

Policy for Responsible Investments

Adopted by the Board of Directors of the Management Company on 30 may 2017

The Policy has been decided by the Board of Directors and is a written policy that shall be adhered continuously in the activities of the business. The policy is revised annually at the regular board meeting in September and is supplemented with appendices regarding: 1 Weapons and defense industries, controversial Weapons; 2 Climate Impact and Coal, 3 International Standards and Conventions

It shall also be used in communication with existing and new fund unit holders and shall therefore be published on Handelsbanken Fonder's website.



Core values

Handelsbanken Fonder believes that responsible behaviour is a fundamental prerequisite for long-term value creation in a company. Consequently, responsible investments are an important condition for achieving our objective of generating good long-term returns.

The Policy for Responsible Investments is based on international norms regarding the environment, human rights, work conditions, corruption and controversial weapons. These norms are stated in the UN's conventions and agreements and can be applied to companies' environmental and social responsibilities. Handelsbanken Fonder has signed the UN's Principles for Responsible Investments (PRI). Handelsbanken and Handelsbanken Fonder are signatories of the voluntary UN initiative Global Compact.

Scope of the Policy

The Policy includes the funds' direct investments in Swedish and foreign equities and corporate bonds.

The Policy is applied to the management of fund of funds within the portion of the portfolio that consists of funds managed by Handelsbanken. Other fund investments are selected and followed up by using a selection process that includes sustainability criteria for funds as well as at fund management company level.

Requirements are set for systematic sustainability work and for taking into account international standards and conventions as well as a follow-up of any holdings that may deviate from our policy, for example, weapons that are prohibited under international law.

The Policy is applied to the greatest extent possible for indirect investments such as liquidity, for example holdings in structured products and derivatives.

Analysis

Sustainability analysis is an integrated component of the investment analysis conducted by our portfolio managers and impacts the investment decisions within fund management. Thus, the company's position regarding sustainability is assessed for each holding.

In addition, all companies are analysed regularly to identify those companies that do not comply with international norms for the environment, human rights, work conditions, corruption and controversial weapons (i.e., norm-based screening).

Advocacy dialogues

We take action on reported deviations from international norms and conventions, for example, by having a dialogue with the company in question. Depending on the outcome of such a dialogue, we take a position on any further actions. The dialogue either occurs directly between the company and Handelsbanken Fonder or is coordinated with other actors to achieve the best result. These efforts may include a dialogue with the company's decision-makers, collaboration with other owners as well as casting votes at annual meetings.

The possibility of selling holdings in a company may occur in those instances in which we do not believe a change can be attained through involvement and dialogue.

Committee for Responsible Investments

Handelsbanken Fonder's Committee for Responsible Investments consists of representatives from various units within fund management. The presidency rotates between CEOs of the represented fund management companies. The Committee coordinates and monitors the sustainability development within fund management. The Committee takes decisions regarding overall sustainability related positions, or which companies that shall be considered for advocacy dialogue.



1. To incorporate environmental, social and corporate governance issues (ESG) into investment analysis and decision-making processes
2. To be an active owner and incorporate ESG issues into our ownership policy
3. To ensure disclosure on ESG issues by the companies in which we invest
4. To promote the application of PRI within the investment industry
5. To collaborate with others to enhance the effectiveness in the application of these principles
6. To report how we apply these principles and how this work is progressing

Appendix 1

Weapons and defense industries, controversial weapons

In accordance with the United Nations Charter, every nation has the right to defend itself. The production and trade of weapons and other war materials regulated by national legislation, intergovernmental regulations, international conventions and weapon embargos issued by the UN Security Council or EU.

In addition to the obvious risks that exist in cases of human rights violations related to the use of different types of weapons, the defense sector is characterised by a risk for corruption, according to the independent international organisation Transparency International.

The Management Company is responsible for verifying that businesses within the defense industry do not constitute an offence of

a UN or EU weapon embargo, as well as that the business operates in accordance with national and international regulations.

Handelsbanken Fonder shall also evaluate and take into account the guidelines of the company to counteract any human rights violations and corruption, as well as monitor and take into consideration how well the company follows these guidelines.

Handelsbanken Fonder does not invest in securities issued by companies involved in the production or distribution of forbidden weapons such as cluster weapons, anti-personnel mines, biological weapons, and chemical weapons. We do not invest in companies involved in the production or distribution of nuclear weapons. A list of the companies in which we do not invest is available on the Handelsbanken Fonder's website.

Appendix 2

Climate impact and coal

Handelsbanken Fonder wants to have an understanding of the impact our investments have on the environment. We also work to reduce our impact on the environment.

Handelsbanken Fonder measures and reports the carbon footprint of the funds and supports the Montreal Carbon Pledge, an initiative within the scope of PRI, in which holders of capital and fund managers undertake to measure and report the carbon footprint of the portfolios. Handelsbanken Fonder is also a signatory of CDP (Carbon Disclosure Project), an independent, international non-profit organisation, which encourages greater transparency and dialogue among companies regarding CO₂ emissions and climate strategies.

Greenhouse gas emissions are a major contributing factor to accelerating global temperatures. The burning of brown coal is a major source of the energy sector's greenhouse gas emissions. Accordingly, Handelsbanken Fonder has decided not to invest in companies whose main business activities include mining of coal for combustion or in power companies that use coal as a major source of power generation.

Handelsbanken Fonder does not invest in securities issued by companies if more than 5 per cent of the company's turnover is derived from the mining of coal for combustion. Nor does the fund management company invest in companies if more than 30 per cent of the company's turnover derives from coal power generation.

We also want to encourage companies to actively work to transition to renewable energy, for example, by switching from coal to other energy sources over time. Therefore, we have the option of selecting companies that are moving in the right direction in their transition to renewable energy and are demonstrating a positive trend in their production mix. Decisions on investments in this type of company are made by Handelsbanken Fonder's Committee for Responsible Investments.

Appendix 3

Norm-based screening

All of the companies in which we invest are analysed regularly to identify those companies that deviate from international norms for the environment, human rights, work conditions, corruption and controversial weapons.

UN Global Compact – Ten principles

Handelsbanken is a signatory of the UN Global Compact. We monitor how the companies in which we invest conform to international norms and conventions through a norm-based screening process. The ten principles are described below.

The norm-based screening also evaluates the company's actions based on the fundamental principles described in the UN's Guiding Principles on Business and Human Rights as well as in other relevant guidelines (e.g., International Finance Corporation Performance Standards on Environmental and Social Sustainability (IFC), World Commission on Dams Best Practice Framework (WCD), Forest Stewardship Council (FSC), and Roundtable on Sustainable Palm Oil (RSPO)).

Human rights

Principle 1: Support and respect international human rights within the sphere of influence of the company;

Principle 2: Ensure that their own company is not complicit in human rights abuses.

Examples of the norms and conventions that are relevant to the company analysis:

- UN's international convention on civil and political rights
- UN's international convention on economic, social and cultural rights
- UN's convention on children's rights
- UN's convention on the elimination of all forms of racial discrimination
- UN's convention on the elimination of all forms of discrimination against women
- UN's convention against torture and other cruel, inhuman or degrading treatment or punishment
- ILO's convention (no. 169) on the rights of indigenous and tribal peoples

International human rights

- Geneva conventions I – IV

Work conditions

- Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: Eliminate all forms of forced and compulsory labour
- Principle 5: Abolish child labour
- Principle 6: Eliminate discrimination with regard to employment and occupation

Examples of the norms and conventions that are relevant to the company analysis:

- International Labour Organization's (ILO) core conventions
- Convention (no. 29) on the abolition of forced or compulsory labour
- Convention (no. 87) on the freedom of association and the protection of the right to organise

- Convention (no. 98) on the application of the right to organize and collective bargaining
- Convention (no. 100) on the equal remuneration for men and women for work of equal value
- Convention (no.105) on the abolition of forced labour
- Convention (no. 111) on the discrimination in employment and occupation
- Convention (no. 138) on the minimum age for entry into the labour force
- ILO's convention (no. 182) on the ban against and immediate elimination of the worst forms of child labour

Environment

Principle 7: Support precautionary measures to offset environmental problems

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development of environmentally friendly technologies

Examples of the norms and conventions that are relevant to the company analysis:

- UN's convention on biological diversity
- Basel convention on the control of transboundary movements of hazardous wastes and their disposal
- Kyoto protocol to the UN's framework convention on climate change dated May 9, 1992
- Rio declaration – UN's conference on environment and development (note that this is a declaration, which unlike a convention, is not legally binding)
- Unesco's convention concerning the Protection of World Cultural and Natural Heritage
- Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar)
- Convention on International Trade in Endangered Species (CITES)
- Convention on the Conservation of Migratory Species (CMS)

Anti-corruption

Principle 10: Business shall work against all forms of corruption, including extortion and bribery.

Examples of the norms and conventions that are relevant to the company analysis:

- UN's convention against transnational organized crime
- UN's convention against corruption
- OECD's convention on combating bribery of foreign public officials in international business transactions

Control of weapons

- Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines (AP mines) and on their destruction
- Convention on cluster munitions
- Convention on the prohibition of the development, production and stockpiling of bacteriological (biological) and toxin weapons and on their destruction
- Convention on the prohibition of the development, production stockpiling and use of chemical weapons and on their destruction.