

Inclusion of companies in transition



Companies in transition – what are these and why do we invest in them?

We want to be involved in accelerating the transition to a climate-neutral society. Through investments in power companies that are transitioning their energy production, we can move capital from fossil fuels to renewable energy, which is where we believe the strongest performing companies of the future will be. To ensure we invest in the right companies, we require the fulfillment of specific criteria that have been established by our sustainability committee. The committee takes decisions on each specific company. Fourteen companies have been approved to date, and thereby our funds may invest in these.



Our criteria for Companies in transition

- The company's plans for developing its business operations follow a clear, defined plan with the objective of reducing the company's carbon dioxide emissions in line with the Paris Agreement.
- The company's current business operations must not consist primarily of fossil fuel energy.
- The company's current pace of investment supports the transition to a reduction in carbon dioxide emissions in line with the Paris Agreement.

However, it is important to remember that considerable progress is being made in the sustainability segment and the view of transition and measurability is changing. As a result, we are also continuously evaluating our criteria to determine how we need to develop over time.

The criteria apply to our actively-managed equity and fixed income funds, our actively-managed allocation funds and also some of our passively-managed funds. Our index funds that track Paris Aligned Benchmarks may also invest in transition companies, read more about this below.

Companies in transition our Paris Aligned Benchmarks

Our index funds that track Paris Aligned Benchmarks may also invest in Companies in transition. However, since the index is regulated pursuant to the Benchmark Regulation* and UCITS directive**, the management company's Sustainability committee does not take decisions regarding companies. Instead, we have developed clear quantitative rules within the scope of the index methodology. In accordance with the methodology, exceptions are made from the 5% criteria with regard to fossil fuels if all of the criteria stated below are met. Three companies are currently approved.

- The company has defined and published goals in accordance with the requirements in the Science Based Targets Initiative*** for transitioning its business operations in line with the Paris Agreement.
- The company's current business operations must not consist primarily of fossil fuel energy (max. 50% of turnover).
- The company has a maximum of 10% turnover from coal power.
- The company has a minimum of 10% turnover from renewable energy.
- The company may not cause significant harm to one or several of the environmental goals associated with the mitigation of climate change, adjustment to climate change, sustainable usage and the protection of water and marine resources, the transition to a circular economy, the prevention and mitigation of environmental pollution, the protection and restoration of biodiversity and ecosystems.

However, exceptions are never made with regard to the minimum criteria in the regulation for Paris Aligned Benchmarks (refer to Articles 2-12 in the Delegated Regulation (EU) 2020/1818/EU to the Benchmarks Regulation).

*On 1 January 2018, new rules for benchmarks began to be applied in the EU through the EU's Benchmarks Regulation (BMR). The new rules are applicable to all companies providing indices used as the benchmark and the companies that report to such indices.

** UCITS (Undertakings for Collective Investment in Transferable Securities) is a collection of EU directives that affect the fund management operations and are the basis for the regulations applicable to securities funds in Sweden and the rest of the EU/EEA.

*** The Science Based Target Initiative is a collaboration between CDP, WRI, WWF, We Mean Business and the UN's Global Compact. The initiative provides support to companies that set climate goals according to what research states is required within each sector and the business operations for the world to achieve the global warming target of a maximum of 1.5 degrees.



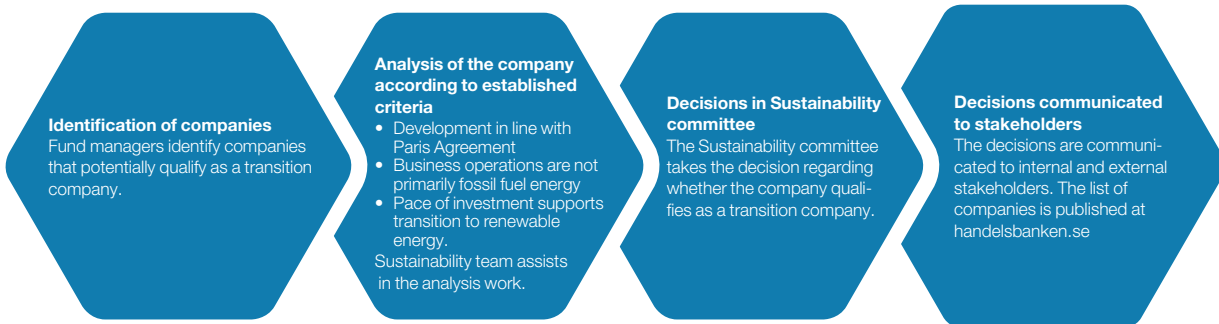
We exclude fossil fuels

The principal rule is that our funds exclude companies with a maximum turnover of 5% that stems from fossil fuels (oil, gas and coal).

Fossil fuels must be phased out and replaced by environmentally-friendly energy sources to mitigate the effects of climate change. We have therefore made the decision to permit some exposure to fossil fuels if the company meets the criteria defined above.

Decision-making process

The decision to approve transition companies is made by Handelsbanken's Sustainability committee. We follow up the approved companies on a regular basis to ensure that our qualification criteria for transition companies are being met.



Read more

- [Environment and climate change – Handelsbanken’s guidelines](#)
- [Policy for shareholder engagement and responsible investment](#)

Approved transition companies

Company	ISIN	Development in line with 2°C.	Approved in PAB index	Operations not primarily fossil fuels	Pace of investment supports transition to renewable energy	Company summary
ERG Spa	IT0001157020	✓		✓	✓	ERG is a leader within wind power in Italy and one of the larger wind power operators in Europe. The company is also active within solar energy, hydropower and natural gas.
NextEra Energy, Inc.	US65339F1012	✓		✓	✓	NextEra Energy is one of the world's largest wind power operators. The company also produces solar, natural gas and uranium electrical power.
Ørsted A/S	DK0060094928	✓	✓	✓	✓	Ørsted is a leader within offshore wind power and is the largest electricity producer in Denmark. The company continues to distribute natural gas.
Vattenfall AB	Unlisted	✓		✓	✓	Vattenfall is a Swedish energy company that established its plan in 2019 to reduce carbon emissions in line with what is necessary to limit global warming to 2°C. The company currently has exposure to coal power but has a clear plan to eliminate this, while making significant investments in renewable types of energy, primarily wind and solar. The company currently has a major base of hydropower already installed.
Enel Spa	IT0003128367	✓	✓	✓	✓	Enel Spa is one of the world's largest producers of renewable electricity, primarily from hydro and wind power. The company still has substantial exposure to natural gas but has invested in renewable types of energy since 2015 and is currently investing in new capacity entirely from renewable types of energy.
EDP-Energias de Portugal	PTEDP0AM0009	✓		✓	✓	EDP is a Portuguese power company that is the world's fourth largest wind power company. The company is active in 19 countries on four continents and was one of the first power companies to set science-based climate goals.
SSE Plc	GB0007908733	✓		✓	✓	SSE is one of the largest producers of renewable electricity in Great Britain. The company is also an important player in our increasingly electrified society through the construction and operation of infrastructure related to the transmission and distribution of electricity. The company adopted science-based climate goals during the summer of 2020.
E.ON SE	DE000ENAG999	✓		✓	✓	E.ON has chosen to focus entirely on the construction and operation of infrastructure for an electrified society. As a result, unlike other transition companies, E.ON does not invest significantly in enhanced renewable power production, but instead invests in the development of a more energy efficient electricity grid and related infrastructure solutions.
AB Ignitis Grupe	LT0000115768	✓		✓	✓	Ignitis is a leading power company in the Baltics. The company invests in renewable energy sources to meet the energy needs in Lithuania and the rest of the Baltic countries.
NextEra Energy Partners LP	US65341B1061	✓		✓	✓	NextEra Energy Partners is a subsidiary of NextEra Energy with full focus on renewable energy. However, the company continues to have a smaller exposure to the distribution of natural gas.
Iberdrola, S.A.	ES0144580Y14	✓		✓	✓	Iberdrola is one of the world's largest producers of wind power and is one of the world's largest power companies measured in market value. The company adopted science-based climate goals in March 2019.
Longyuan Power	CNE100000HD4	✓		✓	✓	Longyuan Power is the largest wind power producer in Asia. The company continues to have a smaller share of coal power remaining in its business operations but has only invested in new capacity from renewable sources during the past five years.
OCI Company	KR7010060002	✓		✓	✓	OCI Company is a South Korean green energy and chemical company. The company has a limited exposure to power production in which coal production remains as a smaller share.
NRG Energy	US6293775085	✓		✓	✓	NRG Energy is a power company that has not made as much progress in the transition process as many of the other companies we have approved as transition companies, since they began with a much higher exposure to fossil fuels. However, the company has worked actively with the issue for several years and was one of the first companies in the world to adopt science-based climate goals already in 2015. Since then, the company has made it clear that they are serious and are on track to meet the first interim targets for 2025.
Polenergia	PLPLSEP00013	✓		✓	✓	Polenergia is a Polish power company that produces energy primarily based on wind power and biomass.

About risk

Historical yields are not a guarantee of future returns. The money you invest in a fund can both increase and decrease in value. It is not guaranteed that you will recover the entire invested amount. The Prospectus, fund rules and fact sheets are available for each fund in the fund price list at handelsbankenfonder.se.