

The carbon footprint of our mutual funds

Climate change poses great challenges for our world. Emissions of greenhouse gases are a major cause of rising global temperatures. The Paris Agreement, which came into effect in 2015, aims to keep the global rise in temperature well below 2 degrees. To make climate smart investments easier for our savers, we report the climate footprint of our funds.

The carbon footprint enables the assessment of certain climate-related financial risks, thus setting a price for carbon dioxide. It is important for fund managers to distinguish which companies are adding most to our funds' carbon footprint. For a mutual fund saver, this metric can give an indication of how a fund's investments affect its carbon footprint.

The climate footprint makes it easier to identify companies, thus enhancing the ability – within the framework of our efforts to make an impact – to exercise influence aimed at reducing emissions. This is achieved by requiring targets on reduced emissions, risk management, business strategies, transparency, etc. This metric is to be regarded as part of the fund management company's integrated sustainability practices.

Outcome:

Most of our funds report a lower carbon footprint than the benchmark index. This is a result of our policy of not investing in coal companies*, as well as our integrated sustainability practices, where climate plays a key role. Handelsbanken offers a broad range of funds that make investments based on specific sustainability criteria. Our Criteria funds avoid companies involved in fossil fuels, which leads to a lower footprint for these funds since, many carbon-heavy sectors are heavily exposed to fossil fuels.

Our thematic funds generally have a lower carbon footprint. The thematic funds seek structurally sustainable growth, which is often found in sectors that contribute to the global sustainability goals. Examples of themes could be energy efficiency enhancement or water treatment. As of 31 December 2017, 14 funds had a lower carbon footprint than the benchmark index, while seven funds had a higher carbon footprint than the index. Eight funds had reduced their footprint since the last measurement, while five funds had increased their carbon footprint. See the diagram on active management below.

Snapshot (see next page)

We have chosen to report the carbon footprint of most of our equity funds. The measurement is dated 31 December

2017 and is a snapshot. The figures will vary as the companies' emissions change, and as the composition of the portfolio shifts. Exchange rate movements also affect the measurements. In addition, the fund's investment strategy has a major influence on the carbon footprint. If we do not have information for enough of the securities in the portfolio, we have decided not to report, because an estimated value in such circumstances does not fully reflect the true situation. We only report for funds where there is emissions data for at least 75% of the fund's market value.

Method

There are numerous ways of calculating the carbon footprint. As of 30 December 2016, our calculations are in accordance with the Swedish Investment Fund Association's Guidelines.

The measurement takes into account direct emissions (level 1) and indirect emissions from purchases (level 2).

We enlisted MSCI Inc. to calculate the emissions of greenhouse gases caused by the companies in which our funds invest. For previous measurements, we used Trucost. The change led to improved coverage and the ability to measure the footprint of even more funds.

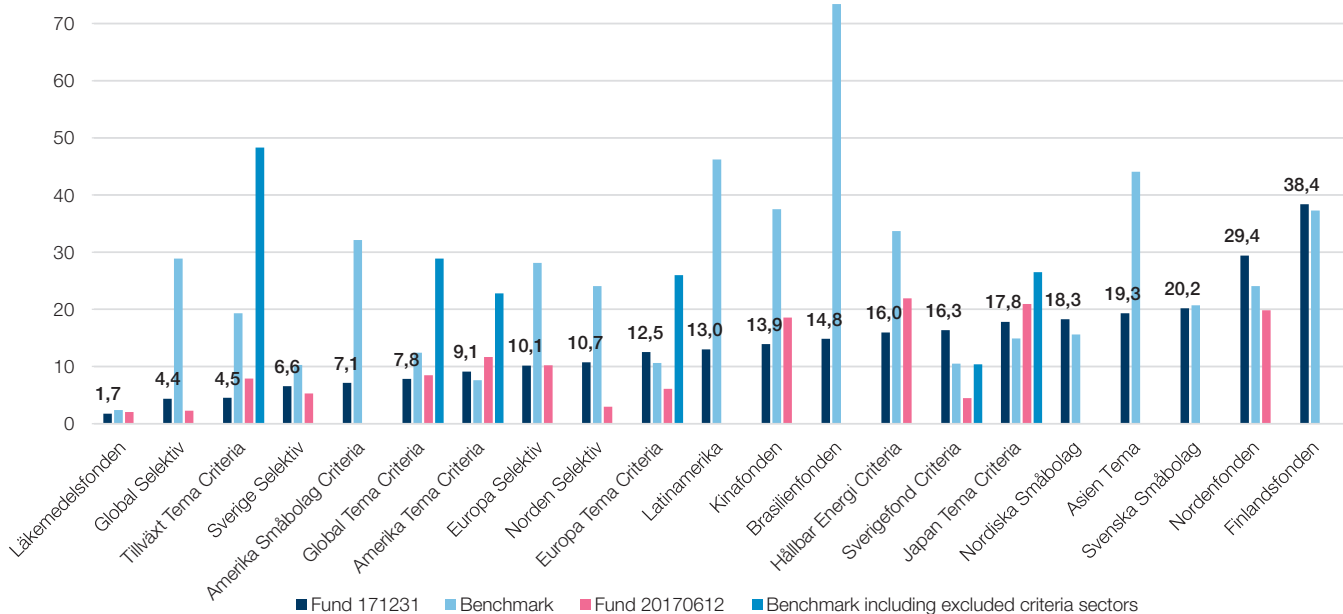
Carbon footprint reporting has certain limitations, depending on factors such as:

- Only certain emissions are included. Indirect emissions from suppliers are not always included in the calculations. The same applies to the usually considerable emissions resulting from the usage of a company's products,
- Emissions data from companies is not comprehensive,
- Only certain categories of assets are measured,
- Savings of emissions through products and services are not included,
- Information on fossil reserves is not included,
- The measurement does not tell us anything about how well a portfolio is positioned in terms of, or its contributions to, a transition to a low-carbon society.

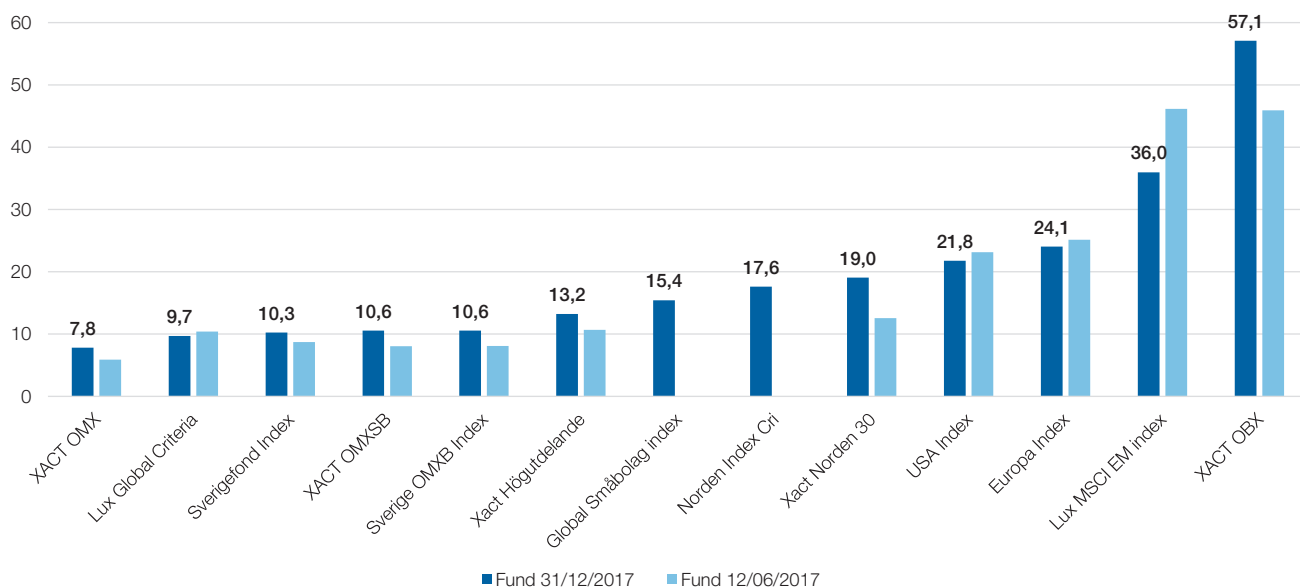
* Coal extraction max 5% of turnover, coal power max 30% of turnover

Snapshot picture of carbon footprint in most of Handelsbanken's equity funds

Active funds carbon footprint 31 Dec 2017 tonnes CO2e/SEK million



Index funds carbon footprint 31 Dec 2017 tonnes CO2e/SEK million



For index funds, the benchmark index is not reported, since the carbon footprint of the benchmark index is, by definition, the same as for the index fund. Global SME Index and Norden Index Criteria are new funds that have been added since the last measurement.



These global goals and the 2030 Agenda for Sustainable Development aim to eradicate poverty and hunger, to realise the human rights of all, and to achieve gender equality and the empowerment of all women and girls, and also aim to protect the planet by sustainably managing its natural resources. The global goals are integrated and indivisible, and balance the three dimensions of sustainable development: financial, social, and environmental. Fighting climate change is one of the agenda's 17 goals.



Montreal PLEDGE
We have also signed the Montreal Carbon Pledge – a UN initiative where we commit to measure and disclose the carbon footprint of our funds. Montrealpledge.org



Handelsbanken is also a member of CDP, to which thousands of companies worldwide report data about their greenhouse gas emissions. Cdp.net