

Policy for Responsible Investments

Adopted by the Board of Directors of the Management Company on 13 September 2018

The purpose of this policy is to set the direction of Handelsbanken Fonder's work on responsible investment and our actions as investors and owners. Responsible investment is about integrating environmental, social and corporate governance factors into investment decisions in order to better manage risks and to create sustainable, long-term returns.



Background

The Management Company believes that responsible behaviour is a fundamental prerequisite for long-term value creation in a company. Consequently, responsible investment becomes an important prerequisite for achieving our objective of generating healthy long-term returns.

Handelsbanken Fonder aims to integrate financial, social and environmental sustainability into its management practices. This means that the company will conduct a financially sound, sustainable investment business as well as encourage and contribute to sustainable development.

Handelsbanken supports international initiatives and guidelines that have the common purpose of promoting and facilitating sustainable business. This policy takes as a starting point international norms regarding the environment, human rights, working conditions, corruption and controversial

weapons. These norms are stated in the UN's conventions and agreements and can be applied to corporate environmental and social responsibility. Handelsbanken Fonder has signed the UN's Principles for Responsible Investment (UN PRI), and Handelsbanken and Handelsbanken Fonder are signatories of the UN's voluntary Global Compact initiative.

These initiatives and guidelines provide guidance for Handelsbanken Fonder's work and, together with the company's core values, represent a transparent and common foundation for our asset management.

Stable, productive and resilient ecosystems are fundamental to achieving secure, sustainable development. Today, these systems are under pressure caused by pollution, acidification, depletion of natural resources and eutrophication, which affect land use and freshwater supply. Climate change also poses a serious threat, with extreme weather events, rising

sea levels and the loss of biodiversity that already impact our world today. This has consequences for both the regional and the global economy.

Agenda 2030 and the UN's Sustainable Development Goals provide a clear direction and mission in terms of environment and climate. In addition, the Paris Agreement constitutes a global agreement for managing, halting and counteracting climate change.

Handelsbanken Fonder's goal is to create healthy returns on managed capital and to promote a sustainable development and future. As a significant investor, the Management Company has an important role to play in the realisation of the Paris Agreement: to drive capital into investments that contribute to achievement of the global goals and the transition to sustainable development. The Management Company therefore strives to increase investments in companies that offer solutions to global sustainability challenges and contribute to achieving the global goals. At the same time, the Management Company strives to minimise the negative environmental and climate impacts of our investments.

Governance and scope

This policy applies to Handelsbanken Fonder's actively managed funds and the funds' direct and indirect investments in Swedish and foreign equities and corporate bonds. In the case of indirect investments for purposes such as managing liquidity or regional allocations, the policy applies to the extent possible.

The policy is revised annually or as needed. The policy is decided upon by the Management Company's Board of Directors and is a governing document that ensures ongoing compliance in the business.

The policy is supplemented with appendices regarding the following:

1. Weapons and defence industries, controversial weapons
2. Climate impact and coal
3. International norms and conventions

Alignment

Sustainability integrated in investment processes

Along with financial criteria, the fund managers integrate environmental, social and governance (ESG) criteria for better decision-making in the investment process. ESG criteria are commonly used standards for screening investments with regard to ethics and sustainability. This means that our fund managers take into account sustainability risks as well as opportunities related to the different ESG criteria. Sustainability issues are important for enabling better investment decisions and are an important prerequisite for generating healthy long-term returns.

In our daily operations, our approach to sustainable integration differs depending on whether we are choosing individual companies to invest in or funds that will be included in fund portfolios. The choice of asset classes and management orientation also affects this approach.

Sustainability practices

In addition to integrating ESG into the Management Company's practices, the sustainability efforts can be complemented by three additional methods:



Opting In

We select companies that contribute to sustainable development. Our practice is to choose companies that operate in a sustainable manner or companies which, through their products and services, contribute to sustainable development.



Opting Out

Handelsbanken Fonder does not invest in the following businesses:

- Companies involved in the production or distribution of weapons that are prohibited under international law, such as cluster munitions, anti-personnel mines, biological weapons and chemical weapons. Nor do we invest in companies involved in the production or distribution of nuclear weapons. See Appendix 1.
- Companies with significant operations in thermal coal mining or power companies that use thermal coal as a major source of power generation. In practice, this means that no more than 5 per cent of a company's turnover may be derived from the extraction of thermal coal. As regards power generation, no more than 30 per cent of the power companies' turnover may be derived from coal. See Appendix 2.



Engagement

An important part of taking responsibility as an investor is exercising our role as an owner and influencing the companies we invest in. The Management Company does this through corporate dialogue and corporate governance. Our advocacy work is grounded in Handelsbanken's core values, commitments, and the international norms and conventions we support.

Advocacy dialogues

Dialogue is an important way to influence companies. This includes both proactive dialogue aiming to influence companies so that they improve their sustainability performance as well as reactive dialogue with companies that we assess do not live up to the international norms and conventions we support.

We proactively attempt to influence companies to improve their sustainability efforts overall or on specific issues. Through our corporate governance, we influence companies through participation in nomination committees and voting at general meetings. Through dialogue, we influence companies to comply with international norms and conventions.

The Management Company initiates advocacy dialogues with companies primarily for the following reasons:

1. The company has been reported to violate or threaten to violate international norms and conventions.
2. The company operates in a sector or market with high sustainability risks.
3. The company has been identified as lagging behind its competitors with regard to sustainability.

4. Increased transparency and reporting from the company on specific sustainability issues.

The Management Company conducts the following types of dialogues:

- Targeted dialogues, with direct contact between fund managers and the company
- Dialogues together with other investors
- Partnerships and industry initiatives, often through international partnerships such as the UN, PRI and CDP.

Corporate governance

The role of shareholder also brings with it our ability to influence these companies through corporate governance. This is done mainly through our representation in nomination committees and by voting at general meetings. This is described in our Corporate Governance Policy

Norms-based screening

All of the companies in which we invest are analysed regularly to identify those companies that deviate from international norms regarding the environment, human rights, work conditions, corruption and controversial weapons. This means that we review our portfolio holdings in order to detect any possible crimes or violations of international norms according to the UN Global Compact's

four fundamental principles of human rights, work conditions, the environment and corruption.

As part of our commitments, every six months we screen all holdings to identify companies that fail to live up to international norms and conventions. See Appendix 3.

Decision-making organisation for sustainability work

The sustainability work of the Management Company rests on three pillars: the Committee for Responsible Investments, an operational function and the management organisation. The Committee for Responsible Investments is responsible for questions of principle, such as which companies should be subject to specific dialogues, the possible exclusion of companies and positions on important issues. The operational function drives the efforts to incorporate sustainability into the investment process. Finally, the management organisation is responsible for the effective implementation of sustainability in the investment process, the analysis and investment decisions.

Follow-up and reporting

The Management Company measures, reports and follows up on its sustainability work. At least once a year, Risk Control must submit a report to the Board of Directors on compliance with this policy.



1. To incorporate environmental, social and corporate governance issues (ESG) into investment analysis and decision-making processes
2. To be an active owner and incorporate ESG issues into our ownership policy
3. To ensure disclosure on ESG issues by the companies in which we invest
4. To promote the application of PRI within the investment industry
5. To collaborate with others to enhance the effectiveness in the application of these principles
6. To report how we apply these principles and how this work is progressing

Appendix 1

Weapons and defense industries, controversial weapons

In accordance with the United Nations Charter, every nation has the right to defend itself. The production and trade of weapons and other war materials is regulated by national legislation, intergovernmental regulations, international conventions and weapon embargos issued by the UN Security Council or EU.

In addition to the obvious risks that exist in cases of human rights violations related to the use of different types of weapons, the defence sector is characterised by a risk for corruption, according to the independent international organisation Transparency International.

In its dealings with companies in the defence industry, the Management Company is responsible for verifying that they do not constitute an offence of a UN or EU weapon embargo, and

that the company operates in accordance with national and international regulations.

Handelsbanken Fonder also evaluates and takes into account the guidelines of the company to counteract any human rights violations and corruption, as well as monitors and takes into consideration how well the company follows these guidelines.

Handelsbanken Fonder does not invest in securities issued by companies involved in the production or distribution of weapons prohibited under international law, such as cluster weapons, anti-personnel mines, biological weapons and chemical weapons. Nor do we invest in companies involved in the production or distribution of nuclear weapons. A list of the companies in which we do not invest is available on Handelsbanken Fonder's website.

Appendix 2

Climate impact and coal

Handelsbanken Fonder strives to understand the impact of our investments on climate change and to take action to reduce this impact. Greenhouse gas emissions are a major contributing factor to accelerating global temperatures.

Handelsbanken Fonder measures and publicly discloses the carbon footprint of its funds. The company supports the Montreal Carbon Pledge, an initiative within the scope of PRI (Principles for Responsible Investment) in which holders of capital and fund managers commit to measure and publicly disclose the carbon footprint of their portfolios. Handelsbanken Fonder is also a signatory of CDP (Carbon Disclosure Project), an independent, international non-profit organisation that encourages greater transparency and dialogue among companies regarding CO₂ emissions and climate strategies.

The burning of brown coal is a major source of the energy sector's greenhouse gas emissions. Accordingly, Handelsbanken Fonder has decided not to invest in

companies whose main business activities include mining of coal for combustion or in power companies that use coal as a major source of power generation.

In practice, this means that no more than 5 per cent of a company's turnover may be derived from the extraction of coal for combustion. Nor does the fund management company invest in companies if more than 30 per cent of the company's turnover derives from coal power generation.

We also want to encourage companies to take steps towards the transition to renewable energy, for example by switching from coal to other energy sources over time. Therefore, we have the option of including companies that are moving in the right direction in their transition to renewable energy and are demonstrating a positive trend in their production mix. Decisions on investments in this type of company are made by Handelsbanken Fonder's Committee for Responsible Investments.

Appendix 3

Norm-based screening

All of the companies in which we invest are analysed regularly to identify those companies that deviate from international norms regarding the environment, human rights, work conditions, corruption and controversial weapons.

UN Global Compact – Ten principles

Handelsbanken is a signatory of the UN Global Compact. We monitor how the companies in which we invest conform to international norms and conventions through a norms-based screening process. The ten principles are described below.

The norms-based screening also evaluates the company's actions based on the fundamental principles described in the UN's Guiding Principles on Business and Human Rights as well as in other relevant guidelines (e.g., International Finance Corporation Performance Standards on Environmental and Social Sustainability (IFC), World Commission on Dams Best Practice Framework (WCD), Forest Stewardship Council (FSC), and Roundtable on Sustainable Palm Oil (RSPO)).

Human rights

Principle 1: Support and respect the protection of internationally proclaimed human rights.

Principle 2: Make sure that they are not complicit in human rights abuses.

Examples of the norms and conventions that are relevant to the company analysis:

- UN International Covenant on Civil and Political Rights
- UN International Covenant on Economic, Social and Cultural Rights
- UN Convention on the Rights of the Child
- UN Convention on the Elimination of All Forms of Racial Discrimination
- UN Convention on the Elimination of All Forms of Discrimination against Women
- UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment
- ILO convention (no. 169) on indigenous and tribal peoples

International human rights

- Geneva conventions I – IV

Work conditions

Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5: Uphold the effective abolition of child labour.

Principle 6: Uphold the elimination of discrimination in respect of employment and occupation.

Examples of the norms and conventions that are relevant to the company analysis:

- The core conventions of the International Labour Organization (ILO)
- Convention (no. 29) concerning Forced or Compulsory Labour
- Convention (no. 87) concerning Freedom of Association and Protection of the Right to Organise
- Convention (no. 98) concerning the Application of the Right to Organise and to Bargain Collectively

- Convention (no. 100) concerning Equal Remuneration for Men and Women for Work of Equal Value
- Convention (no.105) concerning the Abolition of Forced Labour
- Convention (no. 111) concerning Discrimination in Respect of Employment and Occupation
- Convention (no. 138) concerning Minimum Age for Admission to Employment
- ILO Convention (no. 182) concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour

Environment

Principle 7: Support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Examples of the norms and conventions that are relevant to the company analysis:

- The UN Convention on Biological Diversity
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal
- The Kyoto Protocol to the UN Framework Convention on Climate Change of 9 May 1992
- Rio Declaration – UN Conference on Environment and Development (note that this is a declaration which, unlike a convention, is not legally binding)
- UNESCO Convention concerning the Protection of the World Cultural and Natural Heritage
- Convention on Wetlands of International Importance especially as Waterfowl Habitat (RAMSAR)
- Convention on International Trade in Endangered Species (CITES)
- Convention on the Conservation of Migratory Species (CMS)
- The Paris Agreement

Anti-corruption

Principle 10: Work against corruption in all its forms, including extortion and bribery.

Examples of the norms and conventions that are relevant to the company analysis:

- UN Convention against Transnational Organised Crime
- UN Convention against Corruption
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions

Control of weapons

- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction
- Convention on Cluster Munitions
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction