

Summary for financial products that promote environmental or social characteristics

pursuant to EU regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR).

Fund: XACT Svenska Småbolag Criteria (UCITS ETF)

No sustainable investment objective

This fund promotes environmental and social characteristics but does not have sustainable investments as its objective. In promoting environmental and social characteristics, the fund takes into account the environment and climate, as well as human rights, employee rights and equal opportunity.

In the promotion of environmental and social characteristics, the fund may also invest in sustainable investments, in accordance with the assessment method applied by the Management Company.

Environmental or social characteristics of the financial product

The fund promotes **environmental characteristics** through:

- Investments in companies whose economic activities are considered to be contributing to an environmental objective under the Sustainable Development Goals in Agenda 2030 and/or activities aligned with the EU Taxonomy.
- Exclusion criteria for companies with activities linked to fossil fuels and companies with verified violations of international norms and conventions related to environmental issues.
- Considering the principal adverse impacts for sustainable development linked to the environment and climate.

The fund promotes **social characteristics** through:

- Investments in companies whose economic activities are considered to be contributing to a social objective under the Sustainable Development Goals in Agenda 2030.
- Exclusion criteria for companies with activities linked to controversial weapons, nuclear weapons, weapons and military equipment, alcohol, tobacco, cannabis, pornography and commercial gambling, as well as by excluding companies with verified violations of international norms and conventions related to human rights, employee rights or anti-corruption and anti-bribery.
- Considering passive adverse impact (PAI) indicators linked to human rights, employee rights or anti-corruption and anti-bribery.

Investment strategy

The fund applies the following investment strategy to fulfil the environmental and social characteristics promoted by the fund:

Asset Stewardship: Active engagement is an essential strategy to influence companies in a more sustainable direction. The Management Company and the fund manager manage this through company dialogues, corporate governance work and work within investor networks. Company dialogues are conducted directly between the fund manager and the company, together with other investors or within the scope of investor networks and other collaborations.

Exclusion strategy: The fund and its index apply sustainability criteria in the form of an exclusion strategy. The strategy includes companies with production and distribution of controversial weapons, nuclear weapons, weapons and military equipment, alcohol, tobacco, cannabis, pornography, commercial gambling, fossil fuels, as well as companies with verified violations of international norms and conventions related to human rights, the environment, employee rights or anti-corruption and anti-bribery.

Proportion of investments

The minimum proportion of the fund's investments used to attain the environmental or social characteristics promoted by the fund shall total 90%. The minimum proportion of sustainable investments shall total 15% of the fund's investments.

Monitoring of environmental or social characteristics

The Management Company's risk control function monitors the environmental/social characteristics promoted by the fund on a daily basis to ensure compliance.

The following sustainability indicators are used to assess the environmental/social characteristics of the fund:

- *Sustainable investments:* Share of the fund's value that is invested in companies considered to be contributing to an environmental or social objective pursuant to the Sustainable Development Goals in Agenda 2030 and/or the EU Taxonomy, at the same time as they do not significantly harm any other environmental or social objective and that the companies follow good governance practices. Follow up is conducted by the Management Company's risk control function.
- *Carbon footprint:* Carbon footprint measured in the investee companies' greenhouse gas emissions Scope 1, 2 and 3 relative to the investee companies' enterprise value including cash (EVIC). Follow up is conducted by the Management Company's risk control function.

- *Greenhouse gas intensity*: The greenhouse gas intensity measured in the investee companies' greenhouse gas emissions Scope 1, 2 and 3 relative to the investee companies' revenues. Follow up is conducted by the Management Company's risk control function.
- *UN Global Compact (UNGC) principles and Organization 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. Follow up is conducted by the Management Company's risk control function.
- *Fossil fuels*: Share of investments in companies that are active within the fossil fuels sector. Follow up is conducted by the Management Company's risk control function.

The fund is an exchange-traded index fund that is managed with the overall purpose of generating returns over time that correspond as closely as possible to the returns of the index. Given that the companies included in the index are a result of the index methodology and are not the active choice of the fund, the stated minimum share of sustainable investments is set at a low level and is subject to ongoing monitoring. The circumstances over which the fund does not have control can result in the need to make adjustments to the minimum share of sustainable investments.

Methodologies

The fund regularly applies follow up at the holdings level to ensure that companies with activities in the sectors excluded by the fund and/or companies that violate international norms and conventions are not included in the fund. All of the fund's exclusion requirements are built into the fund's index methodology. Consequently, companies with activities in the sectors excluded by the fund and/or companies that violate international norms and conventions are not included in the index and are thereby not included in the fund.

Data sources and data processing

Information about the companies' exposure to excluded activities and incidents resulting in violations of international norms and conventions is obtained for funds that track sustainability-adapted indexes of index providers from external data providers in accordance with the index methodology for each fund. Corresponding information is also obtained directly from the Management Company. The Management Company conducts ongoing discussions with the external data providers to ensure high-quality data. Specific analyses are completed when there is contradictory information. In questionable situations, the company concerned is contacted to have the opportunity to provide their view on the situation.

Limitations to methodologies and data

Information about the companies' exposure to excluded activities is limited to the information made available from companies themselves. Consequently, it is not always possible to ensure the exact exposure to these activities. The limitations are most prominent for companies with a smaller portion of the business involved in the excluded activities, such as a grocery store that also sells alcohol.

Due diligence

Due diligence occurs largely in conjunction with the selection of the index and index provider for the passive fund management where the integration of sustainability risks is built into the index methodology. Through this work, the Management Company ensures that the sustainability requirements imposed for the product are included in the scope of the index methodology. Further, the party that provides the sustainability data to the index provider is assessed, as is the quality of this data. For additional information, refer to "Due diligence routines" at www.handelsbankenfonder.se.

Engagement policies

As a significant investor, the Management Company has a responsibility and an opportunity to engage with companies to act responsibly and conduct their business activities in a sustainable manner, in addition to promoting the development of the sustainability efforts in the asset management industry. The Management Company engages through company dialogues, corporate governance work and investor networks. Our engagement efforts are based on Handelsbanken's core values, our commitments, as well as the international norms and conventions supported by the Management Company.

Designated reference benchmark

The fund has the following index as its reference value: Solactive ISS ESG Screened Sweden Small Cap Tradable Index. The fund is an exchange-traded index fund and, as a result, the fund's index takes into consideration the same environmental and social characteristics as those promoted by the fund. For additional information about the index, refer to solactive.com/indices.