

Lannebo's Exclusion Criteria

Lannebo's sustainability work is based on active engagement and responsible ownership in the companies where Lannebo's funds have significant ownership positions. In parallel, Lannebo minimizes the funds' exposure to industries where sustainability risks are deemed too extensive.

Not investing in specific sectors, so-called exclusion, can be an effective way of influencing companies in a more sustainable direction, where clear exclusion criteria can incentivize companies to develop their business in a more sustainable direction. Lannebo considers that exclusion is a component of active sustainability work. To effectively reduce sustainability risks and promote long-term value creation exclusion is required to be combined with responsible active ownership. We consider that collectively this is the clearest and most effective way for responsible investors to work with sustainability - we call this the Lannebo Model.

The industries affected by Lannebo's expanded exclusion criteria are tobacco, cannabis, alcohol, gambling, pornography, military contracting weapons, controversial weapons and fossil fuels. The exclusion criteria have thresholds based on percentage of revenue derived from the industries.

The use of thresholds ensures that the exclusion criteria meet their purpose and follow industry practice. The thresholds are designed so that investments in companies with close ties to the above industries are prohibited. At the same time, there is some discretion for companies with insignificant involvement in the above industries. Otherwise, the exclusion criteria risk striking so broadly that their purpose become unclear and that they do not induce clear incentives for change.

The asset managers' sustainability work is evolving rapidly, meaning that what is considered to be the most effective strategy today will likely change over time. Lannebo, for this reason, continuously monitors developments with the goal of being at the forefront.

Thresholds for Exclusion Criteria

| Exclusion | Production (percentage of revenue) | Distribution (percentage of revenue) |
|-----------------------|------------------------------------|--------------------------------------|
| Tobacco | 0% | 5% |
| Cannabis | 5% | 5% |
| Alcohol | 5% | 5% |
| Gambling | 5% | 5% |
| Pornography | 0% | 5% |
| Weapons | 5% | 5% |
| Controversial weapons | 0% | 0% |
| Fossil fuels | 5% | E/T |

Tobacco

Production = 0%

Distribution = 5%

- Refers to cigarettes, snus, cigars, pipe- and chewing tobacco and e-cigarettes.
- Distribution refers to companies where more than five per cent of total revenue come from tobacco sales.
- Does not refer to related products and services, such as, paper and cardboard manufacturing.

Cannabis

Production = 5%

Distribution = 5%

- Refers to cannabis for recreational use and not medical cannabis in the context of prescription drugs.
- Distribution refers to companies where more than five per cent of total revenue come from recreational cannabis sales.
- Does not refer to related products and services, for example, plastic components or packaging materials.

Alcohol

Production = 5%

Distribution = 5%

- Refers to alcoholic beverages.
- Distribution refers to companies where more than five per cent of total revenue come from alcoholic beverage sales. Certain hotel chains are therefore excluded when more than five per cent of total revenue come from alcoholic beverage sales.
- Does not refer to related products and services; for example, packaging and glass bottles.

Gambling

Production = 5%

Distribution = 5%

- Refers to gambling and betting operations – operators and platforms.
- Refers additionally to specialized equipment as well as customized products and services. This includes, for example, manufacturers of slot machines and roulette wheels or online casino developers.
- Does not refer to video game companies.

Pornography

Production = 0%

Distribution = 5%

- Refers to material that depicts sexual situations and activities in a nude and provocative manner.
- Distribution refers to companies that own and operate cable-, satellite- and internet channels with pornographic content.
- Does not refer to telecommunication and internet operators or hotels.

Military Contracting Weapons

Production = 5%

Distribution = 5%

- Refers to manufacturing of military weapons.
- Refers additionally to tailor-made products and services that support military weapons.
- Does not refer to non-weapon related products and services.

Controversial Weapons

Production = 0%

Distribution = 0%

- Refers to weapons with disproportional and/or non-discriminatory impact on citizens and society; cluster munitions, anti-personnel mines, chemical and biological weapons, nuclear weapons and weapons of white phosphorus or depleted uranium.

Fossil Fuels

Thermal coal = 5%

- Refers to companies that extracts thermal coal.
- Refers also to companies where more than 25 per cent of total revenues derive from thermal coal power generation.

Oil and gas = 5%

- Refers to exploration, production and refining.
- Refers additionally to 'shale energy' and Arctic oil and gas exploration.
- Does not refer to transport, storage or supporting products and services.

Oil sands = 5%

- Refers to extraction.

International Conventions

- Lannebo does not invest in companies that systematically violate international conventions.