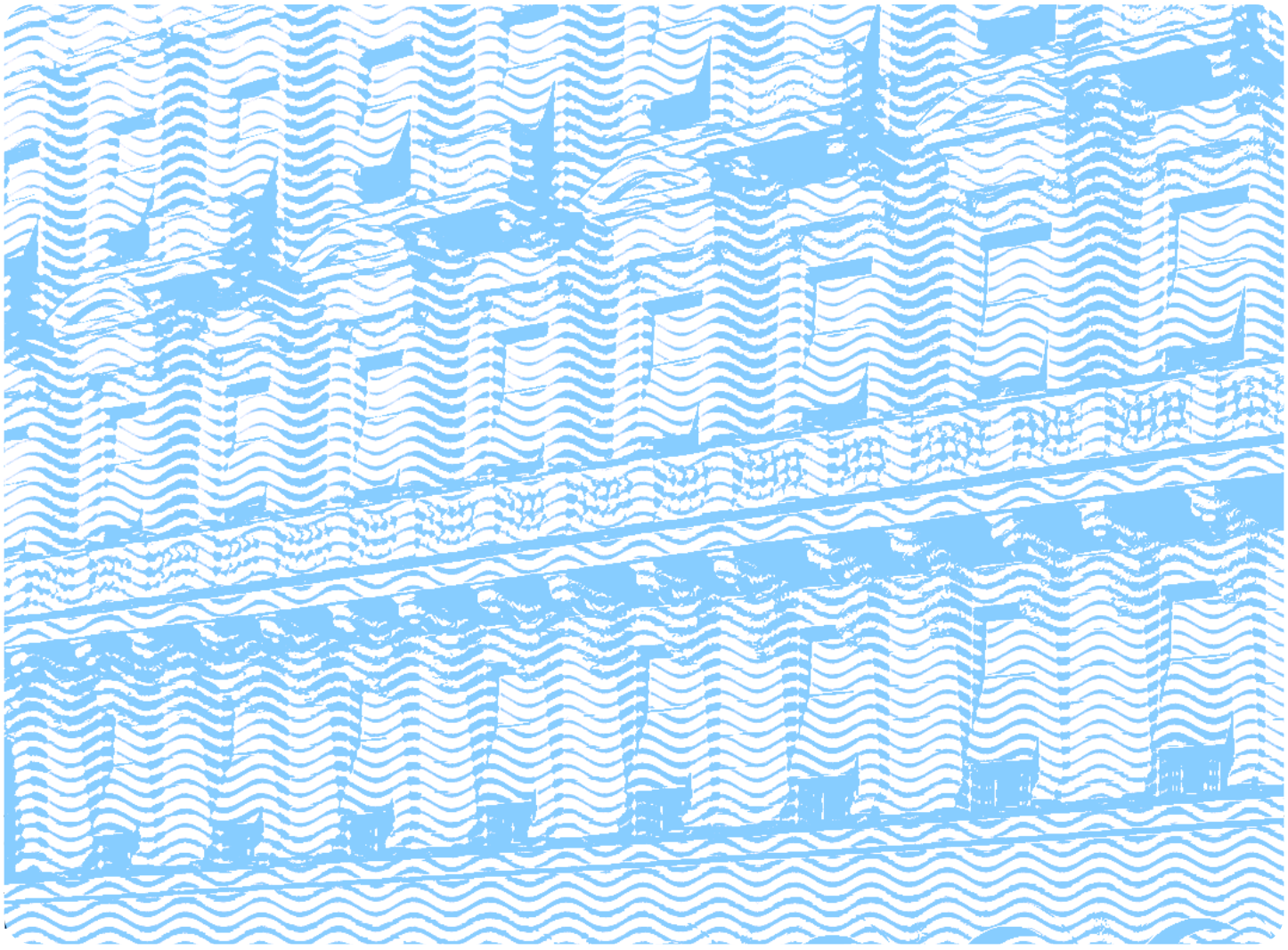
Handelsbanken Fonder

SFDR-
Sustainability definitions and methodologies

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SFDR - Sustainability definitions and methodologies

Background

Since 10 March 2021, Handelsbanken Fonder reports in accordance with Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) and the related regulations. The purpose of this reporting is, among other things, to provide investors with information on how sustainability risks are integrated into investment decisions, how principal adverse impacts on sustainability factors are considered and whether a fund has sustainable investments as its objective or promotes environmental or social characteristics.

In order to harmonise the disclosure of sustainability-related information, the regulatory framework also includes a definition of sustainable investments, requiring, among other things, that the companies in which investments are made follow good governance practices and that the precautionary principle of Do No Significant Harm is ensured, so that neither the environmental nor the social objective is significantly harmed.

On the other hand, the regulatory framework does not contain detailed guidance, which means that each fund management company needs to independently develop criteria for the specification of these definitions and establish appropriate thresholds where necessary. The purpose of this document is to describe, at an overall level, Handelsbanken Fonder's definitions, applied thresholds and methodologies, all based on the fund company's current interpretation of the SFDR.

Sustainable investment

A sustainable investment is, as defined under the regulatory framework, an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Contributes to an environmental or social objective

According to the criteria established by Handelsbanken Fonder, in order to meet the requirement of contributing to an environmental or social objective, an investee company must fulfil at least one of the following criteria;

- At least 25% of the company's or issuer's revenue must contribute to an environmental or social objective towards attaining the Sustainable Development Goals (SDGs) in the 2030 Agenda.
- The company or issuer has at least 20% EU Taxonomy-aligned revenue.
- The investment is a sustainable bond or a sustainability-linked bond where the financial and/or structural characteristics of the fixed income instrument are linked to predefined sustainability objectives.
- The company has been assessed as an impact investment in one of our impact categories.

  Each company is analysed based on a framework that aims to evaluate what the company does, for whom, to what extent, as well as the impact of the company and us as investors. This framework helps identify who benefits from the company's solutions or activities. Stakeholders may range from local inhabitants in regions where social challenges remain in efforts to achieve the SDGs, to specific groups lacking access to basic human needs, as well as climate solutions in general. Analysing companies from an impact perspective in this way is closely linked to generally accepted frameworks and initiatives in this field.

  The company has been assessed as an impact investment in the growing impact category according to the fund company's impact investment framework. This framework encompasses companies whose activities contribute to achieving the SDGs in the 2030 Agenda. In addition to having at least 10% of revenue derived from economic activities that contribute to environmental or social objectives defined in the 2030 Agenda (SDG contribution), such companies or issuers must also be assessed as contributing to these objectives based on other factors, such as capital expenditure (CAPEX) and/or operational expenditure (OPEX), with the objective of increasing the share of activities that contribute to the 2030 Agenda.

  The company has been assessed as an impact investment in the operational impact category according to the fund company's impact investment framework. This framework encompasses companies whose activities contribute to achieving the SDGs in the 2030 Agenda. Operational impact includes companies whose operations are conducted in an inclusive and/or innovative manner that helps create a positive and tangible impact for people and/or the environment in line with identified and unmet needs.

- Funds whose objective is to reduce carbon dioxide and other greenhouse gas emissions and which are reported under Article 9.3 SFDR must, in order to be regarded as having sustainable investments as their objective, be managed in accordance with an index that is a registered EU benchmark aligned with the Paris Agreement, a so-called Paris Aligned Benchmark (PAB), pursuant to Regulation (EU) 2016/1011 (the Benchmark Regulation). Index funds tracking a PAB are considered, at fund/product level, to meet the requirement of contributing to an environmental objective and therefore constitute a sustainable investment as defined by the SFDR. The objective of reducing carbon dioxide and other greenhouse gas emissions thus applies to the fund as a whole and not to each individual company held by the fund.

Om risk
Historisk avkastning är ingen garanti för framtiden. Fonder kan både öka och minska i värde och det är inte säkert att du får tillbaka alla pengar du satt in. En fond med risknivå 5-7 enligt fondens faktablad, kan variera kraftigt i värde till följd av fondens sammansättning och förvaltningsmetodik. Sammanfattning av investerares rättigheter samt informationsbroschyr, fondbestämmelser och faktablad finns under respektive fond i kurslistan på handelsbanken.se/fonder.

Do No Significant Harm (DNSH)

To ensure that sustainable investments do not cause significant harm, the following is applied:

- Exclusion criteria for companies with activities linked to controversial sectors, as well as for specific PAI indicators such as fossil fuels, violations of international norms and conventions, and prohibited weapons.
- Assessment that the investment is not considered to cause significant harm through principal adverse impacts on sustainability factors (PAIs).
- Assessment of which products and services the company is otherwise involved in and whether these may be considered to significantly counteract sustainable development.

Good governance practices

Good governance practices, as defined under the regulatory framework, include sound governance structures, employee relations, staff remuneration and compliance with tax legislation. To determine whether investee companies meet the requirement of good governance practices, they are assessed for compliance with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ILO's eight core conventions and the UN Universal Declaration of Human Rights. Investee companies with confirmed and unresolved breaches of these principles and conventions are considered not to comply with the requirement of good governance practices.

An assessment of good governance practices is conducted for all companies held in funds reported under Article 8 or Article 9 SFDR

Consideration of principal adverse impacts on sustainability factors

(Principal Adverse Impact indicators, PAI indicators)

Several of the indicators for adverse impacts on sustainability factors are considered through the exclusion of controversial sectors and companies confirmed to be acting in breach of international norms and conventions. For certain indicators, such as biodiversity and high-emitting sectors, threshold values have been established. If these thresholds are exceeded, the investment is not considered a sustainable investment. In cases where an investment is itself assessed as a sustainable investment (for example through use-of-proceeds instruments or a PAB fund), adverse impacts are considered by assessing whether the financed activity or investment causes significant harm to environmental or social objectives.

For index funds, exclusions are implemented through the index methodology. Where a fund invests in external funds, the fund management company has, through Operational Due Diligence (ODD) and Investment Due Diligence (IDD), assessed that the external manager has robust processes in place and applies equivalent exclusion criteria. Differences between data providers may, however, result in differing assessments regarding whether a specific holding falls within the scope of the criteria.

The fund management company may also address principal adverse impacts on sustainability factors through engagement activities and active ownership. The fund management company has developed tools, including the consideration of PAI indicators, to identify, analyse and prioritise engagement activities. Information on how each fund has considered principal adverse impacts on sustainability factors is reported in the fund's annual report.

Limitations in data quality and data availability may affect the integration of principal adverse impacts on sustainability factors. Information regarding companies' exposure to excluded activities is based on data provided by external data providers. This information is, to a large extent, made available by the companies themselves, meaning that exact exposure to such activities cannot always be established. This limitation is particularly apparent where exposure is limited, for example where a grocery retailer sells alcoholic beverages. The limitation is considered acceptable since the fund's strategy is primarily intended to exclude companies with significant exposure to excluded activities.

A further limitation relates to the use of estimated data. Estimates do not necessarily reflect actual circumstances; however, the fund management company considers that they may be useful provided they are applied with due caution. For example, estimated data may make it possible to identify companies with undesirable fossil fuel exposure even where the company itself does not report such exposure. There are also limitations arising from the fact that a substantial amount of data is reported with a lag. This is managed by using the most recently available information.

To mitigate the impact of such limitations, the fund management company applies carefully considered assessments and continuously works to further develop methodologies and improve data quality.

Reporting

For information on sustainability-related disclosures for an individual fund, the fund management company refers to the fund's prospectus and its appendix containing sustainability-related disclosures, the fund's annual report and the sustainability-related disclosures available on the fund management company's website (handelsbankenfonder.se).

Om risk

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Handelsbanken
handelsbanken.se
08-701 10 00
106 70 Stockholm