

Policy for Shareholder Engagement and Responsible Investment

Established by the Management Company's Board of Directors on March 10, 2021



Table of contents

POLICY FOR SHAREHOLDER ENGAGEMENT AND RESPONSIBLE INVESTMENT.....	2
1. INTRODUCTION	2
1.1 Handelsbanken Fonder AB	2
1.2 The Policy and its purpose	3
1.3 Applicable rules	3
1.4 Commitments	4
1.5 Responsibility and organization	4
2. GUIDELINES FOR CORPORATE GOVERNANCE	5
2.1. Principles concerning the Company's corporate governance	5
2.2. The Management Company's means for exercising corporate governance	8
2.3. Conflicts of interest.....	10
2.4. Decision-making body for corporate governance	11
3. GUIDELINES FOR RESPONSIBLE INVESTMENT	12
3.1. Value base	12
3.2. Scope	12
3.3. Sustainability risks and transparency related to adverse impacts for sustainable development	12
3.4. Sustainability methodologies	13
3.5. Decision-making body for sustainability efforts.....	15
4. FOLLOW-UP, REPORTING AND COMMUNICATION	16
4.1. Follow-up.....	16
4.2. Reporting	16
4.3. Communication.....	16

POLICY FOR SHAREHOLDER ENGAGEMENT AND RESPONSIBLE INVESTMENT

1. INTRODUCTION

1.1 Handelsbanken Fonder AB

Handelsbanken Fonder AB (referred below as the Management Company) pursues business activities within active- and passive (index and rules-based) fund management in UCITS funds and alternative investment funds with assets entrusted to the Company by its unit holders. The Management Company pursues portfolio fund management and, to a limited extent, investment advisory services for other companies within the Handelsbanken Group. The Management Company is part of the Handelsbanken Group as a wholly-owned subsidiary of Svenska Handelsbanken AB (PLC).

The primary objective of the Management Company is to generate financial returns and to contribute to a sustainable development through investment portfolios that are aligned with the Paris Agreement and, given the Management Company's business activities, to contribute to the UN's 17 Sustainable Development Goals (as defined in Agenda 2030) to the greatest extent possible. Our actions as a responsible investor and shareholder play a central role in our fund management. The Management Company's view is that responsible actions are a basic requirement for long-term value creation in a company. Consequently, responsible investments are an important prerequisite to attaining our objective of generating good long-term returns and the consideration of sustainability risks is an integral component in the management of funds and portfolios as well as in the Management Company's investment advisory services.

Active fund management means that the fund managers carefully analyze each investment (portfolio company) based on relevant issues regarding the companies' strategy, financial and non-financial results and risks, capital structure, social and environmental impact and corporate governance. This is accomplished by gathering information from the portfolio companies and external sources as well as through the fund managers' independent analyses.

Passive fund management means that the funds make investments based on a pre-determined index or rules-based strategy and make a commitment to the fund unit holders to deliver returns in line with this. It is essential that the Management Company selects an index/a strategy that takes into account those parameters the Management Company finds relevant in each case, such as sustainability risks, given that the selection of the index/strategy governs the fund's investments.

The Management Company's funds invest worldwide in companies across an extensive number of markets. From an ownership perspective, however, the Swedish and other Nordic equity markets are of particular importance due to the Management Company's significant capital under management within these markets. The Management Company is one of the major shareholders in the Swedish equity market.

Pursuant to applicable regulations, fund management shall be conducted exclusively in the joint interest of the fund unit holders¹. The Management Company shall at all times act to attain the highest possible returns on behalf of the fund unit holders, taking into consideration the funds' objectives and investment restrictions. In support of these objectives, the Management Company shall make use of opportunities for shareholder engagement that is associated with the equity holdings in the various funds. Investments in interest-bearing securities will also utilize the opportunities for engagement associated with this type of financing.

¹ In this document, the term "fund unit holders" also refers to investors in alternative investment funds.

1.2 The Policy and its purpose

The purpose of this policy is to establish the Management Company's Policy for Shareholder Engagement, which includes the Management Company's Guidelines for Corporate Governance and Guidelines for Responsible Investment.

The Management Company's Guidelines for Corporate Governance state how the Management Company shall, in practical terms, execute its corporate governance and exercise its voting rights, as well as how the Management Company will monitor relevant information with regard to the portfolio management companies and manage any resulting and potential conflicts of interest associated with the exercise of ownership. The Guidelines also state how the Management Company conducts dialogues with portfolio management companies and how the Management Company collaborates with other shareholders to improve the conditions for corporate governance. Lastly, the Guidelines include the overall governance-related principles that the Management Company shall promote within the companies invested by the Management Company on behalf of the fund unit holders.

The Guidelines for Responsible Investment determine the direction of the Management Company's efforts with responsible investment and the Management Company's actions as an investor and shareholder. The Guidelines state how the the Management Company integrates environment, social and corporate governance factors into its active- and passive fund management business operations.

The Policy for Shareholder Engagement has been adopted by the Board of Directors and is a governing policy document that shall be continuously adhered to in the business activities. The Policy will be updated and adopted by the Board at least annually. The Policy shall also be used for communication with existing and potential fund unit holders and shall therefore be published on the Management Company's website at <https://www.handelsbankenfonder.se>.

1.3 Applicable rules

The business activities of the Management Company shall be regulated primarily by the Swedish Investment Funds Act (2004:46) and the Alternative Investment Fund Managers Act (2013:561). Of importance for corporate governance are rules within these regulations that state that the Management Company's fund management shall occur exclusively in the joint interest of the fund unit holders. Pursuant to the statutory provisions, the Management Company shall not acquire equities with voting rights that would give the Management Company significant influence over the management of a company. Moreover, the management of each fund shall occur in accordance with the fund rules that have been approved by the Financial Supervisory Authority.

Pursuant to Chapter 2, §17h in the Swedish Investment Funds Act, a fund management company shall adopt principles for shareholder engagement concerning investments in equities in certain instances. Corresponding rules are stated for the management of non-UCITS funds in Chapter 8, §27a of the Alternative Investment Fund Managers Act. The rules within each regulation include information on the scope of the principles. Chapter 4, §17 in the Swedish Investment Funds Act and Chapter 8, §27b in the Alternative Investment Fund Managers Act also include requirements to annually disclose the manner in which the adopted principles for shareholder engagement have been applied.

Further, Chapter 15 in the Financial Supervisory Authority's regulations (FFFS 2013:9) on UCITS funds requires a fund management company to adopt internal rules that state the strategies the company will follow when exercising its voting rights. Similar rules are found in Article 37 of the Commission's Delegated Regulation No. 231/2013/EU.

The regulation (EU) 2019/2088 of the European Parliament and the Council on sustainability-related disclosures in the financial services sector (SFDR) includes comprehensive requirements on the type of information that a fund management company shall provide investors with regard to the sustainability efforts undertaken in its fund management and the manner in which sustainability risks are integrated into the investment and advisory processes. This regulation is supplemented by the

European Parliament and the Council's regulation 2020/852/EU, which establishes a framework to facilitate sustainable investments (EU Taxonomy).

Pursuant to Chapter 4, §24 in the Swedish Investment Funds Act, a fund management company shall provide the information necessary to understand the fund's management with regard to sustainability for each fund managed by the company. The information shall be provided in the annual report and shall describe the sustainability dimensions taken into account in the fund management, the methodology or methodologies used in the sustainability efforts and the follow-up of the sustainability efforts.

The Management Company also observes the relevant rules within the industry that have been issued by the Swedish Investment Fund Association, including the Swedish Code of Conduct for fund management companies, Guidelines for marketing and information by fund management companies, and Guidelines for fund management companies' shareholder engagement, which are reflected in this Policy.

1.4 Commitments

The Management Company supports international initiatives and guidelines that have the common purpose of encouraging and facilitating sustainable enterprise. The Guidelines for Responsible Investment are based on international norms for the environment, human rights, working conditions, anti-corruption and controversial weapons. These norms are expressed in the UN's conventions and agreements and are applicable to the company's environmental and social responsibility.

The Management Company, through Handelsbanken, is a signatory of the UN's Principles for Responsible Investments (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. These initiatives and guidelines govern the Management Company's work and, together with the values expressed in our corporate culture, constitute a clear and common foundation for our asset management.

1.5 Responsibility and organization

The Board of Directors of the Management Company shall, at least annually, take a decision regarding this Policy for Shareholder Engagement. The results of the Management Company's corporate governance and responsible investment efforts shall be reported to the Board at least annually and be reported regularly to the CEO. The CEO is responsible for the Management Company's work with corporate governance and responsible investment but may also appoint a Head of corporate governance and a Head of sustainability to lead and coordinate the operational work on behalf of the Management Company. These responsibilities also include ensuring that the information provided by the Management Company with regard to responsible investment and the Management Company's sustainability efforts are in compliance with the requirements imposed in regulations and self-regulations.

The organization and decision-making processes differ somewhat between corporate governance and sustainability issues and are therefore reported under the respective sections below.

2. GUIDELINES FOR CORPORATE GOVERNANCE

The overall purpose of corporate governance is to promote the conditions for the positive sustainable performance of the companies in which the fund capital has been invested, and thereby the potential for good returns. The ownership role shall be carried out in such a manner that the value growth in the companies, and thus the unit value of the funds over the long term, will be maximized in the joint interest of the fund unit holders. The Management Company's view is that an intentional, active and responsible corporate governance is an essential part of the assignment from the fund unit holders.

Corporate governance should be directed at the companies' own governance, with the objective that the company should comply with the principles that the Management Company believes should apply for an effective and sound corporate governance. Corporate governance should also be used for the purpose of promoting the type of responsible behavior that the Management Company considers to be a basic prerequisite for creating a good long-term value creation in a company.²

The level of activity in the ownership role will be determined on the basis of the value that is expected to be achieved. In exercising corporate governance, the importance of the Management Company's freedom of action is taken into account, e.g. the freedom to sell an equity holding at any time.

The Management Company must act independently, both in relation to the companies in which the Company is a shareholder via the funds, as well as in relation to its own shareholders. The Management Company's corporate governance shall be determined exclusively by what is considered to be in the best interest of the fund unit holders over the long term and, within this mandate, to identify and manage actual and potential conflicts of interest.

2.1. Principles concerning the Company's corporate governance

Swedish limited liability companies must follow the basic rules of the Swedish Companies Act regarding the company's organization and governance. Moreover, it is the view of the Management Company that Swedish listed companies should comply with the Swedish Corporate Governance Code (the "Code"), which complements legislation and other rules by providing a norm for corporate governance with a higher level of ambition, while permitting non-compliance when such deviations can be justified. Similarly, non-Swedish companies must comply with relevant company law legislation and should also follow or explain any deviations from the corporate codes of conduct applicable to the markets in which they are listed.

The principles for corporate governance that follow reflect the principles of the Code, but in certain cases also contain additions or clarifications. The Management Company is engaged to regularly adapt the Swedish Corporate Governance Code to promote a good development of corporate governance in Swedish listed companies. This is accomplished primarily through representation in relevant industry bodies, e.g., Institutional Owners' Association (Institutionella Ägares Förening, IÄF), one of the principals in the Association for Generally Accepted Practice in the Securities Market, which is active through the self-regulation bodies, the Swedish Securities Council, the Swedish Corporate Governance Board and the Swedish Financial Reporting Board.

Information and transparency

The Management Company shall promote transparency and appropriate disclosure from the companies, since both are fundamental for facilitating effective corporate governance and well-functioning financial markets, and thereby for facilitating the opportunity to manage the fund capital in the best interest of the fund unit holders.

General meetings

The general meeting is the highest decision-making body and the forum whereby shareholders can exercise their influence.

² Refer to the Management Company's Guidelines for Responsible Investment.

Companies must comply with the rules regarding ownership influence as required by law, stock exchange agreements, relevant codes and guidelines, and otherwise act in accordance with generally accepted market practices.

To achieve conditions conducive to ownership influence, the notice of the general meeting must be made as early as possible within the framework of what is permitted pursuant to legislation and articles of association. Shareholders must receive information well before the meeting, thus allowing them time to consider the motions that will be presented at the meeting. Motions that are not customary in nature must be specifically justified in the notice.

Nomination committees

The nomination committee is the preparatory body of the general meeting for decisions regarding the Board, auditors and fees. The nomination committee shall promote the interests of all shareholders.

The nomination committee shall consist of representatives from the largest shareholders in the company. One board member, typically the chairman of the board, may be included in the nomination committee, but preferably only as a co-opted member. The chairman of the board should not serve as the chairman of the nomination committee. The members of the nomination committee shall hold skills appropriate for their assignment. The nomination committee shall pursue diversity through gender distribution, among others.

The work of the nomination committee should be undertaken as soon as possible after the nomination committee has been appointed and continue until a new nomination committee has been appointed. The work of the nomination committee shall be carried out using a well-structured process. The duties shall include an analysis of the skills and competencies required for the company's board, as well as an inventory of the existing qualifications and an assessment of the suitability of the board members. A carefully planned and implemented evaluation of the Board is an important basis for the tasks of the nomination committee. The nomination committee shall strive to identify qualified candidates through a broad-based approach. An external recruitment firm should be retained, where appropriate.

The nomination committee shall justify their selection in a concrete and transparent manner as well as document their decisions.

Board of directors

The Management Company shall work to ensure that every company has an effective board of directors that is characterized by diversity and competence relevant for the company. The concept of diversity shall be broadly interpreted. Particular emphasis shall be placed on equal gender distribution on the board. With regard to small and mid-sized companies, as well as in sectors where women are normally unrepresented on boards, it is the view of the Management Company that the representation of women on boards needs to increase. Overall, each board of directors should have the ability to consider and manage relevant sustainability issues.

The Code's rules on independent board members shall be complied with to ensure the board's ability to govern the company with integrity and efficiency. In boards that include members of management, a specific remuneration committee should be established. board members shall not have other assignments to the extent that the member is unable to dedicate a sufficient amount of time to the assignment to effectively contribute to the work of the board.

To enhance the effectiveness of the work on the board, efforts should be made to limit the number of board members, unless the complexity of the business operations requires otherwise.

Auditors

Auditors are appointed by shareholders and constitute their controlling body. It is therefore important that the auditor has an independent position in relation to corporate management and the board, and

that the nomination process is characterized by transparency and clarity. The information provided by the auditor to the shareholders shall be relevant and clear.

The audit must be regularly evaluated to ensure high quality. The auditor shall explicitly report other assignments in the company in addition to the auditing assignment.

Internal control

A well-functioning system for internal control is an important requirement for a well-managed business. The board is responsible for ensuring that the company has an effective risk management program in which relevant risks are identified, managed and followed up. The board shall ensure a good control environment and promote a sound risk culture. The company's reporting shall provide an accurate view of the important risks in the business operations and how the company works to monitor and follow-up these risks.

Fees and remuneration to board members

Board fees shall be reasonable and market-based, as well as reflect the responsibilities and work efforts of the board members.

Remuneration system and remuneration

The board of the company is responsible for establishing and evaluating the company's remuneration system. The remuneration system shall be reasonable, balanced and adapted to the circumstances of the company. Remuneration shall be market-based and reasonable.

The company shall have a remuneration policy that describes the basic guidelines for compensation to the employees within the company. The remuneration policy shall include the terms and conditions for fixed salary, any variable remuneration, principles for termination benefits and conditions for retirement, as well as any equity-related incentive plans and other benefits. Pension shall be based on fixed salary and be linked to length of employment in order to anticipate pension expenses. The various components of remuneration to employees shall be viewed in their entirety.

Decisions regarding the remuneration policy are taken at the general meeting based on proposals substantiated by the board of the company. In certain cases, equity-related incentive plans may complement other types of remuneration. In addition to being a part of the total remuneration, the purpose of an equity-related incentive plan is to create a mutual interest between shareholders and employees with regard to share price performance. The incentive plan is expected to stimulate extra effort among participants to achieve defined performance targets. One way to strengthen the stakeholder relationship is to require an individual investment to participate in the plan. The Management Company shall promote the following general principles:

- Equity-related incentive plans shall be characterized by simplicity, clarity, transparency and measurability.
- Incentive plans shall have a clear relationship between the shareholders' returns and participants' distributions.
- Performance targets will be set and adjusted based on special circumstances applicable to the company and the sector in which the company operates. Sustainability dimensions should be an expressed part of the targets.
- The incentive plan should be constructed so that performance is evaluated over the long term.
- The cost of the equity-related incentive plan should be well-balanced between shareholder requirements for low costs and employees' expectations for performance-based compensation.

Capital structure

The company shall strive for an effective capital structure. Matters related to capital structure shall typically be handled by the board of directors and senior management for the purpose of promoting the development of the company over time.

Decisions associated with company equity, such as decisions about distributions, equity issues or equity repurchases, shall be made by the shareholders. Authorization for changes in the capital structure shall be of limited duration. Proposals from the company's board regarding such changes shall be transparent and clearly describe the reasoning for the proposed measures. The company should normally have a distribution policy and proposals for distributions should be in accordance with this policy.

New share issues should normally be made with pre-emptive rights for existing shareholders.

Equal treatment of shareholders

The equal treatment of shareholders is an essential foundation in Swedish company law. The Management Company works to ensure that equities with the same financial rights in the company are always treated equally in financial terms, e.g., in connection with distributions, acquisition of all equities or liquidation. The Management Company also believes that the principle of one share, one vote is normally preferable, i.e., there is a direct link between financial ownership and influence. Deviations from this principle must be substantiated. In general, the Management Company is positive to decreasing the current differences in voting rights, under the condition that this occurs with respect to the existing ownership rights.

Shareholder motions

Each individual shareholder motion is evaluated on the basis of several factors, such as how the proposal affects short- and long-term shareholder value, how the company acts in relation to its competitors and whether the issues addressed in the proposal are best handled via legislation or through company-specific actions.

2.2. The Management Company's means for exercising corporate governance

The Management Company shall exercise its corporate governance in such a manner that the company's value growth and, thereby, the long-term growth of the funds are optimized. The extent of the activity within the ownership role and the selection of activities shall be determined based on the potential opportunities for engagement and what is considered to be effective for the value creation. Corporate governance can differ between active fund management and passive fund management since the scope based on customer promises can differ.

A prerequisite for good and effective corporate governance is a good level of knowledge about the companies as well as their strategies and challenges. The Management Company tracks and analyzes the performance in the fund's investee companies. In particular, it is important to follow how the companies act according to relevant codes and from a sustainability perspective and that the companies are in line with the Management Company's Guidelines for Responsible Investment.

The corporate governance work focuses primarily on holdings in companies in which the Management Company is a major shareholder, since this provides the best conditions for a favorable impact for fund unit holders. The Management Company's shareholdings are normally more substantial in companies within Sweden and the rest of the Nordic region. However, even with smaller shareholdings in companies listed on foreign exchanges, the Management Company takes action when the conditions are considered to have a beneficial impact for fund unit holders.

The Management Company regularly monitors important corporate events in relevant companies in which the Management Company is a shareholder. From an ownership perspective, the general meetings and extraordinary general meetings are the central events for which the Management Company ensures the availability of relevant information to support analysis and voting decisions. This is conducted through contacts with the companies, third-party analyses, market information and analyses from proxy advisors. The Management Company then makes independent decisions on those matters where votes will be cast or when other decisions will be made.

General meetings

The Management Company shall normally vote at the general meetings of the companies with significant holdings in the funds and at general meetings deemed to be of significance for other reasons. The Management Company shall exercise its voting rights in such a manner that the Management Company deems will result in the strongest long-term performance of the funds' unit value. The Management Company normally votes for all of the equities in each fund. In markets where the equities are locked for a longer period of time in order to be registered for voting at a general meeting, the freedom of action with regard to the possible disposal requirement is weighed against the importance of ownership influence.

Pursuant to the Management Company's fund rules, it is possible to use equity loans to a limited extent within fund management. In each individual case, the Management Company makes an assessment of whether or not an equity loan is appropriate from an ownership perspective. All of the equities are normally withdrawn before the general meeting in order to vote for all of the equities. In some cases, parts of the equity loans may remain if they do not significantly impact our ability to exercise ownership influence.

Nomination committees

The Management Company exercises long-term ownership through participation in nomination committees. The Management Company's business activities mean that long-term ownership in individual companies cannot be guaranteed, although the nomination committee's work is always undertaken with a long-term perspective irrespective of the company, in accordance with the Policy for Shareholder Engagement.

Normally, the Management Company participates in nomination committees when Handelsbanken Fonder is one of the major shareholders and is offered to propose a nomination committee member. The Management Company does not participate in the nomination committee at Handelsbanken or in other companies that can be considered inappropriate due to conflicts of interest or for other similar reasons. The Head of Corporate Governance is responsible for determining which nomination committees will be manned and who will represent Handelsbanken Fonder on these committees. Handelsbanken Fonder's representatives shall have the expertise and experience that makes them suitable for their assignment in the nomination committees. The nomination committee representatives, who may be both internal or external individuals, shall use the guidelines and directives established by the Management Company's Corporate Governance Committee as the basis for their work on the nomination committees.

The funds managed by the Management Company have the opportunity of using equity loans to a limited extent in the fund management. Equity lending does not normally occur in companies in which the Management Company has a seat in the nomination committee.

The nomination committee's work shall be carried out to the greatest extent possible, to ensure that the Management Company's freedom of action is not limited with regard to the funds' equity holdings.

Board representation

The Management Company shall exercise its corporate governance without the requirement for board representation in the companies in which the funds have invested. Board representation complicates the Management Company's opportunities to pursue an active and efficient fund management, and it is also difficult to reconcile with the requirement that the funds' assets can be redeemed by the unit holders at any time.

Dialogues with companies and communication with other stakeholders

The Management Company also uses dialogues with companies when exercising its ownership role, e.g., with regard to responsible behavior or in conjunction with various proposals from the company for the general meeting, such as incentive plans, when these are considered to be relevant.

If it is considered to improve the conditions for corporate governance pursuant to this corporate governance policy, the Management Company can collaborate with other shareholders on one or several issues. This can occur through bilateral contacts or through industry organizations.

The Management Company may also communicate with other parties and stakeholders in the portfolio companies where such contact is expected to promote the long-term performance of the investment. Examples include communicating with the customers of the portfolio company, union organizations, stakeholder organizations or individuals that may impact the business operations of the company in the portfolio.

Collaboration with other shareholders

If it is considered to improve the conditions for corporate governance pursuant to this corporate governance policy, the Management Company can collaborate with other shareholders on one or several issues. This can occur through bilateral contacts or through industry organizations such as the Institutional Owners' Association (Institutionella Ägares Förening, IÄF.).

Disputes and settlements

Occasionally, the funds' assets are invested in companies that violate various types of rules. This can include violations of marketplace rules (e.g., deficiencies in or incorrect disclosure), violations of competition rules, fraud, corruption, etc.

These violations can result in legal processes against the company in question and are often in the form of a class action suit. Such a process often leads to a settlement and the company is required to repay shareholders for incurred losses. The settlements can also include requirements for changes to the company's corporate governance in the form of changes to management or the board of directors, as well as requirements for new or amended internal rules or control systems.

Where conditions allow, the Management Company will, on its own accord or through the use of legal expertise, actively participate in the class actions, processes involving competition violations and similar disputes, seek the best possible outcome in the settlements and also assist in making the necessary changes in the corporate governance of the company at fault.

The objective of monitoring companies and participating in processes and settlements is to ensure that the affected funds and their shareholders receive remuneration when a company has committed a remuneration-based rules violation, as well as that the Management Company shall be actively engaged in improving the corporate governance of the company at fault.

2.3. Conflicts of interest

A number of conflicts of interest can arise in the corporate governance work of the Management Company. Most notably, this applies to the Management Company's relationship to its owner, Svenska Handelsbanken AB (PLC), as well as companies that have ownership ties or personal ties to Handelsbanken. This could also apply to other companies with which the Management Company has significant business relationships. As a result of any of these ties, the Management Company could be governed by other considerations than those that are in the best interest of the unit holders.

The Management Company addresses these conflicts of interest in numerous ways to ensure that the Management Company's actions related to ownership matters shall always be made on the basis of what is in the best interest of the unit holders.

The Management Company makes the same type of judgments and takes positions in its analyses and in its actions, irrespective of the relationship the Management Company has to the company concerned. The Management Company's Policy for Shareholder Engagement and Responsible Investment, which has been adopted by the board of the Management Company, and the principles therein, apply to all fund investee companies, regardless of any association with the Handelsbanken Group or other companies.

The Management Company has a board of directors in which at least half of the board members shall be independent of the Handelsbanken Group. Corporate governance issues are reported to the board at least annually. In the event the Management Company has acted in a manner that is contrary to what could be considered to be in the best interest of the unit holders, the board will be notified of this information.

The Management Company has established a corporate governance committee consisting of a Head of corporate governance in the Management Company (also the Company's board secretary), the CEO, the chairman of the board and two of the independent board members. In order to manage risks for conflicts of interest in relation to the Management Company's owner, at least one of the independent members is required to support a committee decision for it to be valid.

Pursuant to Chapter 2, §17 in the Swedish Investment Fund Act, the Management Company shall also annually report how votes have been cast at the general meetings. This disclosure requirement means that the Management Company is unable to covertly act in a manner inconsistent with the best interest of the unit holders.

The Management Company also utilizes the services of a proxy advisor, whose advice can provide guidance to the Management Company in these sensitive matters.

The variable remuneration model for the Management Company's active equity fund managers means that they are evaluated exclusively on results over a period of several years in the fund(s) they manage. When the fund manager takes a position on how the Management Company should vote at general meetings in the portfolio companies, there is a clear incentive to support the proposals that are deemed to best benefit the company's performance from a shareholder perspective.

2.4. Decision-making body for corporate governance

Decisions related to corporate governance issues of an essential and fundamental nature are taken by the board of directors. The board of Management Company consists of six members, three of whom are independent of the Handelsbanken Group. Essential and principal decisions refer to decisions on the Policy for Shareholder Engagement and Responsible Investment, established by a corporate governance committee as well as the task preparations for the committee (see below).

The corporate governance committee shall consist of the Head of corporate governance in the Management Company (who is also chairman of the committee), the CEO, the chairman of the board and two of the independent board members. The committee's task is to work on more important corporate governance issues such as:

1. Regular updates of the Policy for Shareholder Engagement and Responsible Investment prior to decisions by the board.
2. Instructions for nomination committee work (to be decided by the committee)
3. Positions taken regarding principle issues in the ongoing work (to be decided by the committee).

In order to manage the risks for conflicts of interest in relation to the Management Company's owners, at least one of the independent members is required to support a decision by the committee for it to be valid.

The committee normally meets annually prior to the annual general meeting season (typically in September), as well as when any of the points above are raised.

3. GUIDELINES FOR RESPONSIBLE INVESTMENT

3.1. Value base

It is the view of the Management Company that responsible actions are the foundation for long-term value creation in a company. Consequently, responsible investments are an important prerequisite to attaining our objective of generating good long-term returns.

The Management Company's primary objective is to create financial returns and contribute to a sustainable development through fund management that is consistent with the Paris Agreement and, given the Management Company's business activities, contribute to the UN's 17 Sustainable Development Goals (as defined in Agenda 2030) to the greatest extent possible. As a significant investor, the Management Company has an important role to play in the realization of the Paris Agreement, to drive capital into investments that contribute to the achievement of the Sustainable Development Goals and to contribute to the transition to a sustainable development.

Handelsbanken supports international initiatives and guidelines that have the common purpose of encouraging and facilitating sustainable enterprise. This policy is based on international norms for the environment, human rights, working conditions, anti-corruption and controversial weapons. These norms are stated in the UN's conventions and agreements and can be applied to company's environmental and social responsibility.

The Management Company is a signatory of the UN's Principles for Responsible Investment (UN PRI). Handelsbanken and the Management Company are signatories of the UN's voluntary Global Compact initiative. The Management Company is also a signatory of the Net Zero Asset Managers' Initiative.

These initiatives and guidelines provide guidance for the Management Company's work and, together with the values expressed in the Management Company's corporate culture, represent a transparent and common foundation for our asset management.

3.2. Scope

This Policy applies to the Management Company's fund management and the funds' direct investments in Swedish and foreign equities and corporate bonds. In the case of indirect investments for the purpose of managing liquidity or regional allocations, the Policy is applied to the greatest extent possible. The Policy applies in full for the external funds, the Management Company's fund of funds. The Policy also includes the investment advisory services provided by the Management Company.

3.3. Sustainability risks and transparency related to adverse impacts for sustainable development

Within the scope of the Management Company's fund management, sustainability risks are an integral and ongoing component of the investment and advisory processes as well as the decisions taken in the fund management. Sustainability risks in general are managed within the Management Company's fund management through the inclusion of companies based on sustainability analyses, the exclusion of companies and through engagement in the form of dialogues and active corporate governance. The methodologies and tools used for the integration and management of sustainability risks differ depending on the management focus – active fund management, passive fund management or active allocation fund management.

The Management Company's view is that the integration of sustainability risks has a positive impact on returns in the fund and the advisory services provided, at the same time as the integration contributes to a more sustainable development. The funds' Prospectus and the Management Company's website provides more detailed information on how the sustainability risks are integrated into fund management and the likely effects these risks have on returns.

The Management Company takes into account the principal adverse impacts on sustainability factors of the ongoing investment decisions in its fund management. The Management Company has established due diligence routines for identifying and prioritizing the principal adverse impacts on sustainability factors and the indicators used for sustainable development. A description of the principal adverse impacts on sustainability within the Management Company's business activities is available on the Management Company's website, together with a report of the planned and implemented measures taken in relation to these adverse impacts. The description also includes information on how the Management Company engages companies through dialogue and active corporate governance on behalf of the funds. Additional information on how the principal adverse impacts on sustainability factors are taken into account for each individual fund is provided in the Prospectus for each fund.

3.4. Sustainability methodologies

The Management Company's efforts with responsible investment are based on three principles: exclusion, inclusion and engagement.

Sustainability is integrated into investment analyses and decisions, although the approach can vary in the ongoing business activities depending on whether we are dealing with the selection of individual investee companies, the selection of an index, or the selection of funds for inclusion in fund portfolios. The selection of asset classes and management focus also impact the approach taken.



Exclusion

The Management Company does not invest in certain business activities. The Management Company's position is based on the following rationale:

- Certain products and services face a high risk of adversely impacting the outside world, society and other stakeholders.
- The business activities are incompatible with the role of a responsible investor, a long-term investment perspective and investing for a sustainable development and future.
- Some products and services involve increased sustainability risks in the companies' value chains, and in our assessment the risks are not manageable.

The Management Company excludes investments in:

- companies involved in the production or distribution of weapons banned under international law, such as cluster weapons, anti-personnel mines, biological and chemical weapons
- companies involved in the production or distribution of nuclear weapons
- companies with turnover in excess of 5% that is attributed to the extraction of thermal coal or with turnover in excess of 30% that is attributed to coal power generation
- companies involved in the production of cigarettes

A majority of the Management Company's funds also apply enhanced exclusion criteria that provide for the exclusion of companies involved in the production or distribution of:

- conventional weapons and war materials
- alcohol
- tobacco
- cannabis
- commercial gambling
- pornography
- fossil fuels, including the extraction of tar sands

The enhanced exclusion criteria also includes companies with verified violations of international norms and conventions.

All of the company holdings are regularly analyzed to identify those companies that do not meet international norms and conventions for the environment, human rights, work conditions and anti-corruption. As a result, all of the company holdings are reviewed to identify potential crimes or violations against international norms based on the UN Global Compact initiative's four principle areas.

In certain cases we can accept deviations from some of our exclusion requirements. Potential deviations from the Policy are managed within the scope of the sustainability committee, refer to Chapter 3.5. As a result, holdings that are not normally permitted could remain in the fund over a transition period.

The Management Company strives to actively participate in the transition to a world with low carbon emissions and currently sees several investment opportunities in companies that are transitioning business activities from fossil fuel production to renewable energy. The Management Company has therefore made the decision in special instances to accept deviations from our exclusion requirements and to permit some exposure to fossil fuels when the company fulfils the requirements to be classified as a transition company.

Refer to Handelsbanken Fonder's strategies for **Exclusion** for additional information, which are available on the Management Company's website at: www.handelsbankenfonder.se.



Inclusion

The Management Company strives to select investments that carry out their business activities that correspond with or contribute positively to a sustainable development in accordance with Agenda 2030 and the objectives of the Paris Agreement. Fund management strives to increase investments in solutions to the global sustainability challenges and thereby contribute to the attainment of the Sustainable Development Goals and the transition to an economy with low carbon emissions.

- Fund management actively identifies investments in companies that carry out their business activities in a sustainable manner or in companies with products and services that contribute to sustainable development.
- Fund management actively identifies companies that contribute to the transition to an economy with low carbon emissions in line with the objectives of the Paris Agreement.
- In the same way, allocation fund management actively identifies fund managers and fund products that are managed in line with the points mentioned above.

Investments can be included based on two dimensions of sustainability: as a result of the company's operational sustainability performance or as a result of the company's products and services.

Companies that fulfil the requirements to qualify as a transition company can be included within fund management. Decisions regarding transition companies are managed within the scope of the sustainability committee, refer to Chapter 3.5.

Refer to Handelsbanken Fonder's strategies for **Inclusion** for additional information, which are available on the Management Company's website at: www.handelsbankenfonder.se.



Engagement

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 grounded in Handelsbanken's core values, our commitments, as well as the international norms and conventions the Management Company supports.

The Management Company works proactively to influence companies to improve their sustainability efforts, to comply with international norms and conventions or to improve within specific issues. Through our corporate governance work, we engage companies via participation in nomination committees and voting at general meetings. Read more under the section, *Guidelines for Corporate Governance*.

Engagement dialogues

Dialogues are an important method for engaging companies. This applies to both proactive dialogues aiming at influencing companies to improve their sustainability efforts, as well as dialogues with companies that the Management Company determines are not complying with international norms and conventions.

The Management Company pursues engagement efforts on its own through direct contact with companies as well as through collaboration with other investors. The dialogues can be classified as follows:

- Targeted dialogues: The Management Company carries out these dialogues through direct contact with the company.
- Dialogues together with other investors: These dialogues are conducted together with other investors and are often facilitated by an external service provider.
- Partnerships and industry initiatives: These dialogues focus on companies within specific sectors and on specific sustainability issues.
- Investor networks: Collaboration with other investors that aim to contribute and promote the development of the sustainability efforts within the asset management industry.

Shareholder motions on sustainability issues

Engagement efforts can also be exercised through the Management Company's corporate governance work in conjunction with the general meeting of the portfolio companies. In general, the Management Company supports shareholder motions that seek to promote sustainable enterprise and seek greater transparency in accounting and reporting the company's climate impact and work with human- and labor rights, etc.

Refer to Handelsbanken Fonder's strategies for **Engagement** for additional information, which are available on the Management Company's website at: www.handelsbankenfonder.se.

3.5. Decision-making body for sustainability efforts

The CEO of the Management Company is responsible for the implementation of sustainability related to policies and strategies. The Heads of the business areas for active-, passive- and allocation fund management are responsible for the integration of sustainability into the investment process (including risks and opportunities), the analyses and the investment decisions, in accordance with the policies and strategies. The work is directed by the Head of sustainability within Asset Management, who is responsible for coordinating the work and developing policies and strategies related to sustainability for the entire asset management function, which thereby also includes the Management Company.

The Management Company has a sustainability committee in which specific sustainability issues are prepared and decided, with the decisions taken by the CEO. The purpose of the sustainability committee is to make decisions regarding the assessment of companies in relation to the enhanced exclusion criteria (business activities and norm breakers) as well as companies that are included in accordance with specific criteria for transition companies. The sustainability committee also takes a position on the development of methodologies related to the analysis and assessment of these criteria.

The Management Company's risk control function follows up on a daily basis to ensure compliance with the exclusion criteria. Any deviations are reported to the board and the CEO within the framework of the risk control function's ongoing work.

4. FOLLOW-UP, REPORTING AND COMMUNICATION

The following describes the Management Company's follow-up, reporting and communication related to corporate governance and responsible investment.

4.1. Follow-up

The follow-up of the actions taken by the Management Company within corporate governance and sustainability occurs at different frequencies depending on the area. The Management Company's risk control function monitors the funds on a daily basis to ensure their adherence to the fund rules and the promises made to customers regarding the exclusion of companies.

Quarterly follow-up takes place in a special forum - Risk Forum for Sustainability – to determine whether the funds individually, and the Management Company as a whole, are working towards the sustainability objectives.

The Head of corporate governance regularly monitors the nomination committee's work with the appointed representatives of the Management Company. This occurs in joint meetings in which guidelines and current issues are reviewed.

A follow-up of voting at general meetings is conducted by the Head of corporate governance on a regular basis during the reporting season. All votes are registered digitally. The Management Company's voting rights shall be used to ensure that companies are in compliance with the corporate governance principles stated in the Management Company's Guidelines for Corporate Governance. Any votes cast that are in conflict with the guidelines shall be documented with a specific justification.

4.2. Reporting

The Management Company shall annually report the follow-up of the corporate governance and sustainability work in the annual reports of the funds or in a separate report. The reports shall include a general description of the Management Company's voting in the portfolio companies, e.g., the number of general meetings, geographic distribution and a compilation of the votes cast by the Management Company at the general meetings of the portfolio companies. The reports shall also state whether any critical votes occurred during the period, e.g., where the Management Company was a major shareholder or where a critical or controversial matter was subject to a decision at the general meeting. Information shall be submitted concerning those cases in which the Management Company availed itself of advisory services or voting recommendations from a proxy advisor. With regard to the sustainability efforts, the report shall include information about the sustainability dimensions that were taken into consideration in the management of the fund, the methodologies used in the sustainability efforts and the work carried out by the Management Company to engage the fund's investee companies. The reports for the engagement efforts shall include information concerning the dialogues conducted with the portfolio companies, how they were conducted and, where appropriate, the results of the dialogues.

The board of directors for the Management Company shall receive a report on the corporate governance and sustainability work, as well as the compliance to this Policy, at least annually.

4.3. Communication

An important part of the Management Company's shareholder engagement is that the company's position on matters concerning corporate governance and responsible investment are communicated to various shareholders. This Policy for Shareholder Engagement, which expresses the Management Company's view on matters of principle, shall be published and made available on the Management Company's website. This information may be used for communication with investors.

A summary annual report shall be produced that describes how the Management Company has acted overall in its corporate governance work throughout the year.

HANDELSBANKEN FONDER AB

Voting at general meetings shall also be reported annually, retrospectively, on the Management Company's website. A portion of the Management Company's work with responsible investment will also be communicated via Handelsbanken's annual sustainability report.