



About Handelsbanken Fonder

Handelsbanken Fonder AB (the fund company) conducts management of UCITS funds and alternative investment funds. The fund company provides portfolio management and, to a limited extent, investment advisory services to other companies within the Handelsbanken Group. It is a wholly owned subsidiary of Svenska Handelsbanken AB (publ).

Our conduct as a responsible investor and owner is central to our asset management. The fund company considers responsible conduct a fundamental prerequisite for long-term value creation in a company. Responsible investments are therefore an important condition for achieving our goal of generating good long-term returns, and the consideration of sustainability risks forms an integral part of both fund and portfolio management, as well as the fund company's investment advisory services.

The fund company's long-term investment horizon, our sustainability goals, and the understanding that sustainability is fundamental to sound risk and return management form the basis of the fund company's methods for engagement.

Engagement

Active ownership is an important tool for us as fund managers to take responsibility, contribute to long-term value creation for our customers, and manage material risks and impacts linked to our investments.

Tools for engagement work

Our active engagement work takes place in several ways. We divide the work into dialogues and asset stewardship.

Dialogues

Dialogues can be conducted in different ways. We categorize them as direct dialogues, dialogues with other investors and investor networks and collaborations. We believe that by combining these methods, we and other investors can benefit from each other's experience and knowledge, coordinate messages and efforts, and thus use both our own and companies' resources more effectively.

Direct dialogues

In direct dialogues, the fund company's portfolio managers and sustainability analysts often participate together, adding value through multiple

relevant perspectives for all parties on the company's operations, risks, and opportunities.

Dialogues together with other investors

A strength of these dialogues is that several investors together represent a larger ownership share and send clear signals to companies about investor expectations on a specific issue. These dialogues are often led by a service provider, either around specific themes such as human rights or climate, or in cases where companies are suspected of violating international norms such as the UN Global Compact or OECD Guidelines for Multinational Enterprises.

Investor networks and collaborations

Handelsbanken Fonder also actively participates in investor networks and collaborations. Participating in joint initiatives is a way to help our own industry—the asset management sector—develop its sustainability work. It is also important for the fund company's own learning and development.

About risk

Past performance does not predict future returns. The value of the money invested in the fund can increase or decrease and there is no guarantee that all of your invested capital can be redeemed. Note that a fund with risk level 5-7 as stated in the fund's key information investment document (KIID) can vary greatly in value due to the fund's composition and management methodology. A summary of investors' rights as well as a prospectus, fund rules and KIID are available for each fund at handelsbanken.se/fonder.

Asset stewardship

An important part of our role as asset managers is active and responsible governance in the companies our funds own. As shareholders, Handelsbanken Fonder can influence companies by applying active governance for both actively and passively managed funds. Some of the most direct ways to influence are through representation on nomination committees and voting at general meetings. Our starting point is the fund company's policy for shareholder engagement and responsible Investment, guidelines for nomination committee work, voting policy, and relevant industry rules from the Swedish investment fund association, the Swedish code Handelsbanken Fonder Sustainability work for fund management companies, and guidelines for fund companies' ownership practices. In addition, we follow recommendations from the Institutional Owners Association (IÄF) regarding information to shareholders on incentive programs and IÄF's views on sustainability and variable remuneration.

Voting at general meetings

Handelsbanken Fonder invests in a large number of companies across several geographic markets. By voting at general meetings, we can influence the direction these companies take on relevant issues. Generally, the fund company votes at meetings of companies where ownership exceeds 0.5% or if particularly important issues are raised. Since many sustainability issues at general meetings are unique, the fund company considers the following before making a voting decision:

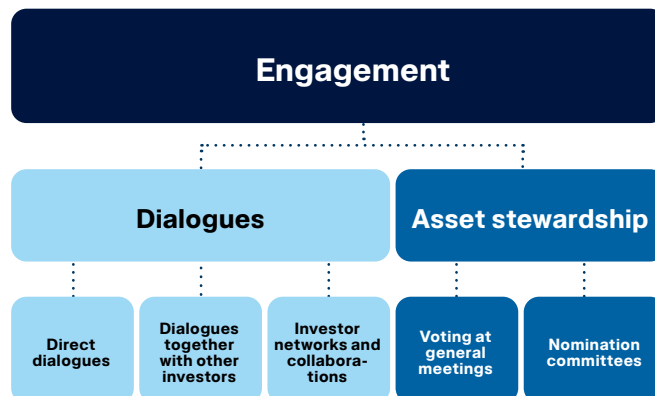
- The company's involvement in controversies related to the issue.
- Reasonableness and quality of the proposal.
- Whether the company has already addressed the issue.
- The company's performance in the area compared to peers.
- Whether the matter is better handled by the company's operational management.
- Whether a shareholders' meeting decision is needed to achieve change.
- Whether the issue has already been addressed in the fund company's direct dialogue with the company.

For more information, read our voting policy [here](#).

Nomination Committees

The most direct influence Handelsbanken Fonder can have in its ownership role is to participate in nomination committees. Therefore, the fund company accepts when asked to join a nomination committee, provided the holding is not too small or the fund company is far down the ownership list. We see the nomination committee as having a key role in corporate governance, including the opportunity to influence board composition. The fund company's guidelines for nomination committee work are sent to companies where a seat has been offered. The guidelines describe what is prioritized in the nomination committee's work:

- Board competence and needs analysis.
- The importance of sustainability expertise relevant to the company's operations.
- Diversity and gender equality on boards.



We seize opportunities for value creation – proactive engagement

Sustainability dialogues are an integral part of portfolio managers' ongoing work to understand and capture opportunities for value creation in their portfolios. We call this proactive engagement. The purpose of forward-looking proactive engagement is to gain a deeper understanding of how companies manage their material sustainability issues and, at the same time, encourage continuous improvement in how companies handle sustainability risks and opportunities, with the aim of creating long-term value for investors.

We address material risks – thematic engagement

We conduct thematic engagement to take responsibility and manage material risks such as climate, biodiversity, and human rights. Since climate change, loss of nature and ecosystems, and social inequalities can affect entire markets, they are often referred to as systemic risks. As a long-term investor across many markets and sectors, we see these issues as essential to understand and manage. We are exposed to these risks in various ways—most concretely through our investments in companies in sectors with high risk and impact within each theme. For more information about thematic engagement, see our work on climate, nature and biodiversity published [here](#).

We take responsibility for negative impacts – reactive engagement

The purpose of reactive engagement is to address potential negative impacts of our investment decisions. This also includes engagement with companies where we see a risk that the company causes or is linked to violations of international norms in areas such as environment, human rights, and anti-corruption. Managing signals of negative impact on people and the environment is partly about reducing risks in our portfolios, but it is also about our responsibility as investors and owners to respond to irregularities identified in our portfolio companies.

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Priorities for our engagement work

Climate

Climate change means that, through our investment portfolios, we as asset managers are exposed to both transition risks and physical climate risks, as well as opportunities linked to the transition to a low-carbon economy. Active engagement is an important tool we can use to manage our climate risks and contribute to the transition, and is therefore an integral part of our climate strategy and our long-term ambition of net zero emissions by 2040.

Within the framework of the fund company's climate strategy, we have therefore developed a specific engagement goal, clarified what we expect from companies, and developed a method for prioritizing engagement efforts. Read more about goals, priorities, and tools in our climate-related engagement work in our climate strategy [here](#).

Nature and biodiversity

The loss of biodiversity entails risks and opportunities for us as asset managers because we invest in companies whose activities and value chains negatively impact and/or depend on nature and ecosystems in various ways. Engagement dialogue is one of the most important sustainability tools financial actors can use to address their indirect impact in the value chain. Within the framework of the fund company's work on biodiversity, we have therefore developed a specific engagement goal. Read more about goals, priorities, and tools in our nature-related engagement work in our strategy for nature and biodiversity [here](#).

Human rights and labor rights

We believe that all people are born free and equal in dignity and rights. However, the world is experiencing a decline in democracy and human rights, and we see an increase in the number of people affected by conflict, inequality, and threats of violence and oppression. This entails, beyond human suffering, a range of risks for markets, value chains, and companies because stable, open, and peaceful societies are a prerequisite for sound and competitive markets, as well as for the development of human capital and access to knowledge and information. As an asset manager, we have a responsibility to understand how these systemic risks affect our investments. In addition, all companies

have a responsibility under the UN Guiding Principles on Business and Human Rights to understand their most significant risks. Engagement is one of the most important tools we have to address the risks we identify.

Corporate governance, business ethics, and compliance

Corporate governance concerns how companies are directed and managed. Companies with good governance often have better conditions for long-term profitability, lower sustainability risks, and more responsible impact on society. Therefore, good governance is an important component considered in our management. We actively engage to strengthen governance in our portfolio companies through dialogue, voting, and participation in nomination committees. Governance issues, business ethics, and anti-corruption have high priority in many of the fund company's direct, proactive dialogues. We expect companies to have policies, strategies, and systems in place to manage their sustainability risks and opportunities, to have good governance, and to report transparently to their stakeholders. We collaborate with other investors in the Nordic region and require large companies in our market to integrate sustainability into incentive programs. We also participate in a joint initiative led by Transparency International Sweden to develop knowledge and influence in anti-corruption. Through representation in nomination committees, we drive the issue of gender equality on boards.

Finally, we can also be active in policy advocacy and have, for example, been instrumental in a joint initiative to oppose changes in corporate law in Delaware, USA—changes that weaken minority shareholder protection. Unfortunately, these proposals were adopted and implemented despite extensive criticism. In the U.S. context, the fund company participates both actively and passively in so-called securities litigation. Being active in these processes means that the fund company undertakes to lead a case on behalf of a large group of shareholders. We do this, but with restraint. Being passive means ensuring that the funds owning shares in a company where a case has led to a settlement receive their share of the settlement.

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Escalation process

The fund company may apply a combination of different tools to conduct engagement and escalate the handling of a specific issue with a company. Which tool is most appropriate is assessed case by case and adapted to the type of issue, the company, and the company's previous response. In general, the escalation process can progress through the following steps:

- Proactive dialogue is often conducted by portfolio managers independently.
- In cases of identified risks or negative impact (so-called reactive dialogue), dialogues are conducted either individually by a sustainability specialist or jointly by a sustainability specialist and portfolio manager when direct dialogue is deemed appropriate, that is, where we have the opportunity to engage on our own.
- In cases of identified risks or negative impact where the fund company's influence is considered more effective through collaboration with other investors, we may choose to conduct dialogues together with other investors.
- In both direct dialogues and dialogues together with other investors, escalation can occur by raising the issue to the next level within the company's leadership. If dialogue with IR and sustainability functions does not yield results, the dialogue can be escalated to the CFO, CEO, or Chair of the Board.
- In cases where neither direct dialogue nor dialogues together with other investors are deemed sufficient, the fund company may choose to vote at the general meeting on proposals aimed at addressing the issue.
- In serious cases where the company's board is deemed not to have handled an issue responsibly, the fund company may vote against granting discharge from liability for all or parts of the board at the general meeting.
- In severe cases where engagement is not considered effective, the fund company may consider divesting its shares in the company.

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handelsbanken.se
08-701 10 00
106 70 Stockholm