

Xact

Corporate Governance Policy for Xact Kapitalförvaltning

Adopted by the Board of Directors of Xact Kapitalförvaltning AB on September 26, 2018.

The Corporate Governance Policy and its purpose

Xact Kapitalförvaltning (referred below as Xact Kapitalförvaltning or the Management Company) manages index and rules-based securities funds and alternative investment funds in the form of non-UCITS funds¹. Our funds invest worldwide in a significant number of companies over an extensive number of markets. In view of this, the annual general meeting is one of the Management Company's primary tools used to influence the majority of the companies owned by our funds.

Pursuant to applicable regulations, fund management shall occur exclusively in the joint interests of the fund unit holders.² 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. The Management Company shall make use of those opportunities for shareholder influence that are linked to equity holdings in the various funds in support of these objectives.

The purpose of this policy is to establish guidelines for corporate governance within Xact Kapitalförvaltning. In part, objectives are stated as overall governance-related principles that the Management Company shall apply to those companies in which the Management Company invests on behalf of the fund unit holders. In addition, the manner by which the Management Company shall practically carry out its governance to work towards the objectives is also stated in accordance with the set objectives.

The policy has been adopted by the Board of Directors and is a written policy document that shall be continuously adhered to in the business activities. It shall also be used for communication with existing and new fund unit holders and shall therefore be published on Xact Kapitalförvaltning's website.

Applicable rules

The business activities in Xact Kapitalförvaltning 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 are those which state that the Management Company's fund management shall occur exclusively in the common interest of the fund unit holders. In addition, 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 fund management of each fund shall occur in accordance with the fund rules that have been approved by the Financial Supervisory Authority.

Chapter 15 in the Financial Supervisory Authority regulations (FFFS 2013:9) on securities funds includes rules regarding the Management Company's strategies for the use of voting rights, which state that the Board shall take decisions on internal rules, for example. Similar rules with regard to conflicts of interest are available in Article 37 of the Commission's Delegated Regulation (EU) No. 231/2013.

Xact Kapitalförvaltning also observes the relevant rules within the sector that have been issued by the Swedish Investment Fund Association, including the Swedish Code of Conduct for fund management companies and Guidelines for Investment Fund Managers as Shareholders, which are reflected in this policy.

Xact Kapitalförvaltning's fundamental view of corporate governance

The overall purpose of corporate governance is to foster conditions for the strong performance of those companies in which fund capital is invested, and thereby the potential for good returns.

The ownership role shall be exercised in such a manner that optimizes the value growth of the company and, thereby, the unit values of the funds over the long for the common interest of the fund unit holders. The Management Company believes that a conscious, active and responsible corporate governance is a key component of the tasks assigned by the fund unit holders.

¹ Hereafter referred to as funds.

² Within this document the designation "fund unit holder" also refers to investors in alternative investment funds.

Corporate governance shall focus on the company's own governance, with the objective of complying with those principles that Xact Kapitalförvaltning believes should be applicable for an effective and sound governance. Corporate governance shall also be used to promote the type of responsible behaviour that Xact Kapitalförvaltning believes should be fundamental for strong, long-term value creation in a company.³

The level of activity in the ownership role shall be determined by the value expected to be attained. When exercising corporate governance, the Management Company's freedom to act shall be taken into consideration, e.g., the freedom to be able to sell an equity holding at any point in time.

The Management Company shall trade independently in relation to those companies in which the Company is a shareholder by means of the funds as well as in relation to its own shareholders. The Management Company shall be guided exclusively by that which is determined to be in the best interests of its fund unit holders over the long term.

Principles concerning the Company's governance

Swedish limited liability companies must follow the fundamental rules of the Swedish Companies Act regarding the company's organisation and governance. Moreover, Xact Kapitalförvaltning believes 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 deviation from the corporate codes of conduct applicable to the markets in which they are listed.

The principles for corporate governance specified below reflect the principles of the Code, but in certain cases also contain additions or clarifications.

Information and transparency

Xact Kapitalförvaltning shall promote transparency and appropriate disclosure from the companies, since both are fundamental for facilitating both effective corporate governance and efficient financial markets, and thus for facilitating management of the fund capital in the best interests of the fund unit holders.

Annual general meeting

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

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 annual general meeting must be made as early as possible within the scope of what is permitted pursuant to legislation and articles of association. Shareholders must receive information well in advance of the meeting, thus allowing them to consider the proposals presented at the meeting. Proposals that are not customary in nature must be specifically substantiated as part of the general meeting notice.

Nomination committee

The nomination committee is the preparatory body of the annual 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 as a member of the nomination committee, if deemed appropriate. The Chairman of the Board should not serve as the Chairman of the nomination committee. The members of the nomination committee shall hold skills suitable for their assignment. The nomination committee shall pursue diversity through gender distribution, for example.

The members of the nomination committee shall undertake their work as soon as possible after their appointment and carry out this work 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. A carefully planned and implemented evaluation of the Board is an important basis for the tasks of the nomination committee. The nomination committee should interview individual Board members at appropriate intervals to obtain a clear picture of the state of the Board.

The search process shall be conducted professionally. The nomination committee shall strive to identify qualified candidates through a broad-based approach. An external recruitment firm should be retained, where appropriate.

³ Refer to Xact Kapitalförvaltning's Policy for Responsible Investments, which is an appendix to this Corporate Governance Policy.

Board of Directors

The Management Company shall work to ensure that every company has an efficient Board of Directors characterised by diversity and competence relevant for the company. Particular emphasis shall be placed on equal gender distribution on the Board. With regard to small and mid-sized companies, as well as in branches where women are normally unrepresented on boards, Xact Kapitalförvaltning believes that the proportion 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.

To enhance the effectiveness of the work on the Board, efforts should be made to have a limited number of Board members, unless the complexity of the business operations requires otherwise.

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 be able to contribute to the efficient work of the Board.

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 characterised 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 good quality.

Internal control

A well-functioning system for internal control is an integral prerequisite for a well-managed business operation. It is the responsibility of the Board that the company has an effective risk management process in which risks are identified, managed and followed up. The Board shall ensure a good control environment and work to establish a good risk culture. The company's reporting shall provide an accurate view of the important risks in the business operations and how the company works with the control and follow-up of these risks.

Fees and remuneration to Board members

Board fees shall be reasonable and market-based, as well as reflect the responsibilities and the 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 fundamental 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 severance benefits, as well as terms for pension, any equity-based incentive programmes 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 its entirety.

Decisions regarding the remuneration policy are taken at the annual general meeting based on proposals substantiated by the Board of the company.

In certain cases, equity-based incentive schemes may complement other types of remuneration. In addition to being a part of the total remuneration, the purpose of the equity-related incentive scheme is to create a common interest between shareholders and employees with regard to share price performance. The scheme is expected to stimulate extra efforts among participants in the scheme to reach defined performance targets. One way of increasing a common interest is to require an individual investment to participate in the scheme.

Xact Kapitalförvaltning shall promote the following:

- that equity-related incentive schemes shall be characterised by simplicity, clarity, transparency and measurability. This is critical for both shareholders as well as for participants in the incentive scheme.
- that the incentive scheme shall have a clear relationship between the shareholders' returns and participants' distributions. If shareholder returns are negative, the benefits of a scheme for employees should also be limited. There should be a cap to the distributions.
- that performance targets are set and adjusted based on special circumstances applicable to the company and the sector in which the company operates. The target shall primarily be known in advance, although it can be published subsequently if this is deemed to be more appropriate.
- that the incentive scheme is constructed so that performance is evaluated over the long term. This stimulates sustainable corporate growth and reduces the risk for the optimisation of short-term results.
- that the costs for an equity-related incentive scheme are well-balanced between shareholder requirements for low costs and the employees' expectations for compensation based on performance. Costs measured as a dilution of share capital can vary depending on the size of the company and the need assessed by the Board to reach defined performance targets. Consideration must be taken with regard to outstanding commitments for the assessment of the total actual costs.

Principles regarding ownership and capital structure

Capital structure

The company shall strive for an effective capital structure. Issues regarding capital structure shall typically be handled by the Board and senior management for the purpose of promoting the development of the company over time.

Decisions linked to company equity, such as decisions about dividends, equity issues or repurchase of equities, shall be made by the shareholders. Authorisation for changes in the capital structure shall be time-limited. 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 dividend policy, and proposals for dividends should be in accordance with this policy.

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

Equal treatment of shareholders

The equal treatment of shareholders is an important foundation in Swedish company law. Xact Kapitalförvaltning 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. Xact Kapitalförvaltning 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. Xact Kapitalförvaltning is in general positive to decreasing the current differences in voting rights, under the condition that it occurs with respect to the existing ownership rights.

Principles regarding responsible investments

Within the context of index and rules-based fund management, Xact Kapitalförvaltning shall integrate sustainability into its business operations as well as encourage and contribute to sustainable development. The Management Company believes that responsible behaviour is a fundamental prerequisite for long-term value creation in a company and the work with responsible investments thereby becomes an important condition for achieving the objective of generating good long-term returns in the best interest of the fund unit holders. Xact Kapitalförvaltning shall defend international norms and conventions with regard to the environment, human rights, employees' rights, anti-corruption and controversial weapons as well as endeavour to minimise any negative impact on the environment and climate.

Xact Kapitalförvaltning has a specific Policy for Responsible Investments (refer to the appendix) that documents the international norms and conventions the Management Company supports, which business operations the Management Company refrains from investing in, and how the company in general works for a responsible investment business.

Via Handelsbanken Asset Management, Xact Kapitalförvaltning is a signatory of the UN's Principles for Responsible Investments (PRI). Xact Kapitalförvaltning shall work in its governance to comply with the principles stated in these agreements.

Xact Kapitalförvaltning's means for carrying out corporate governance

Xact Kapitalförvaltning shall carry out its corporate governance in such a manner to optimize value growth of the company and, thereby, the long-term growth of the funds, within the limits of index- and rule-based fund management. The extent of the activity within the ownership role and selection of activities shall be determined based on the opportunity to influence that is considered to be available and what is deemed to be effective for the value creation.

Those funds managed by Xact Kapitalförvaltning on behalf of the fund unit holders hold small units in thousands of companies worldwide. The Management Company has determined that the most cost-effective manner for fund unit holders to practice an active governance is through so-called proxy voting. With proxy voting, Xact Kapitalförvaltning subcontracts the practical implementation of voting to an external party that votes on behalf of the funds at the general meeting based on a voting policy that is consistent with the Corporate Governance Policy and the values of the Management Company with regard to responsible investments (see the Policy for Responsible Investments).

The primary focus of the corporate governance work is on holdings in companies in which Xact Kapitalförvaltning is the largest owner or on companies that have been identified as violating or running the risk of violating Xact Kapitalförvaltning's core values regarding international norms for human rights, work conditions, environmental protection, anti-corruption and controversial weapons.

Through external parties, Xact Kapitalförvaltning monitors important company events in relevant companies in which the Management Company has ownership. From an ownership standpoint, the general meetings and extraordinary general meetings are the key events for which the Management Company ensures the availability of relevant information to support analysis and voting decisions.

Swedish Corporate Governance Code

The Management Company shall work to ensure that the Swedish Corporate Governance Code is continuously adapted to promote a good development of corporate governance in Swedish listed companies. This is accomplished primarily through representation in relevant industry bodies.

Participation in general meetings

Xact Kapitalförvaltning shall participate in the annual general meetings of those companies that are considered to be important for fund unit holders. Important reasons can be, for example, that a company is violating the Management Company's core values or that the Management Company is a large owner in the company concerned. The Management Company shall exercise its voting rights in a manner that it deems will lead to the long-term maximization of the net asset value in the funds.

In accordance with the fund rules of the funds managed by the Management Company, it is possible to some extent to use equity loans to some extent in fund management. If the Management Company is considering an equity loan from a fund, an assessment is conducted to determine if such action is appropriate from an ownership standpoint.

The Management Company may collaborate with other owners when it is deemed to improve the conditions for corporate governance in accordance with this policy.

Participation in nomination committees

The Management Company does not normally participate in nomination committees.

The work of the Board

Xact Kapitalförvaltning shall exercise its ownership role without requirements for Board representation in those companies' equities in which the fund has invested. Board representation can hinder the Management Company's ability to carry out effective fund management and it is difficult to combine this with the requirement of potentially needing to redeem the assets of fund unit holders at any point in time.

Company dialogues

Xact Kapitalförvaltning shall also have dialogues with companies when exercising its ownership role, e.g., with regard to responsible behaviour, where deemed relevant. Such dialogues can also occur in conjunction with other owners or stakeholders to achieve a greater impact.

Shareholder motions in sustainability matters

The basis for Xact Kapitalförvaltning's work in corporate governance is that a company shall create value for its owners in a socially and environmentally responsible manner. Accordingly, the Management Company generally supports shareholder motions that encourage sustainable enterprise as well as seek greater transparency in the accounting and reporting of the companies' climate impact, work with human and worker rights, etc. Each individual shareholder motion is evaluated based on several factors, such as how the proposal impacts the short- and long-term shareholder value, how the company acts relative to its competitors, as well as how the issues addressed in the proposal would be best managed through legislation or company specific actions.

External communication

Xact Kapitalförvaltning also believes that corporate governance shall be executed through communication with various parties with regard to the Management Company's views on corporate governance matters. Accordingly, this Corporate Governance Policy, which expresses the Management Company's views on matters of principle, shall be published on the Management Company's website. A summary report shall be prepared annually to describe how the Management Company has acted throughout the year in its corporate governance role.

Follow up and reporting

The Corporate Governance Policy is updated and decided upon by the Board of Directors a minimum of once per year.

Individual representing Xact Kapitalförvaltning at an annual general meeting shall provide feedback on the outcome of the voting to the Corporate Governance Officer. The justification for any votes made by Xact Kapitalförvaltning that are in conflict with the Corporate Governance Policy must be documented. A summary and evaluation of the corporate governance work conducted during the past year shall be completed following the general meeting period. The evaluation results shall be reported to the Board.

The Compliance function reviews the corporate governance work to ensure that it is carried out in accordance with this policy.

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Policy for responsible investment

Adopted by the Board of Xact Kapitalförvaltning AB (Management Company or Xact Kapitalförvaltning) on November 19, 2018.

Value base

Within the context of index and rules-based fund management Xact Kapitalförvaltning shall integrate sustainability into its business operations as well as encourage and contribute to sustainable development. It is the opinion of the Management Company that responsible behaviour is essential for long-term value creation in a company and the work with responsible investments thereby becomes a vital prerequisite for achieving the objective of generating good long-term returns in the best interest of the fund unit holders.

Handelsbanken and the Management Company support international initiatives and guidelines that have the common purpose of encouraging and facilitating corporate social responsibility. This policy is 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. Through Handelsbanken, Xact Kapitalförvaltning is a signatory of the UN's Principles for Responsible Investments (UN PRI) and both Handelsbanken and the Management Company support the voluntary UN Global Compact initiative.

Stable, productive and resilient ecosystems are the foundation for a secure and sustainable development. These systems are currently under a great deal of strain due to pollution, acidification, depletion of natural resources and over-fertilization that impact land usage and access to fresh water, for example. In addition, climate change represents a serious threat with extreme climatic phenomena, sea level rises and biodiversity loss, which is already impacting the world today. This has implications for both regional and global economies.

Agenda 2030 and the Sustainable Development Goals provide a clear direction and targets with regard to the environment and climate. Furthermore, the Treaty of Paris constitutes a global agreement to manage, slow down and mitigate climate change.

As an asset management company, Xact Kapitalförvaltning plays a key role, for example, in the realisation of the Treaty of Paris to direct capital towards investments that

contribute to the attainment of the Sustainable Development Goals and the transition to a sustainable development. At the same time, the Management Company strives to minimise the negative impact of our investments on the environment and climate. Through our index and rules-based funds, we do this primarily through the funds we offer, in our selection of index and through our engagement activities.

Scope

The policy covers direct investments made by funds in Swedish and foreign equities as well as corporate bonds and commercial paper (företagscertifikat). For indirect investments such as holdings in funds, structured products and derivatives, the policy should be applied to the greatest extent possible. For the management of fund-of-funds, the policy is applied to the part of the portfolio comprising funds managed internally by the Handelsbanken Group.

About index funds and sustainability

Xact Kapitalförvaltning manages index funds. A common feature of these funds is that they track a clearly defined index in advance and have made a pledge to the fund unit holders to deliver returns in line with this. With this type of fund management, there is no exclusion of companies based on the Management Company's own views regarding specific sustainability matters.

Instead, exclusion may arise as a result of the Management Company deciding that its funds track indexes where the methods, and thereby the composition, reflect the management Company's core values regarding sustainability.

Xact Kapitalförvaltning is therefore of the opinion that an important part of the work with responsible investment is to take a long-term approach that encourages more indexes to be created and tracked on the basis of sustainability criteria.

These sustainability-adapted indexes are produced as part of a collaboration between an index supplier and a supplier of sustainability analyses. The suppliers may vary between different indexes and markets. The Management Company is not able to review or influence the assessment of companies made by the supplier of sustainability analyses in indexes.

The above-mentioned limitations, insofar as they concern the Management Company's own assessment of companies with regard to sustainability matters, apply specifically to the Management Company's index funds and do not relate to the other rules-based funds managed by the Management Company.

Responsible investment in practice

The Management Company's work with responsible investment is centred around three pillars:



Inclusion – choosing the right index for our funds as well as for our funds that have been positively selected, include companies with high sustainability ratings.



Exclusion – through our choice of index, we exclude companies whose business operations are incompatible with our policy for responsible investment, as well as companies that do not meet the specific sustainability criteria in our Criteria range.



Engagement – through dialogue and active ownership, we influence companies to comply with and respect international norms and conventions and to conduct their operations in a more sustainable manner.



Businesses we exclude

Armaments and defence industry, controversial weapons

Xact Kapitalförvaltning does not invest fund assets in securities issued by companies that are involved in the manufacture or distribution of weapons prohibited by international law, for example cluster munitions, anti-personnel mines, biological weapons and chemical weapons. Nor does the Management Company invest in companies that are involved in the production or distribution of nuclear weapons. A more detailed description of the Management Company's policy on such matters is available in **Appendix 1**.

Climate impact and coal

Xact Kapitalförvaltning does not invest fund assets in securities issued by companies in which more than 5 percent of the company's turnover is derived from the mining of coal for combustion.

Nor does the Management Company invest in companies in which more than 30 percent of turnover is derived from coal power generation. A more detailed description of the Management Company's policy on such matters can be found in **Appendix 2**.

Application

All of the Management Company's funds with any exposure outside the Nordic region track indexes where companies involved in controversial weapons, if more than 5% of turnover is derived from the mining of coal for combustion, or if more than 30% of the turnover is derived from coal power generation, are excluded.

Within the Management Company's funds that do not track sustainability-screened indexes, there are no companies involved in controversial weapons or companies involved in the extraction of combustion

coal or coal power generation to an extent that represents more than 5 or 30 per cent respectively. In the event that a link to such operations arises at an index company in the future, the Management Company will change its index to one that fulfils the Management Company's requirements with regard to sustainability. As a result, there may be companies in an index that do not meet the standards of the Management Company with regard to sustainability during the transition period, until such time as a change of index has been accomplished.

A list of those companies in which we do not invest fund assets is available on the Management Company's website.

International norms and conventions

All companies in our funds are analysed regularly with the aim of identifying companies that fail to meet international norms for the environment, human rights, working conditions, anti-corruption and controversial weapons (i.e., norms-based screening). An appropriate course of action is then determined for each fund to handle the companies identified.

All the Management Company's funds with any exposures outside the Nordic region track indexes that exclude companies with a proven record of violating international norms. The assessment of whether a verified violation of international norms has taken place often differs considerably between different suppliers and experts in sustainability analysis. For the Management Company's funds, it is therefore important to stress that the assessment made by the supplier of the sustainability analysis in an index is always the one that is applicable.

A list of those companies in which we do not invest fund assets is available on the Management Company's website.

For the Management Company's funds with Swedish and Nordic exposures, there is no automatic exclusion, although the Management Company works actively to influence companies. This is because we believe that, in our capacity as a major owner in the Swedish and Nordic markets, we are in a better position to influence companies to adopt a more sustainable approach.

Criteria Funds - Funds with specific sustainability criteria

The Management Company also offers index funds with specific sustainability criteria, which we refer to as Criteria Funds. All Criteria index funds track indexes that exclude companies involved in the production or distribution of controversial weapons, nuclear weapons, conventional weapons and munitions, alcohol, tobacco, gambling, pornography and fossil fuels. Further, the Criteria Funds avoid companies that have a proven track record of contravening international norms and conventions. This means that the funds do not invest in companies with a record of violating international norms with regard to human rights, the environment, anti-corruption or working conditions.



Engagement activities

Influence through dialogue

Dialogue is an important method for contributing to sustainable development. This applies to both proactive dialogues aimed at influencing companies to improve their sustainability activities, and to dialogues with companies we feel are not complying with the international norms and conventions we wish to safeguard.

Xact Kapitalförvaltning initiates dialogues aimed at influencing companies primarily for the following reasons:

1. The company has been reported for violating, or is at risk of violating, international norms and conventions.
2. The company operates in a sector or market with high sustainability risks.
3. The company has been identified as lagging behind its competitors in terms of its sustainability performance in a manner which could affect the value of the company.
4. There is a call for an increase in transparency and reporting from the company regarding specific sustainability matters.

Xact Kapitalförvaltning is of the view that an effective approach is to co-ordinate the dialogues with other parties. For this reason, the Management Company holds dialogues with the assistance of Ethix SRI Advisors, but also operates through sector initiatives such as PRI and CDP (formerly known as the Carbon Disclosure Project).

Voting at annual general meetings

Xact Kapitalförvaltning's underlying approach to governance is that a company should create value for its owners, but in a socially and environmentally responsible manner. One way of influencing companies to adopt a more sustainable approach is to vote at their annual general meetings. In addition to corporate governance, the Management Company's voting policy covers environmental and social matters and generally supports shareholder motions that advocate improved reporting on matters such as climate impact, human rights and working rights.

Decision-making process and follow-up

Handelsbanken Asset Management has a Responsible Investment Council, which discusses matters of a general nature, such as the views on controversial operations and which companies should be subjected to a separate dialogue. Among those participating in the Council are the Chief Executive Officer of Xact Kapitalförvaltning and a person specifically appointed by the Chief Executive Officer, charged with handling matters relating to responsible investment. However, decisions in matters regarding the funds' activities with regard to responsible investment are taken by the Chief Executive Officer of Xact Kapitalförvaltning in consultation with the Head of Fund Management.

A follow-up of those operations we exclude, in accordance with our policy for responsible investment, is carried out by the Management Company's risk control function.

Appendix 1

Armaments and defence industry, controversial weapons

Under the Charter of the United Nations, every country has the right of self-defence. The manufacture of and trade in weapons and other munitions are regulated by national legislation, intergovernmental regulations, international conventions and weapons embargoes issued by the UN Security Council or the EU.

In addition to the obvious risks of human rights violations regarding the use of various types of weapons, the defence industry is characterized by a risk of corruption, according to the independent organisation Transparency International.

In its business relations with companies operating in the defence industry, Xact Kapitalförvaltning must verify that the business does not constitute a breach of the UN or EU weapons embargoes, and that it is conducted in accordance with national and international regulations.

The Management Company must also evaluate and take into account the companies' guidelines for counteracting human rights violations and corruption, and must also monitor and pay particular attention to how the companies comply with these guidelines.

Xact Kapitalförvaltning does not invest fund assets in securities issued by companies that are involved in the manufacture or distribution of weapons prohibited by international law, for example cluster munitions, anti-personnel mines, biological weapons and chemical weapons. Nor does the Management Company invest in companies that are involved in the production or distribution of nuclear weapons.

Appendix 2

Climate impact and coal

Xact Kapitalförvaltning aims to understand how our investments affect the climate. We also want to play an active part in reducing our impact on the climate.

Xact Kapitalförvaltning measures and discloses the funds' carbon footprint and supports the Montreal Carbon Pledge, an initiative supported by PRI, whereby asset owners and investment managers undertake to measure and disclose the carbon footprint of their investment portfolios. The Management Company also supports the CDP (Carbon Disclosure Project), an independent, international non-profit organisation that works to promote transparency and a dialogue concerning companies' carbon dioxide emissions and climate strategies.

Emissions of greenhouse gases are a major reason behind rising global temperatures. Combustion of coal accounts for a high proportion of the energy sector's greenhouse gas emissions. Xact Kapitalförvaltning has therefore decided not to invest in companies whose main business activities include the mining of brown coal or in power companies that use brown coal as a major source of energy.

Xact Kapitalförvaltning does not invest fund assets in securities issued by companies in which more than 5% of the company's turnover is derived from the mining of coal for combustion. Nor does the Management Company invest in companies in which more than 30% of the company's turnover is derived from coal power generation.