag in data. Overrides for exclusions can therefore be applied when there is uncertainty about data accuracy, or outdated or incorrect data. This is backed by in-house research.*

3.3 Risk based Sale of assets

In order to further mitigate risk, Storebrand may sell assets from companies with a considerable risk of involvement in activities with severe negative impacts on people or the environment, such as, but not limited to, Principle Adverse Impacts (PAIs) as described by EU regulations. These sales are called risk-based sales of assets. Decisions on eventual risk-based sales are made by the Investment Office, comprised of the CEO, Chief Investment Officers and the Head of Risk and Ownership.

3.4 Sovereign bonds and ETFs

Storebrand AM will not invest in sovereign bonds from countries in the following categories:

- Countries lacking elementary institutions to prevent corruption, fulfil basic social and political rights, and contribute to maintaining international peace and security.
- Countries that rank among the lowest with respect to indicators such as, but not limited to, corruption and respect for human rights.
- Countries that are subject to sanctions imposed by the UN Security Council or the EU, that are subject to measures imposed by the UN Security Council or International Courts intended to maintain international peace and security, and/or are de facto involved in serious breaches of International Humanitarian Law.
- Companies that are state-owned or controlled by countries excluded under this criterion will also be excluded.

Exchange Traded Funds (ETF): To be approved, an ETF must meet a 10 percent rule. The rule states that a maximum of 10 percent of an ETF's portfolio companies, or of the index that the ETF follows, may be excluded by Storebrand AM.

3.5 Green Bonds

Special rules apply to green bonds when it comes to fossil fuels. The entire sector 10 (coal, oil, gas) is excluded and in addition companies' turnover of more than 50 per cent coming from the production and/or distribution of fossil fuels in other sectors. The reason for this is that green bonds, among other things, must have the opportunity to create change in challenging industries.

3.6 Additional product-based exclusion criteria

For some selected products and funds, Storebrand AM has introduced additional requirements. In these cases, companies with the following activities will be excluded:*

- Involvement in fossil fuels:**
 - More than 5% revenue from the production and/or distribution of fossil fuels ***
 - Large fossil reserves, more than 100 million tons of CO₂ equivalents
 - Over 25% revenue from supporting services within oil and gas

- More than 1% of non-generation revenue from coal
- GICS sector 10

**A more detailed description of all supplementary product-based exclusion criteria can be found in [Guidelines for Exclusion].*

- More than 5% revenue from production and/or distribution of alcoholic beverages
- More than 5% revenue from gambling operations or ownership of gambling establishments.
- More than 5% revenue from the production and/or distribution of conventional weapons/ defense contracts
- More than 0% revenue from the production of pornographic material or active marketing and sales of pornography.

** See Exclusion Guidelines for more detailed description of all additional product-based exclusion criteria.*

*** The fossil fuel criteria is aligned with the Paris Aligned Benchmark (PAB) criteria.*

**** In alignment with the PAB criteria, companies classified outside of the fossil industry, such as in the utilities sector, with revenues marginally above 5 percent, will be evaluated and can be exempt for exclusion if they have credible transition plans and fulfill certain requirements, such as having set and validated science base targets, if these targets are in line with 1.5C scenario, and if the company is not excluded under any other norm or product-based exclusion criteria.*



4. International norms and conventions

The major underlying international laws, norms, principles and conventions that underpin criteria in this exclusion policy are as follows (see Exclusion Guidelines for further detail):

4.1 International Law and Human Rights

Storebrand AM will not invest in companies that cause or contribute to severe human rights abuses or breaches of International Humanitarian Law.

Storebrand's screening for violations of human rights is based on the UN Declaration on Human Rights (UDHR), made operational through core UN and ILO conventions, among others. The OECD Guidelines for Multinational Enterprises and OECD Due Diligence Guidance for Responsible Business Conduct, and the UN Global Compact and the UN Guiding Principles on Business and Human Rights (UNGPs) provide additional standards against which to base the evaluation of companies' human rights performance and due diligence processes.

In addition, Storebrand AM also expects companies to conduct heightened human rights due diligence and respect human rights when operating in Conflict Affected and High-Risk Areas (CAHRAs) in order not to fuel conflict or contribute to the illegal occupation of territories, among others. In this regard, our assessments are guided by international humanitarian law instruments such as the Hague and Geneva conventions as well as international human rights law.

Thus, we assess all aspects of the company's value chain as well as the context in which the company has operations.

As a result, our approach is fivefold when evaluating negative impact on people, expanding from company core activities to the impact of their products on consumers and society:

1. Workforce (labour rights)
2. Workers in the value chain (labour rights)
3. Affected communities (among others: Indigenous Peoples' rights; Conflict areas)
4. Rights of individuals in war and conflict zones (International Humanitarian Law)
5. People impacted by end use of products or services (among others: Digital rights; Consumer rights/product safety)

Some severe breaches of labour rights include; child labour, forced labour, modern slavery, systematic and severe union busting or systematic and severe gender discrimination including sexual harassment. Forced displacement of Indigenous Peoples without Free, Prior and Informed Consent (FPIC) is also an example of severe breach related to communities. Regarding conflict areas, severe breaches include among others contribution to genocide, war crimes, and crimes against humanity, or direct contribution to maintaining an illegal occupation regime.

In evaluating controversies for a potential violation of our policy, one fundamental aspect is the link between the company's operations and the violation. Other factors, such as the number of incidents and the number of people affected, are also central to the analysis. The risk of recurrence is a key consideration. Storebrand also analyses companies where there is a consistent pattern of violations by main suppliers, project partners or other business partners.

For a more comprehensive overview of the rights covered by our exclusion policy please see the Storebrand Human Rights Policy.

4.2 Environmental Damage – including climate and biodiversity

Storebrand will not invest in companies involved in activities that cause serious environmental damage. The criterion is based on The UN Convention on Biological Diversity and The UN Framework Convention on Climate Change, among others, in which two principles are particularly important;

- 1) "The precautionary principle" dictates that a lack of complete scientific certainty or proof should not be used as a reason to postpone implementing cost-effective measures to prevent environmental damage, and
- 2) "The polluter pays principle" dictates that the party responsible for causing environmental damage should also pay to reduce or reverse it.

In evaluating a potential violation of our standard, important aspects include the extent and reversibility of

the damage caused to ecosystems and people's health. The risk of recurrence is a key consideration. The cases considered most serious are those where the company lacks a systematic approach to limiting its environmental impact, thus causing irreversible damage to a large or vulnerable area or group of people. This criterion includes exclusions based on climate and biodiversity risk; including companies with major stakes in coal, coal utilities, oil sand and companies involved in deforestation through severe and/or systematic unsustainable production of palm oil, soy, cattle, timber, cocoa, coffee, rubber and minerals.

Storebrand will not invest in companies with*:

- a) more than 5 percent of their revenue from coal activities, or
- b) more than 5 percent revenue from oil sands

*Companies classified outside of the fossil industry, such as in the utilities sector, with revenues marginally above 5 per cent will be evaluated and can be exempt for exclusion if they have set and validated science-based targets, if these targets are in line with the 1.5C scenario, and if the company is not excluded under any other norm or product-based exclusion criteria.

In alignment with the precautionary principle, Storebrand will not invest in companies involved in deep-sea mining until we have more scientific knowledge on the impacts of these activities. Significant challenges must be overcome before the sector can be recognized as environmentally and economically sustainable. Similarly, with the aim of protecting coastal and marine environments from mining waste and to reduce marine pollution from land-based activities, Storebrand will not invest in mining operations that conduct marine or riverine tailings disposal.

4.3 Corruption and Financial Crime

Storebrand AM will not invest in companies that are involved in grand corruption or other forms of serious financial crimes. The criterion is based on the United Nations Convention against Corruption, amongst others. Allegations of giving or receiving improper advantages, either in the private or public sector, are analyzed. The criterion also covers other serious financial crimes, such as tax evasion, accounting fraud and embezzlement, predatory lending, etc.

In evaluating a potential violation of our policy, important aspects include the number of incidents, the value of improper payments, and the level of hierarchy involved. The risk of recurrence is a key consideration. Companies in which there are indications of an ongoing culture of corruption or other serious financial crimes are considered high-risk.

Storebrand AM will also not invest in companies subject to sanction by the UN, EU, OFAC, or OFSI.

4.4 Controversial Weapons

Controversial weapons are weapons that, through their use, breach with norms and principles of international humanitarian law, such as the principle of proportionality, the principle of distinction between civilians and combatants (indiscriminate targeting of civilians) and the principle of necessity. Storebrand AM will not invest in companies involved in the development and/or



“ It is of fundamental importance that companies we invest in respect international laws, norms and conventions.

production of controversial weapons; testing of controversial weapons; production of components to be used exclusively for controversial weapons or tailored-made for controversial weapons; or stockpiling and/or transfer of controversial weapons.

This criterion includes but is not limited to: landmines, cluster munitions, nuclear weapons, biological and chemical weapons, white phosphorus weapons, and lethal autonomous weapons systems (LAWS). The definitions and scope are in line with the corresponding conventions and norms, including but not limited to the Convention on Cluster Munitions (CCM), the Ottawa Treaty/Mine Ban Treaty and the Non-Proliferation Treaty. Thus, this criterion is norm-based like our other conduct-based exclusion criteria named above (e.g., environmental damage).

However, it is the production of controversial weapons and not how they are produced, which forms the grounds for exclusion. Parent companies of subsidiaries involved in the production of controversial weapons, as well as other companies with significant ownership and partners, will be considered for exclusions.

4.5 Lobbying

Storebrand AM will not invest in companies that deliberately and systematically lobby against the goals and targets enshrined in the Paris Agreement, or other international norms and conventions, such as the Convention on Biodiversity or the Global Biodiversity Framework.

4.6 Tobacco

The WHO Framework Convention on Tobacco Control came into force in 2005 and is ratified by 178 countries. The treaty attempts to curb smoking-related illnesses worldwide by restricting secondhand smoking, tobacco advertising and sponsorships, and combating tobacco smuggling. Storebrand AM will not invest in companies with more than 0% revenue from the production or cultivation of tobacco, or with revenue exceeding 5% from the distribution, sale, packaging, or advertising of tobacco.

4.7 Recreational Cannabis

The UN Single Convention on Narcotic Drugs was signed in 1961 and has 186 parties. Its purpose is to prohibit production and supply of specific drugs and of drugs with similar effects except under license for specific purposes, such as medical treatment and research. The UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances provides additional legal mechanisms for enforcing the 1961 Single Convention on Narcotic Drugs. Storebrand will not invest in companies where the sale of cannabis products for recreational use, or components exclusively designed for such products, exceeds 5 percent of total sales. The criterion applies to producers and distributors as well as companies involved in the cultivating or processing of cannabis for recreational use. The criterion does not apply to income from cannabis products that are not classified as recreational.



5. Exclusion process

5.1 Screening and Monitoring

All holdings are continuously screened by using data from various third-party data providers and consultants. As part of the exclusion process, our investment universe is monitored on an on-going basis for potential conduct-based breaches and screened quarterly to assess if companies are in breach of any of our criteria.

Screening of potential conduct-based breaches; third-party data providers deliver "company alerts" once a month, including background information on the controversies related to potential conduct-based breaches. The controversies are analyzed by our experts within the Risk and Ownership Team and contact with the company is established where possible. Based on the severity and facts in the case, as well as the company's willingness to engage and address the issue, a decision will be made to further engage with the company (either bi-laterally or through an investor coalition), utilize escalation measures (such as exercising voting rights, filing shareholder resolutions, etc.), placing the company on an observation list, or to recommend an exclusion.

“ Screening and exclusions at Storebrand Asset Management are based on norm- and product-based exclusions and apply to all funds and asset classes.

Exclusion of conduct-based norm-breaches is to be used as a last resort and is applied where companies clearly fail to demonstrate willingness to cease the breach or incorporate improvements that can mitigate and or prevent adverse impact.

The final decision to exclude a company, based on conduct-based criterion, is made by Storebrand's Sustainable Investment Committee on the background the recommendation by the Risk and Active Ownership Team. The Committee comprises several representatives of the Storebrand Group's senior management team and other executives, who meet quarterly.

Screening of companies excluded by Norges Bank Investment Management (NBIM) is also done on a continuous basis. All companies that are excluded by NBIM are assessed against the norm-based criteria of this policy and a decision for exclusion across all investments and products is made by the Sustainable Investment Committee based on a recommendation from the Risk and Ownership team. These cases are taken on an ad-hoc basis in an expedited

process at the time exclusions are made public by NBIM. A similar screening process is also conducted on a quarterly basis for potential inclusion of companies that have previously been excluded. If an excluded company demonstrates positive change that reduces the risk of recurrence, the company may be re-included. The inclusion process can be triggered by, for example, improvements flagged by data providers, in-house information and research, updated information and engagement with excluded companies, etc.

5.2 Observation list

In some cases, where there is a risk of a violation of our norm-based criteria, it may be beneficial to follow a company over time to increase the information available. Likewise, there may also be cases where we see a company working on corrective action, but such measures have yet to be fully implemented or verifiable. In such cases, we will place the company on an observation list, associated with specific restrictions, to allow for more time to gather the necessary information and influence company direction.

Companies that are under observation will be closely monitored and engaged based on our existing ownership, and we will maintain a close dialogue with the company where we inform them of our expectations of measures and results. We expect the company to show improvement within a pre-determined time. Depending on the outcome, the company will either be excluded from our investment universe, or it will be removed from the observation list.

While companies are present on the observation list, portfolios without prior holdings will be restricted from investing in the said companies. Portfolios with prior positions will be allowed to maintain these positions.

5.3 Execution

Quarterly reports regarding exclusions are first reported to portfolio managers and compliance, so they are aware of new exclusions. Fund managers have approximately 20 days to sell their holdings in excluded companies. Once this is achieved, other key internal and external stakeholders and clients are directly informed. A list of all exclusions is published and updated quarterly on our website, along with more information about exclusion cases in our quarterly sustainable investment reviews .

Storebrand AM's Investment Control and Analytics (ICA) department is responsible for verifying that management complies with individual mandates as well as internal and external laws and regulations. As part of the daily compliance controls, all trades and positions are controlled for breaches based on this exclusion policy.

6. Reporting

Storebrand's independent Sustainable Investment Committee is responsible for the final decision to exclude companies based on a conduct-based norm-breach. The Board of Storebrand AM will receive a report on progress and activities related to the obligations under this Policy at least once a year.

Storebrand AMs Risk & Ownership team is responsible for the decision to exclude companies based on a product-based and activity-based breaches and will report to the Board of Directors in Storebrand AM on progress and activities related to the obligations under this Policy at least once a year.

Externally, Storebrand AM will report annually on main actions to implement this policy.

Updates on activities related to this policy are also published on our website and quarterly on our Sustainable Investments Reviews, also available on our website. (These are also distributed to customers and other stakeholders.)

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1.0	Board of Directors – Storebrand Asset Management	2005
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