

Principal adverse sustainability impacts statement

1. Summary

Handelsbanken Fonder AB, corporate identity number 556418-8851, (the Management Company) LEI 549300RJTULO02U5ZG71, takes principal adverse sustainability impacts into consideration in almost all of the investment decisions within its fund management. Similarly, the Management Company takes principal adverse sustainability impacts into consideration within the scope of the advisory services process.

The Management Company regularly assesses potential adverse sustainability impacts and has identified that these consist primarily of factors such as the climate, environment, human rights, anti-corruption and employee matters, as well as gender equality.

This is the second statement published by the Management Company and the statement will be updated on an annual basis. The statement covers the period from 10 March 2021 to 31 December 2021.

This summary of how the Management Company takes the principal adverse sustainability impacts into consideration is available in the following languages: Swedish, English, Norwegian and Finnish.

In the event the principal adverse sustainability impacts are not taken into consideration for individual products or that the integration of sustainability factors at the product level exceeds that which is stated in this statement, this will be indicated in the specific fund's prospectus.

2. Description of principal adverse sustainability impacts

The Management Company will collect data and monitor all of the mandatory as well as several of the optional sustainability indicators. As access to and the quality of the data improves, all of the indicators will be reported quantitatively, in accordance with the requirements in the (EU) 2019/2088 Regulation on sustainability related disclosures in the financial services sector (SFDR).

The Management Company will use the indicators, as presented in Appendix 1, to assess which adverse sustainability impacts are considered to be principal for the Management Company's investment operations in 2022.

The Management Company uses indicators within the following areas to identify and prioritize principal adverse impacts: greenhouse gas emissions, energy efficiency, biodiversity, water, waste, social and labour rights issues, human rights, anti-corruption and anti-bribery. Refer to Appendix 1 for information about the indicators, data for the indicators where the results are available and information about the measures taken.

With regard to greenhouse gas emissions, the Management Company has taken numerous measures during 2021 linked to take adverse impacts into account, such as:

- The Management Company has set a goal to reduce its carbon intensity by 50% by 2030.
- The Management Company has made a commitment to the Net Zero Asset Managers Initiative and presented its first progress report during 2021.
- The Management Company has switched seven existing index funds to EU Paris Aligned Benchmarks, indexes that have clear plans of carbon emission reduction.
- The Management Company has voted for several shareholder proposal relating to climate, e.g., to have companies set emissions targets.
- The Management Company has initiated engagement dialogues with a number of high emitting companies. The purpose of the engagement is to encourage companies to clearly disclose and reduce their climate impact.
- The Management Company has published a climate report in line with the TCFD recommendations.
- The Management Company has revised or closed the remaining funds that had investments in companies involved in the extraction of fossil fuels. However, the Management Company wants to be a part of the transition to a world with low carbon emissions and the word "transition" is essential. Companies that transition from fossil energy production to renewable energy production are key players in reducing real world carbon emissions. We have therefore taken the decision to permit some exposure to fossil fuels in companies that meet our requirements to qualify as a transition company. As a result, the Management Company's total exposure to companies active within the fossil fuels sector remains at a similar level as in 2020, although with a clear shift away from extraction to transition companies.

With regard to social indicators, the Management Company did not have any exposure during the period to companies considered as being in violation of UNGC or OECD Guidelines for Multinational Enterprises, nor did the Management Company have any exposure to companies involved in controversial weapons.

3. Description of policies to identify and prioritize principal adverse sustainability impacts

The starting point for the Management Company's identification and prioritization of principal adverse sustainability impacts is provided in the Policy for shareholder engagement and responsible investment. The Policy is updated and adopted by the Board of the Management Company at least annually. The current version of the *Policy for shareholder engagement and responsible investment* was adopted on 30 May 2022 and is available at www.handelsbankenfonder.se.

The CEO of the Management Company is responsible for implementing the policies and principles of the Management Company's strategies and processes. The CEO establishes the guidelines for the ongoing operational sustainability efforts, based on the Policy for shareholder engagement and responsible investment, as adopted by the Board. These guidelines are regularly updated in line with developments in the methodologies and processes of the sustainability efforts. The CIO's are responsible for the ongoing identification and prioritization of principal adverse sustainability impacts in the regular investment operations. A portion of these guidelines consist of the Management Company's *Due diligence routines* related to sustainability in investment decisions, which are available at www.handelsbankenfonder.se.

The Management Company uses a number of sustainability indicators, as shown in Appendix 1, to identify and prioritize the principal adverse impacts.

The Management Company is able to identify principal adverse sustainability impacts by regularly following up companies' compliance with international norms and conventions to ensure alignment with our commitments as well as by monitoring the performance of companies relative to a number of indicators.

The Management Company's assessment is that the Management Company's principal adverse impacts include the following sustainability factors: the climate, environment, human rights, anti-corruption and employee matters, as well as gender equality.

The selection of indicators for principal adverse sustainability impacts is based on the Management Company's commitments, as well as the international norms and conventions that the Management Company respects. The selection also takes into consideration the Management Company's global investment portfolios. The identification of the indicators also intends to take into consideration the likelihood of negative impacts, their degree of severity, as well as whether the consequences are irreversible.

Based on the identification and prioritization of principle adverse sustainability impacts, the Management Company is taking measures through the three main strategies of Inclusion, Exclusion and Engagement, which the Management Company applies regularly within its asset management:

- The Management Company integrates sustainability risks into the investment decisions to avoid investments in companies with high sustainability risks and instead **includes** companies that manage their sustainability risks in an acceptable manner.
- Through the use of screening and exclusion, the Management Company **excludes** companies that violate international norms and conventions and/or are involved in controversial sectors through their products and services.
- Through the use of **engagement** and asset stewardship, the Management Company **influence** companies to manage their sustainability risks and potential adverse sustainability impacts.

The Inclusion strategy, the Exclusion strategy and the Engagement strategy are available at:
www.handelsbankenfonder.se.

Data collection and analysis is based on information from external service providers of sustainability data. The Management Company uses data primarily from ISS ESG and Sustainalytics for this statement. The Management

Company has made the assessment that the direct collection of data from companies is not manageable and has instead chosen to engage the services of external service providers of sustainability data for the collection of data. This data is based on the company's public information and disclosure. In the event the company does not report the information, estimates will be made for certain data points. It cannot be ruled out that the estimated values can underestimate as well as overestimate the adverse sustainability impacts.

In addition, the Management Company conducts scenario analyses and stress tests on the Management Company's investment portfolios to identify climate risks.

Going forward, the indicators listed in Appendix 1, as well as those not yet measured, will provide an additional basis for the identification and prioritization of principal adverse sustainability impacts. The analysis of these indicators will result in measures which will be taken by the Management Company that are aligned with the Inclusion, Exclusion and Engagement strategies.

4. Engagement policies

The starting point for our engagement activities includes the core values of Handelsbanken, our commitments and the international norms and conventions that the Management Company adhere to. As a major investor, the Management Company has a responsibility and an opportunity to influence companies to act responsibly and pursue their business operations in a sustainable manner, as well as to act so that the asset management sector develops its sustainability work further. The Management Company influences through company dialogues and investor networks, as described in the *Engagement Strategy* which is available at www.handelsbankenfond.se. The Management Company manages adverse impacts through engagement dialogues, nomination committees and voting, and uses both internal and external analyses as the basis for determining how the Management Company will vote at shareholders' meetings.

The Management Company uses the identification and prioritization of principal adverse sustainability impacts, see above, as well as the investments' sector and geographic exposure, as the basis for establishing and prioritizing the direction of our engagement efforts. Our commitments to international frameworks and principles such as the UN's Global Compact and the UN's Guiding Principles on Business and Human Rights also provide guidance. Engagement activities with the potential to make an impact are prioritized.

The Management Company prioritizes engagement efforts within the areas of climate issues, human rights, labour rights and gender equality. In addition, the Management Company prioritizes sector-specific sustainability risks such as essential sustainability issues, which include the value chain for the palm oil industry, the salmon industry and the banking sector. The Management Company is also engaged in companies that are considered as having high risks, such as those associated with modern slavery and taxation issues.

The Management Company works actively to influence companies to improve and develop their sustainability efforts, to comply with international norms and conventions, and to increase transparency and improve disclosure related to sustainability.

As part of our asset stewardship we also influence companies by participating in nomination committees and voting at shareholders' meetings. In preparation for the annual general meetings, the Management Company monitors specific shareholder resolutions related to sustainability such as those affecting climate issues, gender equality and workers' rights.

In the event the Management Company is unable to attain the targets set for the engagement efforts related to limiting principal negative impacts, decisions will be made regarding measures that will be taken, which can include divesting from the holding.

5. References to international standards

The Management Company supports international initiatives and guidelines that have the common objective of encouraging and facilitating corporate sustainability. Through Handelsbanken, the Management Company is a signatory of the UN's Principles for Responsible Investment (UN PRI). Handelsbanken and the Management Company also support the voluntary UN Global Compact initiative. The Management Company is also a signatory of the Net Zero Asset Managers initiative. The Management Company's work is guided by these initiatives and guidelines which, together with the values that are expressed in our corporate culture, provide a transparent and

common foundation for our asset management. The majority of the indicators in Appendix 1 are used to evaluate the principal adverse impacts relative to the international standards mentioned previously.

The Paris Agreement Capital Transition Assessment (PACTA), developed by the 2° Investing Initiative, will be the primary tool used for the climate scenario analysis. A climate scenario analysis from ISS ESG has also been used as a supplement to PACTA. The principal scenarios used in both cases were provided from the International Energy Agency (IEA). The results of the climate scenario analyses are presented in Handelsbanken Fonder's annual Climate Report, which is prepared in accordance with TCFD's recommendations and is available at www.handelsbankenfonder.se

Stockholm, 30 June 2022

Magdalena Wahlqvist Alveskog

Chief Executive Officer

Indicators applicable to investments in investee companies¹

	Adverse sustainability indicator	Metric	Impact 2021	Impact 2020	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions					
		Scope 1 GHG emissions			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	The Management Company has set a goal to reduce its carbon intensity by 50% by 2030.
		Scope 2 GHG emissions				
		Scope 3 GHG emissions				
		Total GHG emissions				
	2. Carbon footprint	Carbon footprint				The Management Company has made a commitment to the Net Zero Asset Managers Initiative and presented its first progress report during 2021.
	3. GHG intensity of investee companies	GHG intensity of investee companies			Due to an extensive methodology change regarding estimation of Scope 3 emissions, the reported value for 2020 is deemed to be no longer comparable.	The Management Company has switched seven existing index funds to EU Paris Aligned Benchmarks, indexes

¹ Due to the fact that the reference period for this PAI statement does not cover 4 full quarters for 2021 these calculations are based on the average of the measurement points; June 30th , September 30th and December 31st.

					<p>The Management Company intends to return at a later date with recalculated numbers to reflect this methodology change.</p>	<p>that have clear plans to reduce carbon emissions.</p> <p>The Management Company has voted for several shareholder proposals relating to the climate, e.g., to have companies set emissions targets.</p> <p>The Management Company has initiated engagement dialogues with a number of companies that have high emissions. The purpose of the engagement is to encourage companies to clearly disclose and reduce their climate impact.</p>
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1.02%	1.07%	<p>Current exposure consists of:</p> <p>(i) companies involved with fossil fuels where the revenue is less than our threshold for exclusion (5% production/distribution and 50% services).</p> <p>(ii) companies that are approved as transition companies.</p> <p>The Management Company's total exposure to companies with revenue from fossil fuels remained at</p>	<p>The Management Company has revised or closed the remaining funds that had investments in companies involved in the extraction of fossil fuels.</p> <p>However, the Management Company wants to be a part of the transition to a world with low carbon emissions and the word "transition" is essential. Companies</p>

					<p>similar levels as in 2020.²</p> <p>The implementation of exclusion criteria regarding fossil fuels on an additional number of funds has led to divestment of the last remaining companies involved in the extraction of fossil fuels. This has reduced the exposure to companies with revenue from fossil fuels. During 2021 the investments in transition companies has also increased, which led to the end result being close to that of 2020, although with a clear shift from extraction to transition.</p>	<p>that transition from fossil energy production to renewable energy production are key players in reducing real world carbon emissions. We have therefore taken the decision to permit some exposure to fossil fuels in companies that meet our requirements to qualify as a transition company. Investments in transition companies are expected to remain until the next reference period.</p>
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector			The Management Company is working on ensuring access to data for all assets under management and will be using and	

² The impact for 2020 has been recalculated due to improved data.

					reporting on this indicator going forward.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	3.1%	During the reference period, the Management Company did not have any investments in companies involved in verified violations of UNGC or OECD Guidelines for Multinational Enterprises. The source for this	Continued screening and exclusion criteria connected to verified violations. If a company has not taken appropriate measures the company will be sold. The Management Company participates in ongoing dialogues

					assessment is ISS ESG.	together with other investors regarding companies with verified or alleged violations of UNGC principles or OECD Guidelines for Multinational Enterprises.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	The Management Company is working actively with board gender diversity through our representation in nomination committees and by utilizing our voting rights.

	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	The Management Company does not invest in companies involved in controversial weapons. The source for the assessment of involvement is ISS ESG.	Continuous screening and strict exclusion criteria.

Indicators applicable to investments in sovereigns and supranationals

	Adverse sustainability indicator	Metric	Impact 2021	Impact 2020	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.			The Management Company is working on ensuring access to data for all assets under management and will be using and reporting on this indicator going forward.	