

Statement on Principal adverse sustainability impacts of investment decisions on sustainability factor

Financial market participant: Handelsbanken (Business organisation number: 502007-7862) (LEI number: NHBDILHZTYCNBV5UYZ31)

Summary:

Handelsbanken (Business organisation number: 502007-7862) (LEI number: NHBDILHZTYCNBV5UYZ31) takes into account principal adverse impacts of its investment decisions on sustainability factors. In a similar way, Handelsbanken, within the framework of the investment and insurance advisory services process, takes into account principal adverse impacts on sustainability factors. In its portfolio management, Handelsbanken assesses potential adverse impacts on sustainability factors, and has identified these as principally covering factors such as climate, environment, human rights, anti-corruption, labour law and gender equality.

Handelsbanken's portfolio management obtains data, and monitors all mandatory and many optional sustainability indicators. For 2022, portfolio management will use indicators (see presentation in Appendix 1) to assess what the principal adverse impacts on sustainability factors will be for portfolio management. Analysis of these indicators will lead to actions being taken in line with the strategies for inclusion, exclusion and engagement. Explanations for each indicator will be given when past results are available, and implemented actions as well as planned actions and goals will be reported. Portfolio management uses indicators within the following areas (among others): greenhouse gas emissions, energy efficiency, biodiversity, water, waste, social and employee-related matters, human rights, the environment, anti-corruption and anti-bribery matters, to identify and prioritise principal adverse impacts.

This statement for the 2022 financial year is the first of its kind published by Handelsbanken, and it will be updated on a yearly basis. The statement is based on the Swedish operations' portfolio management, where the majority of assets are managed. This summary is available in the following languages: Swedish and English. The summary is also available locally in Finnish and Norwegian. In the event that principal adverse impacts on sustainability factors have not been taken into account for a particular portfolio, or the integration of the sustainability factors on the portfolio level deviates from what has been set out in this statement, this will be presented in the respective portfolio's pre-purchase information. Handelsbanken Sweden has assigned the management of discretionary portfolios to Handelsbanken Fonder. Discretionary portfolio management may consist of either mutual funds or other financial instruments.

Principal adverse sustainability impacts statement						
Table 1						
Indicators applicable to investments in investee companies						
	Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
GHG emissions	1. GHG emissions	Scope 1 GHG emissions	141,769 tCO ₂ e		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	Handelsbanken has implemented a number of measures linked to the adverse impact from greenhouse gases, for example: <ul style="list-style-type: none"> • Handelsbanken has, through its investing activities, set a goal of reducing carbon intensity by 50% by 2030. • Handelsbanken supports the Net Zero Asset Managers Initiative, and the Net Zero Banking Alliance. • Handelsbanken requires that fund management companies and companies where we have outsourced operations carry out systematic sustainability work in line with the climate goals of the Paris Agreement. • Handelsbanken reports climate-related information for banking, mutual funds and insurance in accordance with the TCFD recommendations. • Handelsbanken's portfolio management has made adjustments to its portfolios in accordance with the Group's policies and guidelines for sustainability and climate. Holdings within fossil fuels, for example, have been divested, with the exception of some companies in transition.
		Scope 2 GHG emissions	52,360 tCO ₂ e			
		Scope 3 GHG emissions	3,163,011 tCO ₂ e			
		Total GHG emissions	3,357,190 tCO ₂ e			
	2. Carbon footprint		470.82 tonnes CO ₂ e/EUR m EVIC (Enterprise Value Including Cash)			
3. GHG intensity of investee company	GHG intensity of investee company	1,089.24 tCO ₂ e/EUR m Revenue				
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0.55%		In the portfolio management, fossil fuels are excluded, and exposure is only permitted to:	Handelsbanken aims to be a part of this transition, and the goal for the Bank's climate work is net zero greenhouse gas emissions as soon as possible, and by 2040 at the latest. Companies that make the transition from fossil energy	

					(i) companies whose involvement in fossil fuels is below the threshold values for the exclusion strategy (5% production/distribution, 50% services) (ii) approved companies in transition.	production to renewable energy production are key players when it comes to the actual reduction of total carbon dioxide emissions. For this reason, Handelsbanken's portfolio management has some exposure to fossil fuels where companies fulfil the requirements on companies in transition defined by Handelsbanken Fonder. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption: 59.45% Production: 19.94%		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	Coverage for the indicators is low, and for the next reference period, we have identified the need to work together with the data provider to expand the analysis of how the outcome should be interpreted.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	(NACE Sector) A: 0.50 B: 5.43 C: 58.91 D: 1.60 E: 0.66 F: 2.57 G: 1.81 H: 2.20 L: 0.49 (GWh/EUR m)		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	Evaluation is in progress to ensure the methodology and best practice for measuring this indicator when the next reporting takes place.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	1.30%		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	Biodiversity is an area that is closely linked to environmental and climate change, and sustainable development in the community. Through its portfolio management, Handelsbanken aims to encourage sustainable business models, and thus environmental aspects are taken into account when investment decisions are made. In order to deepen our knowledge and have influence in this area, Handelsbanken Fonder is participating in the investor collaboration FAIRR Biodiversity Loss from Waste Pollution Engagement. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.21 tonnes/EUR m		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	This area is included in the norm screening that is carried out via ISS ESG, and major cases which are deemed to be particularly serious will be included in the regular work with norms. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2.72 tonnes/EUR m		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	This area is included in the norm screening that is carried out via ISS ESG, and major cases which are deemed to be particularly serious will be included in the regular work with norms. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation 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	0.00		The portfolios do not invest in companies that have been involved in violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises. The source of this evaluation is ISS ESG.	In portfolio management there is continued regular screening and exclusion criteria linked to verified breaches of norms. In the event that a company is deemed not to have taken adequate measures, the stock will be divested from the management portfolio. The fund management company participates regularly in dialogues with other investors concerning verified, or allegations of, violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	45.00%		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	This is a matter which Handelsbanken Fonder, which manages the discretionary portfolios on behalf of Handelsbanken, brings up in relevant cases in the dialogue for engagement, as well as in its work with voting at shareholders' meetings where proposals in this area are included on the agenda.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	5.33		This is the first reporting period for the indicators. In future	Evaluation is in progress to ensure the methodology and best practice for measuring

					reports, performance will be explained with reference to the actions taken during the reference period.	this indicator when the next reporting takes place.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	30.82		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	The management of the discretionary portfolios is assigned to Handelsbanken Fonder, which works actively to increase gender diversity in company boards through representation in nomination committees, and through our voting at shareholders' meetings.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00		The portfolios do not invest in companies with exposure to controversial weapons. The source of this evaluation is ISS ESG.	Continued regular screening and strict exclusion criteria.

Indicators applicable to investments in sovereigns and supranationals

	Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	0.07ktCO ₂ /EUR m GDP		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	0.00		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	

Indicators applicable to investments in real estate assets

	Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels.				No direct investments in real estate assets in the portfolios.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets.				No direct investments in real estate assets in the portfolios.

Table 2 & 3
Other indicators for principal adverse impacts on sustainability factors

	Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	2.4 Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.	50.00%		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	The discretionary portfolios are managed by Handelsbanken Fonder; this is a prioritised matter within the framework of the fund management company's proactive dialogue for engagement, and climate aspects are addressed in direct dialogues with companies.
Social	3.9 Lack of a human rights policy	Share of investments in entities without a human rights policy	6.00%		This is the first reporting period for the indicators. In future reports, performance will be explained with reference to the actions taken during the reference period.	The discretionary portfolios are managed by Handelsbanken Fonder; this is a prioritised matter within the framework of the fund management company's proactive dialogue for engagement, and human rights are addressed in direct dialogues with companies.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The starting-point for Handelsbanken's portfolio management work of identifying and prioritising principal adverse impacts for sustainability factors is Handelsbanken's Policy for sustainability. This policy is updated and adopted annually by the Handelsbanken Board. The current version was adopted on 22 March 2023. Indicators that we are committed to, and which we use to evaluate compliance with international standards in our investments, are set out in the Chief Executive Officer's guidelines for environment and climate change, human rights and working conditions, the tobacco industry, the armaments and defence industry, and anti-corruption.

Fundamental sustainability criteria for responsible investments in the portfolio management outsourced to Handelsbanken Fonder stipulate that the portfolios take account of mutual funds' sustainability in their management by:

- Supporting the UN Principles for Responsible Investment (PRI). This means that the fund management company must take into account environmental, social and governance aspects in its investment research and decision-making processes, be an active owner, include sustainability factors in its ownership policy and processes, and report on how the work is being run and developed.

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- Supporting the UN Global Compact. This means that the fund management company must implement the ten Principles of the United Nations Global Compact on human rights, working conditions, the environment and anti-corruption in its operations, and set the corresponding requirements for the companies in which they invest.
- Aiming to invest in companies and projects which support the UN's Sustainable Development Goals (2030 Agenda for Sustainable Development).
- Having adopted policies and/or principles for systematic sustainability work.
- Integrating sustainability risks into the investment process, and taking into account the investment alternative's principle adverse impacts on sustainability factors.
- Excluding investments in companies that are involved in the manufacture or distribution of prohibited weapons, nuclear weapons, the armaments industry, tobacco, cannabis, alcohol, commercial gambling or pornography.

To identify and prioritise principal adverse impacts linked to Handelsbanken's portfolio management, control measures are carried out at the time of investment and on a regular basis in accordance with the outsourcing agreement with Handelsbanken Fonder, which manages the discretionary portfolios. The selection of indicators for principal adverse sustainability impacts is based on the Handelsbanken's commitments and the international norms and conventions that the fund company respects. In addition, the identification of the indicators intends to take into consideration the likelihood of adverse impacts, their degree of severity, as well as whether the consequences are irreversible. The selection and evaluation process that governs the portfolio management work of Handelsbanken Fonder is based on the Policy for shareholder engagement and responsible investment that is adopted by the fund management company's Board at least annually. The selection and evaluation work in portfolio management is guided by international norms and conventions, laws and agreements, such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises, which address issues relating to the environment, human rights, working conditions, and business ethics. Decisions to invest or exclude investments are taken on a regular basis by the portfolio manager within Handelsbanken Fonder, based on the mandates permitted within the discretionary portfolio management.

In the portfolio management, principle adverse impacts on sustainability factors are addressed in three main ways. By:

- Including mutual funds in the portfolios that carry out systematic sustainability work and integrate sustainability into their investment processes.
- Excluding investments in companies, mutual funds and states that do not fulfil Handelsbanken's and Handelsbanken Fonder's sustainability requirements, including the exclusion criteria for controversial sectors, as well as the sustainability criteria for climate and the environment.
- Influencing fund management companies to actively contribute to sustainable development through dialogue.

Exclusion criteria that are applied within portfolio management ensure that investments in prohibited weapons, nuclear weapons, the armaments industry, tobacco, alcohol, commercial gambling, pornography and the extraction and refinement of fossil fuels are excluded. Mutual funds that invest in companies that carry out the extraction of Arctic oil, coal mining, or the extraction of oil sands, are excluded entirely. The portfolio holdings are subsequently reviewed on a regular basis, based on compliance with international norms and conventions and sustainability criteria, such as mutual funds' and fund management companies' compliance with international conventions,

as well as whether they carry out systematic sustainability activities. The purpose of such reviews is to identify and provide data for decisions as to whether to commence a dialogue for engagement, or to exclude the investment.

Data retrieval and analysis is based on information from an external supplier of sustainability data. This statement has data from ISS ESG and Sustainalytics – these two are the primary data sources. The portfolio management does not obtain information directly from the companies. Instead, it uses a supplier of sustainability data for the retrieval. This data is based on the companies' public information and reporting. In cases where companies do not report, estimates are made for certain data points. Sustainability data for various areas can be estimated if it is possible to do this reliably or when there is no reported data. It cannot be ruled out that estimated values may either underestimate or overestimate the principal adverse impacts on sustainability factors. In addition, to identify climate risks, Handelsbanken Fonder, which manages the discretionary portfolios on behalf of Handelsbanken, carries out scenario analyses and stress tests on the investment portfolios.

Engagement policies

Principles for shareholder engagement

Handelsbanken integrates shareholder engagement in portfolio management by outsourcing the Bank's portfolio management to Handelsbanken Fonder AB. The objective of the portfolios is to generate a healthy return on assets under management and to strive for a sustainable development and future. Responsible ownership is a fundamental element of long-term value creation in a company. Thus, responsible investment is a vital condition for achieving our goal of generating healthy long-term returns. Before an investment is made, and regularly thereafter, the portfolio stocks are evaluated on the basis of the companies' strategies, financial and non-financial performance and risks, capital structure, social and environmental impact, and corporate governance. This is done by the fund management company through internal research, including regular dialogues with the portfolio companies, as well as access to external research. Exercising of voting rights and other rights linked to shares: In the case of investments in equities, the Bank will not, as manager of the customer's portfolio, exercise voting rights for the customer's shares. Within asset management, the Bank shall, on its own initiative and without consulting the customer, make investments and reinvestments, and shall take decisions on whether to participate in share issues, takeover bids or other similar offers concerning the assets, and in other respects take all management measures regarding the assets. Management of the assets is performed within the framework that has been agreed with the customer.

Policy for shareholder engagement in portfolio management (Dec 2022) [32-119049 \(handelsbanken.se\)](#)
Influence work in Handelsbanken Fonder [Följ vårt arbete | Handelsbanken](#)

The discretionary portfolios are managed by Handelsbanken Fonder on behalf of Handelsbanken. In its annual follow-up of the outsourcing agreement, Handelsbanken aims to follow up the actions that have been taken in cases where goals have not been achieved, with regard to the reduction of principal adverse impacts on sustainability factors for investments that entail the greatest risk of adverse impacts.

References to international standards

Handelsbanken supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability. Handelsbanken is a signatory of the United Nations Principles for Responsible Banking (PRB), the United Nations Principles for Responsible Investment (UN PRI), the Net Zero Asset Managers Initiative and the Net Zero Banking Alliance; it also supports the voluntary

UN Global Compact initiative and its underlying conventions. In order to align the portfolios with the Paris agreement the goal for the Handelsbanken's climate work is net zero greenhouse gas emissions as soon as possible, and by 2040 at the latest.

In addition, Handelsbanken has adopted several policies in the sustainability area, where we commit to international standards and conventions relating to the tobacco industry, the armaments industry, climate, the environment, etc. Handelsbanken also reports climate-related information for banking, mutual funds and life insurance in accordance with the TCFD recommendations. For 2022, tools from ISS ESG were used for the analysis of transition risks and physical climate risks where the main scenarios used come from the International Energy Council (IEA). These initiatives and guidelines provide guidance for Handelsbanken's work. Together with the values expressed in our corporate culture, they form a clear, common basis for the investments.

The following indicators are used to evaluate principal adverse impacts in relation to international standards

The following indicators for principal adverse impact on sustainability factors provide support in measuring the degree of alignment to the Paris Agreement:

- 1. GHG emissions
- 2. Carbon footprint
- 3. GHG intensity of investee countries
- 4. Exposure to companies active in the fossil fuel sector
- 5. Share of non-renewable energy consumption and production
- 6. Energy consumption intensity per high impact climate sector
- 15. GHG intensity
- Table 2, indicator 4. Investments in companies without carbon emission reduction initiatives

Furthermore, the following indicators provide support in measuring the degree of compliance with the Global Compact (UNGC):

- UNGC principle 1 och 2:
 - Table 3, indicator 9. Lack of a human rights policy
- UNGC principle 7 and 8
 - 1. GHG emissions
 - 2. Carbon footprint
 - 3. GHG intensity of investee countries
 - 4. Exposure to companies active in the fossil fuel sector
 - 5. Share of non-renewable energy consumption and production
 - 6. Energy consumption intensity per high impact climate sector
 - 7. Activities negatively affecting biodiversity-sensitive areas
 - 8. Emissions to water
 - 9. Hazardous waste and radioactive waste ratio
- UNGC principle 1-10
 - 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

- 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

Historical comparison

This is the first reporting period for indicators for principal adverse impacts on sustainability factors. In future reports, performance will be explained with reference to the actions taken during the reference period.