Svenska Handelsbanken Luxembourg Branch

Sustainability-related pre-contractual information

Discretionary portfolio management

Sustainability risks integration

Pursuant to EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the "**SFDR**"), Svenska Handelsbanken AB (publ), Luxembourg Branch (hereafter "the Branch") is required to disclose the manner in which Sustainability Risks are integrated into investment decisions made in relation to their clients' portfolios and the results of the assessment of the likely impacts of sustainability risks on the returns of such investment decisions.

Sustainability risk is defined according to the SFDR as "an environmental, social or governance-related event or circumstance which, if it were to occur, would have an actual or potential significant negative impact on the value of the investment".

Within the framework of the Branch's operations, consideration of sustainability risks is an integrated and ongoing part of the investment process and the decisions made. The Branch integrates sustainability risks into its discretionary investment decision-making process, but the discretionary portfolio management products are not article 8 or 9 products, for the purposes of SFDR.

The Branch recognizes that various sustainability risks can threaten investments at individual asset level and portfolio level, though the uncertainties about many of these risks make it difficult to quantify the potential impact at this time. The impacts following the occurrence of a sustainability risk may be numerous and vary depending on the specific risk, region and asset class. Sustainability risks generally revolve around the following factors including but not limited to:

- Climate change risks include both global warming driven by human emissions of greenhouse gases and the resulting large scale shifts in weather patterns. Risks associated with climate change include transition risks (policy changes, reputational impacts and shifts in market preferences, norms and technology) and physical risk (physical impacts of climate change such as droughts, floods or thawing ground).
- Natural Resource risks including rising costs from resource scarcity or resource usage taxes and systemic risk from biodiversity loss.
- Pollution and waste risks including liabilities associated with contamination and waste management costs.
- Human capital risks include declining employee productivity, attrition and turnover costs, pandemics and supply chain reputational risks or disruption.
- Community risks factors including loss of license to operate, operational disruptions caused by protests or boycotts and systematic inequality and instability.
- Security and safety risks such as consumer security, data privacy and security.

The Branch incorporates relevant material sustainability risks into due diligence and research, asset selection, portfolio management, and ongoing investment monitoring alongside other material risk factors.

To do this, the Branch leverages the following information and resources:

A) Target companies or mutual funds' disclosed information (which may include quarterly financials, general company reporting and / or disclosures, including sustainability-related disclosures);

B) Non-target company or mutual funds' disclosed publicly available information (such as news reports or industry data); and

C) Third-party research and data.

In general, where a sustainability risk occurs in respect of an asset part of the client's portfolio, there could be a negative impact on, or entire loss of, its value. Such a decrease in the value of an asset may occur for a company or mutual fund in which the Branch invests as a result of damage to its reputation resulting in a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A company or mutual fund may also suffer the impact of fines and other regulatory sanctions. The time and resources of the company or mutual fund's management team may be diverted from furthering its business into dealing with the sustainability risk event, including changes to business practices and dealing with investigations and litigation. Sustainability risks events may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by companies or mutual funds to which the client's portfolio is exposed may also be adversely impacted by a sustainability risk event.

A sustainability risk trend may arise and impact a specific investment or may have a broader impact on an economic sector (e.g. IT or health care), geography (e.g. emerging market) or political region or country.

Product

Depending on the client's preferences in terms of financial preferences and sustainability factors, the Branch offers two different investment approaches:

- ***The standard portfolio management:*** the composition of the portfolios is largely made of investments selected by the Group's management company, Handelsbanken Fonder, depending on the different Risk Model portfolios (low, medium and high risk) agreed with each client; the portfolios are mainly composed of mutual funds, some of them being selected locally by the Branch in order to accommodate the clients' specific expectations in terms of currency and/or geographical repartition;

- ***The tailor-made portfolio management:*** the portfolios are mainly composed of mutual funds, equities and bonds which are selected by the Branch's portfolio managers according to the client's risk profile and preferences. Investment decisions are focused on financial criteria. Sustainability risks, such as climate disruption risk, can be part of the risk assessment. These risks, among others, are assessed when considering risks and return of the portfolios. The Branch uses information from Sustainalytics in order to analyse companies.

Principal adverse impact

In relation to Article 7 of the SFDR, which requires disclosure of whether and how principal adverse impacts are considered at product-level, the Branch does not consider the adverse impacts of investment decisions on sustainability factors, as its portfolio management product does not commit to promoting environmental or social characteristics, nor does it have a sustainable investment objective.