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About the report

The purpose of this report is to provide a transparent and comprehensive overview of our sustainability work within asset management. We want to inform our stakeholders about how we integrate sustainability aspects into investment decisions, ownership practices and engagement activities. We also aim to increase understanding of how asset management can contribute to a more sustainable economy.

The report also covers our governance, strategy, methodology, goals and follow-up, as well as examples from our operations.

For definitions of key concepts and frameworks, see the glossary in the appendix on page 25.

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Sustainability in our funds

Sustainability-related issues, including climate, biodiversity and human rights, are central to Handelsbanken Fonder's mission as an asset manager. As a manager of significant capital, we have a responsibility to integrate sustainability aspects into our investment decisions and to strive to contribute to a long-term stable and transparent development of the financial market.

Our vision

Handelsbanken Fonder's vision is to create long-term good returns in our asset management with a strong ambition for responsible ownership of our investments – today and in the future. Acting as a responsible investor and owner is central to our management. The foundation of our work is Handelsbanken's values, our commitments, and the international norms and conventions that the fund company upholds. Agenda 2030 and the Global Goals guide us in how we invest.

This report explains our sustainability work, how we work with governance, methodology, exclusion, engagement and follow-up.



We also describe how we use external data, internal tools and collaboration with other investors to strengthen our analysis and engagement efforts. Our ambition is to offer funds that meet our customers' needs while contributing to sustainable development. We do this by combining financial analysis with sustainability analysis and by being transparent about our methods, goals and results.

Read more about how we work within prioritized thematic areas in Handelsbanken Fonder's reports on:

- [Climate](#)
- [Nature and biodiversity](#)

About risk

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The year in review

Sustainability is central to Handelsbanken Fonder's asset management. Here are some figures showing our work and its impact during 2024.

1 275 general meetings

We voted at general meetings across 51 countries.



150 direct and 448 collaborative dialogues

We participated in 150 direct dialogues and 448 dialogues together with other investors during the year.



SEK 1,058 billion

Handelsbanken Fonder manages approximately SEK 1,058 billion, which represents about 89% of Handelsbanken's total managed capital.



74% women

Of our nomination committee representatives in 2024 were women.



SEK 11 billion

Invested through our impact funds during 2024.

21 companies in transition

We invested in 21 companies that meet our criteria for transition companies.

8 Paris-aligned funds

Included in our offering and managed by Handelsbanken Fonder, together they amounted to SEK 337 billion at year-end, corresponding to 32% of our total capital.

11%

According to Morningstar data for 2024, we are the fund company with the largest managed capital in Article 9 funds (about 11% of all managed capital in Article 9 funds).



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Policy and commitment

Handelsbanken Fonder's main goal is to create financial returns and, to the greatest extent possible, contribute to sustainable development by managing assets in line with the Paris Agreement and supporting the UN Sustainable Development Goals. Acting as a responsible investor and owner is central to our management.



Foundation of our sustainability work

Our work is based on Handelsbanken's values, our commitments, and the international norms and conventions that the fund company upholds. Agenda 2030 and the Global Goals guide us in how we invest. The fund company's long-term investment horizon, our sustainability objectives, and the understanding that sustainability is fundamental for sound risk management and the potential for good returns form the basis of our sustainability work.

The fund company has signed the UN Principles for Responsible Investment (UN PRI) through Handelsbanken and also supports the UN Global Compact initiative. These initiatives and guidelines, together with the values reflected in the bank's corporate culture, provide a clear foundation for Handelsbanken Fonder's asset management.

Policy

Handelsbanken Fonder's policy for shareholder engagement and responsible investment is based on international norms in areas such as environment, human rights, labor conditions, anti-corruption, and controversial weapons.

The policy applies to the fund company's management and the funds' direct investments in Swedish and foreign equities and corporate bonds. For indirect investments, for example to manage liquidity or regional allocation, the policy is applied as far as possible. For external funds in the fund company's fund-of-funds, this policy applies, but external funds are not required to use the same analysis tools as Handelsbanken Fonder. The policy also covers investment advice provided by the fund company.

The results of the fund company's work on ownership and responsible investment are reported at least annually to the board and continuously to the CEO. The policy is updated and approved by the board at least once a year. It also serves as guidance for the companies we invest in and as a communication tool for existing and potential fund unit holders. Read more in our policy [here](#).

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Governance

Board responsibility

Handelsbanken Fonder's board is responsible for overseeing the sustainability strategy. The strategy is considered in decisions on overall strategic directions, and the business continuously informs the board. The board reviews and approves the policy for shareholder engagement and responsible investment, which governs our managed assets. The policy also sets the strategic direction for our voting behavior at general meetings and work in nomination committees.

Management responsibility

Management is responsible for monitoring and developing sustainability work, including governance and strategy development. The Head of Sustainability is responsible for developing strategies and policies, as well as methods and tools related to sustainability, including keeping the organization informed about global trends and industry developments. Heads of asset management are responsible for integrating sustainability risks and opportunities in accordance with policies and strategies within their respective business areas.

Governance structure

Handelsbanken Fonder's governance structure for managing sustainability-related risks is integrated into our overall sustainability governance. The Sustainability Committee, led by the Head of Sustainability and consisting of the CEO (decision-maker), product manager, asset management heads and specialists, decides on sustainability-related issues such as method development and decisions on company assessments in relation to exclusion criteria. Monitoring and progress of our sustainability goals are regularly reported in the Sustainability Risk Forum, which includes the CEO, product manager, asset management heads, compliance officer, risk manager, Head of Sustainability and specialists.

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Strategy

Our main goal is to create financial returns and, to the greatest extent possible, contribute to sustainable development by managing assets in line with the Paris Agreement and supporting the Global Goals. The purpose of our sustainability strategy is to guide our work toward our vision and main goal, while managing financial risks and opportunities as well as negative social and environmental impacts. Our overall sustainability strategy rests on three pillars: reduce negative impacts, increase positive impact and be an active owner.



Sustainability impacts, risks and opportunities

An investment can have both potential negative and positive impacts on people and the environment. The fund company therefore identifies, analyzes and manages both potential negative consequences and positive contributions within the framework of our sustainability work.

A sustainability risk is an environmental, social or governance-related event or circumstance that, if it occurs, would have a significant negative impact on the value of an investment. Sustainability is therefore an integrated part of the analysis underlying our investment decisions. We believe that companies creating value by working toward sustainable development and providing solutions to global challenges will perform better and deliver higher returns over time.

Our sustainability strategy aims to reduce potential negative consequences of our investments, manage risks and seize opportunities for positive effects and influence. We do this using tools and methods applied differently depending on management approach and product.

Managing sustainability risks and opportunities in different management approaches

The fund company has procedures in place to ensure that both sustainability risks and the sustainability requirements set for each fund/portfolio are considered in investment decisions. Sustainability analysis is part of the investment analysis conducted before making an investment decision or designing an investment strategy.

Part of the potential negative impact considered consists of indicators for principal adverse impacts on sustainability factors. These are reported annually at an aggregate level – read more [here](#).

Actively managed equity and fixed income funds

In our active management, company analysis is crucial. It aims to identify and invest in the right companies or corporate bonds. The analysis helps identify risks in business models and find companies at the forefront of the transition to sustainable development, so-called companies in transition. Each portfolio company or issuer is carefully analyzed regarding relevant issues such as strategy, financial and non-financial performance and risks, capital structure, social and environmental impact, and corporate governance.

The analysis is based on information from companies, external sources and our own assessments. Companies may be selected based on operational sustainability performance and/or products and services. Companies in transition can also be included if they meet the requirements set by the fund company to qualify as such. Read more about these requirements [here](#).

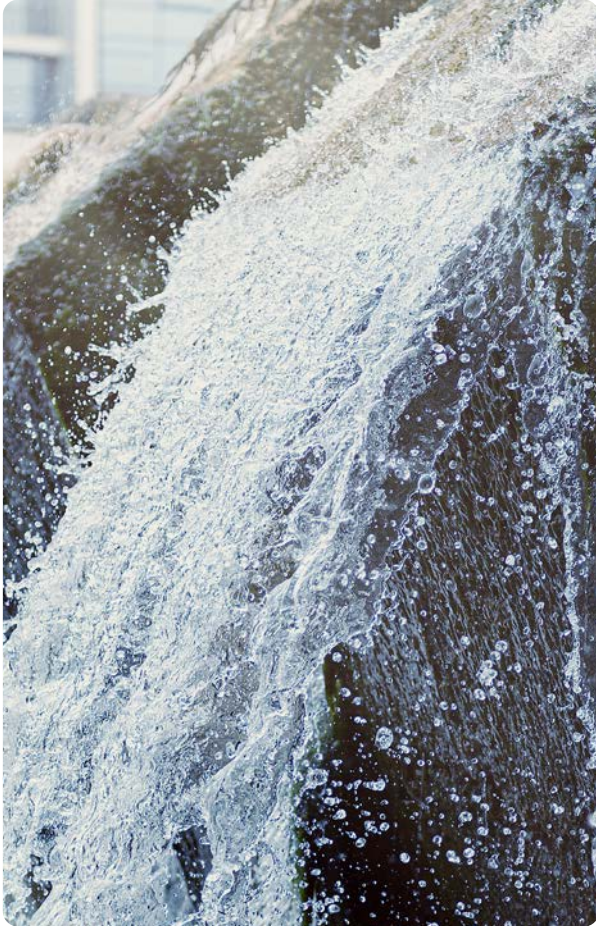
Actively managed fund-of-funds

In managing fund-of-funds, sustainability is a central part of the analysis. Investments are based on a comprehensive analysis of fund companies and funds – whether Handelsbanken Fonder's own or from other providers – and funds are selected based on this analysis. The evaluation of a fund company includes organization, sustainability, management team and investment process. For example, we require systematic sustainability work. No distinction is made between internal or external funds managed by other fund companies. Funds included in actively managed fund-of-funds also have the opportunity to include transition companies if they meet the requirements set by the fund company.

Read more about our due diligence routines [here](#).

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Index and rule-based funds

For our index funds and rule-based funds, the funds' sustainability requirements are integrated into the index methodology or the rule-based model that the fund invests according to. For funds that include companies, this is done based on the company's operational sustainability performance and/or its products and services. The assessment is based on data from external ESG providers. Some of these funds also have the option to include transition companies.

Paris-Aligned Index Funds

The guidelines developed by the EU for Paris-Aligned Benchmarks provide an independent framework for the criteria a sustainable index must meet. By excluding or assigning lower weights to companies with high emissions and companies lacking strategies to transition to more sustainable operations, climate-related risks in the funds can be reduced.

The guidelines favor companies that have set science-based emission reduction targets (Science Based Targets) and companies whose products and services positively contribute to the environmental goals in Agenda 2030. Companies in these indexes are selected and weighted so that the portfolio's emissions align with the Paris Agreement's goal of limiting global warming to a maximum of 1.5°C. This means the carbon footprint of the fund should decrease by at least 7% annually.

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Our sustainability strategy

Our sustainability strategy aims to guide us toward our vision and manage the most significant sustainability-related risks and opportunities within our investment activities.

The strategy rests on three fundamental pillars and overarching methods, commonly referred to in the fund industry as “exclude,” “include,” and “engage.” These broad methods encompass a range of tools applied differently across products and continuously developed to meet customer needs in a constantly changing environment. The illustration below summarizes our strategy. In the following chapters, we describe in more detail the methods and tools, as well as goals and metrics that support its implementation and follow-up.

1 Reduce negative impacts

Why

Reducing negative sustainability impacts is essential for risk management, long-term returns, and compliance with both customer expectations and regulations.

Goal

Reduce emissions in our total investment portfolio by 50% by 2030.

Our methods and tools – exclude

- The fund company's policy for shareholder engagement and responsible investment defines which activities we exclude from investments.
- In addition, the fund company offers two different levels of exclusion in our fund range: basic and enhanced.
- We do not invest in companies that, according to the fund company's assessment, have been confirmed to act in violation of international norms and conventions.
- Our engagement work also aims to address negative impacts, known as reactive engagement.

2 Increase positive impacts

Why

Investing in solutions that contribute to sustainable development supports long-term value creation for customers and society.

Goal

Double investments in environmental and climate solutions by 2030.

Increase the share of sustainable investments by 30% by 2025.

Our methods and tools – include

- Invest in companies whose products and services directly contribute to environmental or social goals.
- Invest in sustainable and sustainability-linked bonds.
- Offer impact funds focused on measurable positive impact.
- Conduct proactive engagement to capture opportunities for value creation and positive effects.

3 Be an active owner

Why

Active ownership is a key tool for us as fund managers to take responsibility, create long-term value for customers, and manage material risks and impacts linked to our investments.

Goal

By 2030, engage with companies representing 70% of our financed emissions that are not yet aligned with a net-zero pathway. Between 2025 and 2030:

- Conduct at least 20 annual biodiversity dialogues with selected portfolio companies in priority sectors.
- Conduct annual human rights dialogues with at least 20 selected portfolio companies in priority sectors.

Our methods and tools – engage

- Engagement through dialogues and ownership activities.
- Direct dialogues, collaborative dialogues, and participation in investor networks.
- Ownership activities include nomination committees and voting at general meetings.

For more details on how this overarching strategy is applied within prioritized sustainability topics, see our thematic strategies:

- [Climate](#)
- [Nature and biodiversity](#)

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Methods and tools

Reducing negative impacts by excluding

Reducing negative sustainability impacts is essential for risk management, long-term returns, and conducting investment activities in line with both customer expectations and applicable regulations.

The fund company's policy for shareholder engagement and responsible investment has defined activities that the fund company does not invest in. Our positions are based on the following reasoning:

- Certain products and services carry a high risk of negative impacts on the environment, society, and various stakeholders.
- It is incompatible with our role as a responsible investor, a long-term investment perspective, and with investing for a sustainable future.
- Certain products and services involve elevated sustainability risks in companies' value chains, where we assess that these risks are not manageable.
- Companies where more than 5% of revenue comes from thermal coal extraction or more than 30% from coal-based power generation.
- Companies involved in cigarette production.
- Companies confirmed, according to the fund company's assessment, to act in violation of international norms and conventions

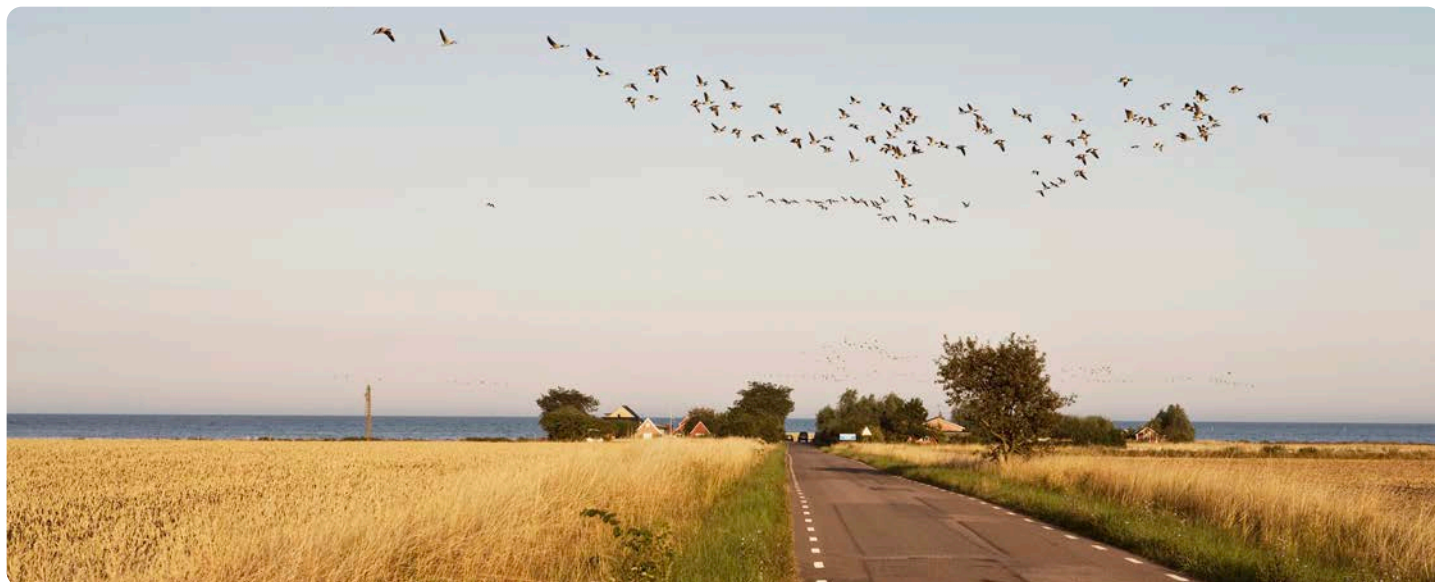
According to the policy, the fund company excludes investments in:

- Companies involved in the manufacture or distribution of weapons prohibited under international law, such as cluster munitions, landmines, biological and chemical weapons.
- Companies involved in the production or distribution of nuclear weapons.

In addition to what the fund company excludes according to the Policy for shareholder engagement and responsible investment, the fund company offers two main levels of exclusion: basic and enhanced. Read more about these in our Exclusion strategy [here](#).

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Increase positive impacts by including

Making investments that contribute to sustainable development can support long-term value creation for our customers and society.

We therefore apply a combination of tools, such as:

- Sustainable Investments: companies that operate sustainably or whose products and services contribute to or enable positive effects for environmental or social goals. Sustainable and Sustainability-Linked Bonds.
- Impact investments: investments intended to create positive, measurable impact on society, climate, and the environment.
- Companies in transition: companies that contribute to the transition to a low-carbon economy in line with the Paris Agreement goals.

Sustainable Investments under SFDR

A sustainable investment is defined under SFDR* as an investment in an economic activity

*EU Regulation 2019/2088, Regulation on sustainability-related disclosures in the financial services sector (SFDR).

that contributes to an environmental or social objective, provided that the investment does not significantly harm any other environmental or social objective and that the investee companies follow good governance practices. Read more about methods and definitions [here](#).

Contributes to an environmental or social objective

According to the criteria established by Handelsbanken Fonder, an investment must meet at least one of the following criteria to qualify as contributing to an environmental or social objective:

- The company or issuer has at least 25% of its revenue linked to an environmental or social goal that supports the UN Sustainable Development Goals in Agenda 2030.
- The company or issuer has at least 20% of its revenue aligned with the EU Taxonomy.
- The investment is a sustainable bond or a sustainability-linked bond where the financial and/or structural characteristics are tied to predefined sustainability targets.
- The company has been assessed as an impact investment within one of our impact categories.
- Funds with the objective of reducing carbon emissions and other greenhouse gases, disclosed under Article 9.3 of SFDR, must

be managed in accordance with an index registered as an EU Paris-Aligned Benchmark (PAB index).

Do no significant harm (DNSH)

To ensure the principle of not causing significant harm, Handelsbanken Fonder considers and assesses:

- That the company is not involved in controversial sectors and specific PAI indicators (Principal Adverse Impact), such as fossil fuels and controversial weapons.
- That the company has not been confirmed to act in violation of international norms and conventions.
- That the investment does not cause significant negative impacts on sustainability factors (PAI), assessed through the fund company's internal PAI tool.
- Which other products and services the company is involved in and whether these significantly counteract sustainable development.

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Sustainable and Sustainability-Linked Bonds

Investing in Sustainable bonds is a way to directly finance companies working on solutions that contribute to the UN Sustainable Development Goals. When we invest in bonds categorized as green or sustainable, we actively seek investment opportunities that provide clear added value. Investments are directed toward project goals considered essential within the sector, in the market, and aligned with our overall strategy.

We also carry out engagement activities in this area and have had many dialogues with companies and banks to inform them about the types of projects we want to see more of and the sustainability parameters where we want greater transparency.

In addition to investing in sustainable bonds, our fixed income funds invest in sustainability-linked bonds. These bonds facilitate responsible financing of a company's transition, tied to predefined sustainability targets that the company must achieve, along with ongoing reporting of its progress.

Impact investments according to GIIN

Impact investments are made with the intention of generating positive, measurable impact on society, climate, and the environment, alongside financial returns. Agenda 2030 and the Global Goals guide us in how we can invest to achieve such positive impact. An analysis of what is sustainable at both local and global levels is fundamental for sound management of financial risks and returns.

GIIN: Handelsbanken Fonder is a member of the Global Impact Investing Network (GIIN). It is a global network that brings together impact investors with the aim of sharing knowledge, methods, and developing tools for impact investing.

Read more [here](#).

Companies in transition

We want to be part of the transition to a low-carbon world and see several investment opportunities in companies shifting from fossil energy production to renewable energy. We have therefore decided that we can accept some exposure to fossil fuels if the company meets our requirements to qualify as a transition company. This applies to most of our funds.

The requirements apply to companies in power generation, transmission, and distribution of electricity and gas.

Read more about our requirements and the companies approved as transition companies [here](#).



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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

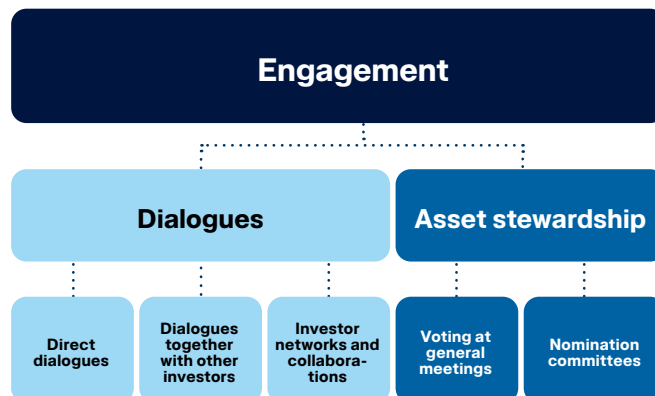
A strength of these dialogues is that several investors together represent a larger ownership share and send clear signals to companies about investor expectations on a specific issue. These dialogues are often led by a service provider, either around specific themes such as human rights or climate, 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.

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



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

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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.

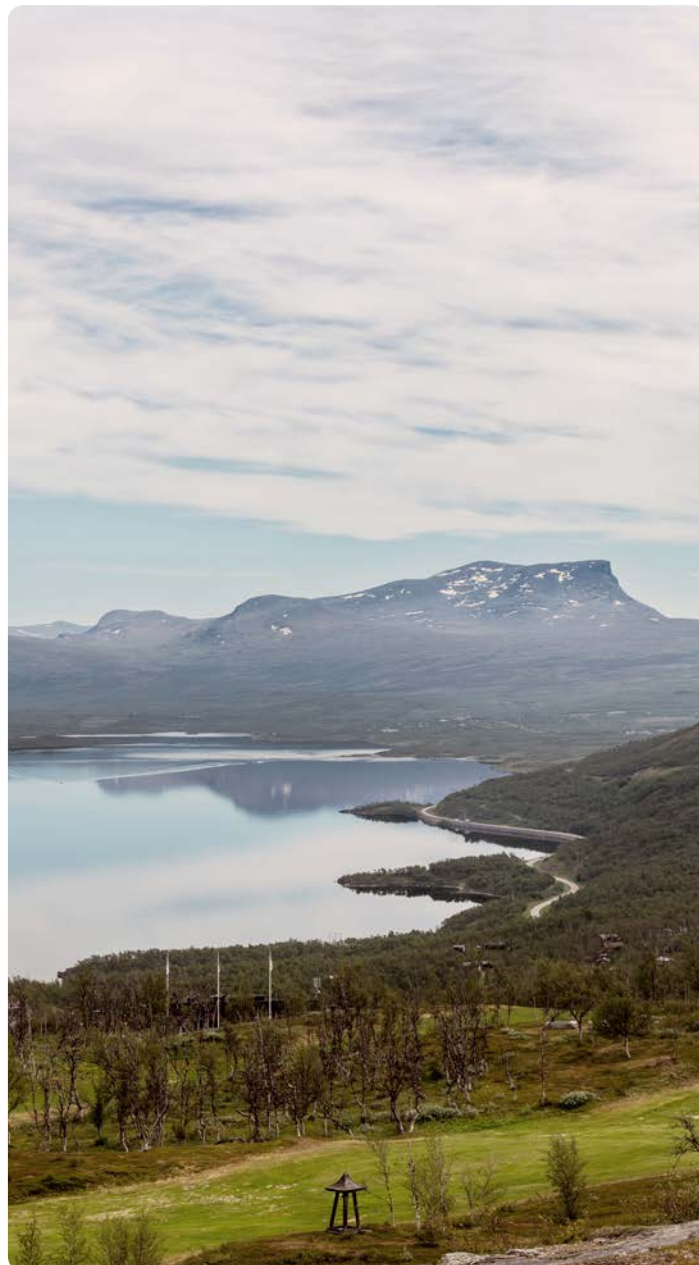
As a long-term investor across many markets and sectors, we see these issues as essential to understand and manage. We are exposed to these risks in various ways—most concretely through our investments in companies in sectors with high risk and impact within each theme.

For more information about thematic engagement, see our strategies for climate, biodiversity, and human rights 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.

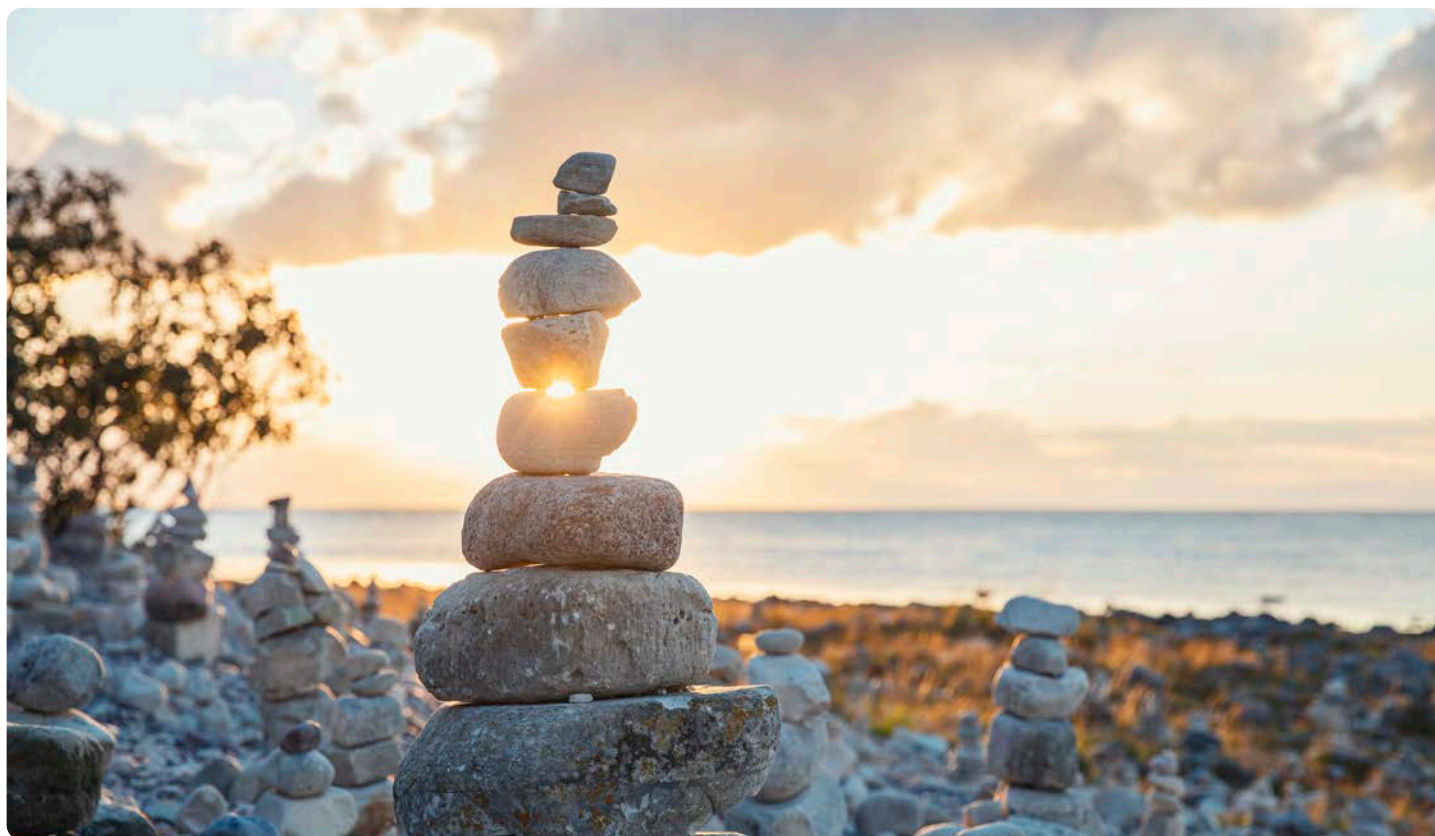
Corporate governance, business ethics, and compliance

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.

About risk

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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.

About risk

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Goals and metrics

Our goals and metrics help us steer, monitor and evaluate how our sustainability strategy is implemented and what results it delivers.

Investment portfolios aligned with the Paris Agreement

Goal:
Net zero greenhouse gas emissions by 2040



How we will achieve the goal

Reduce emissions in our total fund portfolio

Invest in environmental and climate solutions



Interim targets

Interim target 1
-50%



Interim target 2
x2

Contributing to Agenda 2030

Goal:
Increase our contribution to Agenda 2030



How we will achieve the goal

Invest in solutions

Drive engagement for change



Interim targets

Interim target 3
+30%



Interim target 4
+

Interim target 1.

To meet our customers' needs with relevant products that support the transition and to account for significant sustainability risks in investment decisions, we have set an interim target to reduce the carbon footprint of our total investment portfolio by 50% by 2030 compared to the base year 2020.

Interim target 2.

To succeed in the transition, large investments are needed in solutions that either directly reduce or remove emissions, or indirectly enable emission reductions in other parts of the economy. Therefore, we aim to double our investments in environmental and climate solutions by 2030 compared to the base year 2020.

Interim target 3.

We aim to increase the share of sustainable investments by 30% by 2025 compared to the base year 2020.

Interim target 4.

- By 2030, engage in dialogue with companies that account for 70% of the fund company's total financed emissions and are not yet aligned with a net-zero pathway.
- Between 2025 and 2030, conduct at least 20 engagement dialogues annually on biodiversity with selected portfolio companies in priority sectors.
- Between 2025 and 2030, conduct annual engagement dialogues on human rights with 20 selected portfolio companies in priority sectors.

About risk

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Outcome 2024

Result for interim target 1: Reduce the carbon footprint of our total investment portfolio by 50%

During the period 2023–2024, the fund company recorded a reduction in Scope 1, 2 and 3 emissions of almost 18% compared to 2023, which corresponds to a decrease of approximately 31% since the base year 2020. The reduction for the year is mainly explained by re-allocations within the portfolio rather than actual emission reductions by individual companies. However, we note that 70% of the portfolio's emissions are covered by ambitious climate targets or commitments to set such targets, and we expect significant reductions in companies' emissions going forward. Read more in Handelsbanken Fonder's Climate Report [here](#).

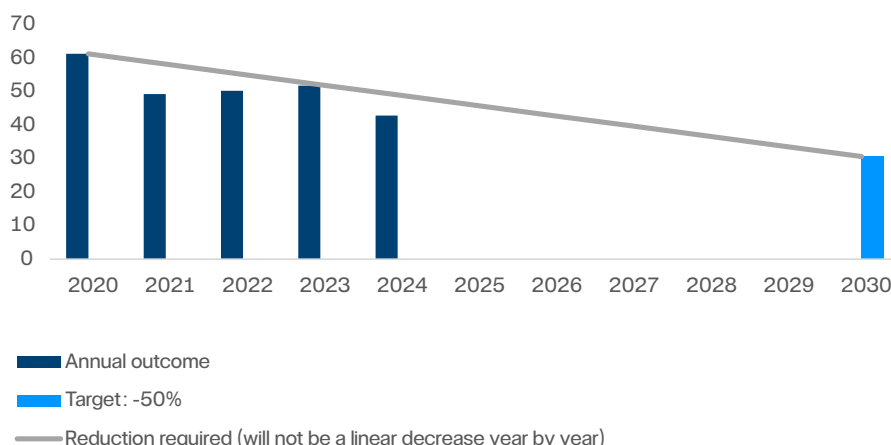
Result for interim target 2: Double our investments in environmental and climate solutions by 2030

The share of investments in environmental and climate solutions decreased during the year from 20.7% to 18.1%. This development is primarily explained by how customers chose to allocate their capital between different funds and strategies, which affected the overall portfolio composition. One way we contribute to environmental and climate solutions is by investing in bonds issued by companies and other actors with the purpose of financing improvements in environment and climate. At the end of 2024, holdings in green, sustainable and social bonds amounted to SEK 63.7 billion for the entire fixed income management, an increase of SEK 11.4 billion compared to the previous year. Of these, SEK 61.4 billion were holdings in bonds classified as contributing to environmental and climate solutions, which is an increase of 20.6% compared to 2023.

Result for interim target 3: Increase the share of sustainable investments

The share of sustainable investments also decreased slightly, from 43.2% to 42.1%, but remains at a high level relative to the fund company's total investment portfolio.

GHG/EVIC
(tCO₂e/MSEK)



Work continues to increase long-term investments that contribute to environmental and climate goals in accordance with Agenda 2030.

Result for interim target 4: Engagement dialogues

Direct dialogues

In 2024, we conducted 150 direct dialogues with companies, a decrease from 199 in 2023. The reduction is explained by a combination of factors. One main reason is that fewer proactive dialogues were carried out during the year in favour of allocating more resources to further developing the engagement strategy, its goals, and methods for selection and prioritisation. Read more [here](#) about which dialogues these are, the topics addressed, and the objectives of the dialogues.

Dialogues together with other investors

In addition to our own direct dialogues, the fund company, together with other investors, participated in dialogues with 448 companies in 2024, an increase from 388 in 2023. Of these dialogues, 268 addressed biodiversity issues, 181 addressed climate issues, and 52 addressed human rights and labour rights. A large proportion of these dialogues are conducted, on behalf of the fund company,

by an external party and concern suspected breaches of international norms related to human rights, the environment or anti-corruption. Each dialogue on suspected norm violations is goal-oriented and followed up regarding the companies' transparency, implementation of relevant policies and processes, and measures taken to address any violations. Of the norm-related dialogue issues raised in 2024, our service provider assessed that companies demonstrated sufficient transparency in 71% of cases. In 69% of cases, companies stated that they have changed, or will change, policies and processes. 26% have committed to remedy and compensate for the suspected violations, a further 38% have initiated actual measures, and 2% have fully addressed the violations. Read more about the dialogues together with other investors conducted during the year [here](#).

Investor networks and collaborations

During the year, the fund company participated in or supported 30 initiatives and collaborations. Read more about which initiatives and collaborations these are, and which sustainability issues they address [here](#).

About risk

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Nomination committees and general meetings

Corporate governance	2024	2023	2022	2021	2020
Nomination committees	66	68	70	47	41
Share of seats filled by women, %	74	75	73	79	71
General meetings*	1 275	977	1 163	1 029	647
Of which Swedish companies	364	311	302	338	238
Of which foreign companies	911	666	861	681	409

* On 1 April 2020, funds previously managed by Xact Kapitalförvaltning were transferred to Handelsbanken Fonder AB.

Voting in 2024

During the year, the fund company voted at 1,275 general meetings. Read more about how we voted [here](#).

Nomination committee

Ahead of the 2024 meetings, the fund company participated in 66 nomination committees. In 2024, 74% of our nomination committee seats were filled by women.

Examples of how we voted in 2024

Animal welfare – Proposal at McDonald’s AGM

Shareholders once again requested McDonald’s to disclose its “15 Key Animal Welfare Indicators” and explain how these are used to measure and improve animal welfare. McDonald’s has previously stated that it has and uses these 15 indicators, but has not disclosed what they are or how they are monitored. Shareholders believe there are no valid reasons why this information cannot be shared.

Handelsbanken Fonder believes that if a company has metrics to monitor an important policy area, it should be transparent about them. We consider this an important part of corporate accountability and therefore voted in favour of the proposal.

Social issues – Proposals at Meta’s AGM

At Meta’s 2025 annual general meeting, we voted in favour of several shareholder proposals clearly linked to social and societal issues. These proposals concerned, among other things, how the company handles hate speech, child safety online, the spread of manipulated content (deepfakes), and the use of data in connection with the development of artificial intelligence.

These issues are highly significant for both user safety and rights, as well as for the company’s long-term trust and sustainability. By supporting increased transparency and accountability, we aim to encourage Meta to take more proactive responsibility for the social consequences of its services and technology solutions.



We therefore voted in favour of all these shareholder proposals, which aim to:

- Increase reporting on the company’s efforts to combat hate speech
- Provide disclosure and targets to strengthen child safety online
- Ensure transparency regarding technology development for detecting deepfakes
- Disclose risks related to data collection in AI development

All these initiatives are considered to give shareholders better insight into how Meta manages material social risks and contribute to a more responsible business strategy.

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In the photo: Farzad Ashouri Mehranjani, sustainability analyst at Handelsbanken Fonder; Frej Örnberg, sustainability analyst at Handelsbanken Fonder; Anna Zetterström Bellander, sustainability analyst at Handelsbanken Fonder; and Aurora Samuelsson, Head of sustainability at Handelsbanken Fonder. The team also includes Filippa Annersten, sustainability analyst at Handelsbanken Fonder.

The Sustainability team – expert support in the Fund Company’s asset management

Within the fund company, there is a dedicated sustainability team consisting of five members. The team has broad and deep experience in sustainability issues from various roles and organisations, such as fund companies, banks, insurance companies, and providers of sustainability data. With its combined expertise, the team serves as an expert resource in asset management, ensuring that relevant sustainability data is available and correctly interpreted.

The sustainability team also acts as a sounding board in assessing sustainability risks and opportunities – an important part of portfolio managers’ investment decisions. In addition, the team has extensive knowledge of current and upcoming regulations in the sustainability field.

The team is led by the fund company’s Head of Sustainability, with over 20 years of experience in company analysis and engagement dialogues from a sustainability perspective. The group consists of experienced professionals with deep knowledge of issues related to climate, human rights, international norms, biodiversity, and sustainability risks. The team also has expertise in data management, analysis, and adapting strategies based on insights from data, and works actively with engagement dialogues, voting at general meetings, and collaborations.

Together with portfolio managers, the sustainability team conducts various types of sustainability dialogues and actively contributes to integrating sustainability into the investment process.

About risk

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Examples from our operations

Investing in a changing world with geopolitical uncertainty and conflict

Our sustainability strategy, together with our methods and tools, aims to manage risks and opportunities in an ever-changing environment, including geopolitical tensions and conflicts.

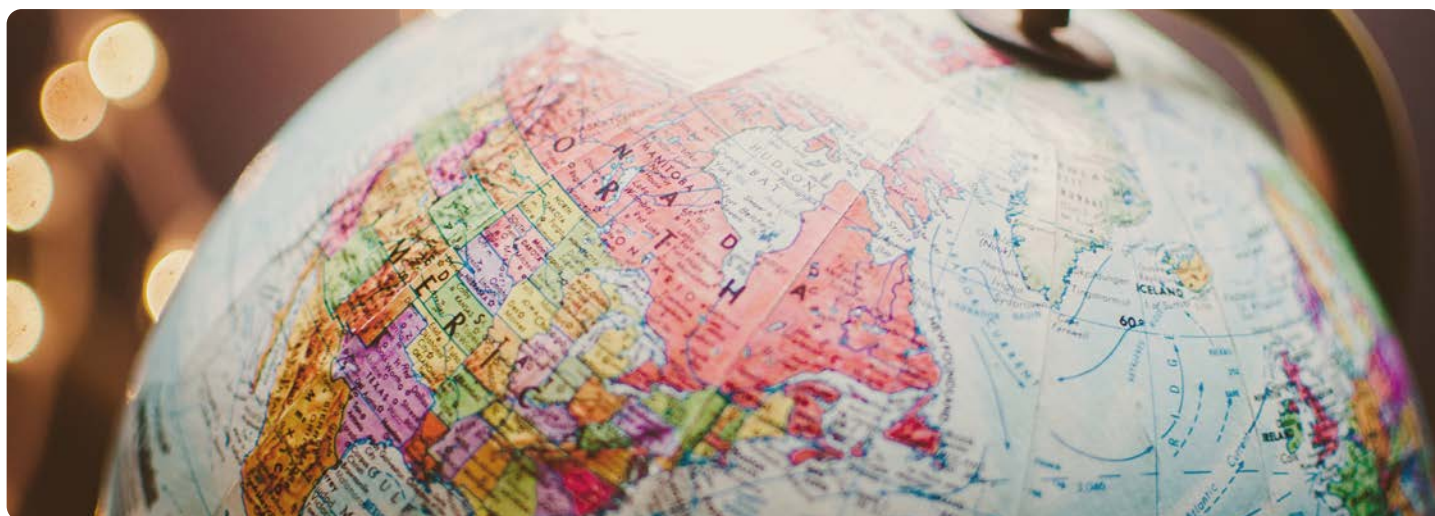
Companies operating in conflict-affected and high-risk contexts face an increased risk of causing or contributing to human rights violations and breaches of international law. However, we do not exclude companies based solely on the country in which they are head-quartered or operate. Instead, we apply the guidelines that govern our asset management and use the risk management tools available to us in different ways, depending on the context and the individual company's role and conduct.

In simplified terms, this can be described as a scale of how we address these issues:

- International sanctions: We comply with EU, UN and OFAC sanction regulations. Companies on these lists are not eligible for investment.
- Exclusion for norm violations: Companies confirmed to violate international norms on human rights, labour rights, environment and anti-corruption are excluded according to our policy.
- Enhanced exclusion: Another way to reduce the risk of exposure to companies that may contribute to or be linked to human rights violations in conflict is to exclude investments in weapons and military equipment beyond prohibited weapons. Read more about our exclusion criteria [here](#).
- Risk management: We analyse large volumes of data and information from various sources. In cases of suspicion, but not confirmed evidence, that a company may have violated international norms, we primarily apply a combination

of risk management tools. This may include conducting in-depth analysis and initiating dialogue with the company to understand what has happened and communicate our expectations for responsible conduct. In some cases, analysis shows that a company has not acted illegally but has acted inappropriately or unethically. Even in these cases, engagement is a tool we apply. This can lead to improvements or divestment.

- Engagement: We engage in dialogue with companies and civil society, both independently and in collaboration with expert organisations and investors. Human rights and conflict areas are high priorities. Recently, we participated as a lead investor in a project to develop guidance on risk management in conflict environments.



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Handelsbanken Fonder and ESG4Real – a step towards more transparent and balanced sustainability analysis

In 2023, Handelsbanken Fonder was certified according to ESG4Real – a non-commercial initiative aimed at establishing a quality-assured minimum level for responsible asset management. The certification means that Handelsbanken Fonder meets a set of fundamental requirements for ESG analysis and integration in the investment process.



ESG4Real was founded in 2015 by Bantorget Förvaltning in Sweden together with the Dutch trade union FNV. The purpose is to help asset owners invest responsibly by offering a quality-assured method for ESG integration. The model is based on internationally recognised initiatives such as UNPRI, UN Global Compact, UN Guiding Principles for Business and Human Rights, OECD Guidelines for Multinational Enterprises, and the Paris Agreement. The model includes screening against these norms and conventions, as well as requirements that specific ESG criteria are analysed in connection with investment decisions. These criteria are developed based on what is commonly used by established analysis firms, asset managers, and experts.

For Handelsbanken Fonder, the certification means that we have undergone a comprehensive review of our processes for sustainability analysis and that we work according to ESG4Real's requirements for mandatory ESG integration.

This includes systematically incorporating sustainability aspects into investment decisions, documenting and following up our work, and undergoing independent reviews to ensure compliance. The certification also aims to improve transparency and communication between asset owners and asset managers through clearer reporting on key ESG parameters. An important part of the model is to achieve a more balanced analysis of environmental, social responsibility, and governance aspects, where the social dimension is given increased attention. Through ESG4Real, Handelsbanken Fonder gains access to a network of asset owners and managers who share experiences and knowledge, contributing to competence development.

Allowing an independent party to review and quality-assure processes is a way for us to increase transparency in our sustainability work. Read more about ESG4Real [here](#).

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Appendix

Glossary

Sustainable Finance Disclosure Regulation (SFDR)

Since 10 March 2021, Handelsbanken Fonder reports in accordance with EU Regulation 2019/2088, the Regulation on sustainability-related disclosures in the financial services sector (SFDR). 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. To harmonise the provision of information on sustainability-related disclosures, the regulation also includes a definition of sustainable investments, which requires 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.

Article 9 - The fund has sustainable investments or reduction of carbon emissions as its objective.

For funds with sustainable investments as an objective, in addition to contributing positively to an environmental or social goal, the investment must not cause significant harm to any other environmental or social goal and the company must follow good governance practices.

Funds with carbon emission reduction as an objective aim to achieve low exposure to carbon emissions to meet the long-term global warming targets of the Paris Agreement, i.e., limiting global warming to a maximum of 1.5 degrees. These funds follow so-called EU Paris Aligned Benchmarks.

Article 8 - The fund promotes environmental and social characteristics through its investments but does not have sustainable investments as its objective.

Promoting environmental and social characteristics may, for example, mean that the fund considers environment and climate as well as human rights, labour rights and equal treatment.

Article 6 - Sustainability risks are integrated into investment decisions.

Sustainability risks are integrated into investment decisions without the fund promoting environmental or social characteristics or having sustainable investments as its objective.

Article 6 - Sustainability risks are not integrated due to the fund's investment focus.

Due to the fund's investment focus, sustainability risks are not integrated into investment decisions. Examples may include funds that only invest in derivative instruments and liquid assets.

EU Taxonomy: The EU Taxonomy is a classification system that defines environmentally sustainable economic activities, with the aim of providing a common language, preventing greenwashing, and directing investments towards sustainable projects. As an important part of the EU's sustainable finance strategy and climate initiatives such as the European Green Deal and the Fit for 55 package, the taxonomy sets performance thresholds for activities that substantially contribute to one of six environmental objectives, including climate change mitigation and adaptation, while avoiding significant harm to other objectives and complying with social safeguards. It covers revenues, capital expenditures and operating expenditures and is designed to evolve over

time to reflect technological progress and changing environmental priorities.

Net Zero: Net zero refers to achieving a balance between greenhouse gas emissions associated with an investment portfolio and the removal or offsetting of these emissions. This concept is central to aligning investment strategies with global climate goals, particularly the Paris Agreement's goal of limiting global warming.

Financed Emissions: Financed emissions refer to the total greenhouse gas emissions associated with the companies in which the asset manager invests. These emissions are attributed to the asset manager based on ownership in each company, calculated by comparing the size of the investment with the company's enterprise value including cash (EVIC).

Carbon footprint: The carbon footprint is the normalised measure of financed emissions, usually expressed in tonnes of CO₂ equivalent (tCO₂e) per million euro (or other currency) of enterprise value including cash (EVIC). It is interpreted as financed emissions per million euro invested.

Greenhouse Gas Intensity: Greenhouse gas intensity is a measure that expresses greenhouse gas emissions in relation to a company's latest sales figure measured in millions of euros.

Science Based Targets Initiative (SBTi): Science Based Targets-initiativet (SBTi) is a collaboration between CDP (formerly Carbon Disclosure Project), UN Global Compact, World Resources Institute (WRI) and WWF. The initiative aims to help companies set ambitious

targets for reducing greenhouse gas emissions in line with the latest climate science and the goals of the Paris Agreement. By setting science-based targets, companies demonstrate their commitment to reducing their carbon footprint and contributing to the global effort to limit global warming to well below 2°C above pre-industrial levels, striving to limit warming to 1.5°C.

SBTi provides a framework and methodology for companies to set emission reduction targets for their operations (Scope 1 and 2) and value chain (Scope 3). The initiative offers sector-specific guidance to help companies in various industries set targets aligned with the emission reductions required to meet the Paris Agreement goals.

Kyoto protocol: The Kyoto Protocol is an international agreement adopted in 1997 as an extension of the UN Framework Convention on Climate Change (UNFCCC). It sets legally binding targets for emission reductions for industrialised countries to reduce greenhouse gas emissions by an average of 5% below 1990 levels from 2008–2012. It introduced market-based mechanisms such as emissions trading, the Clean Development Mechanism (CDM) and Joint Implementation (JI) to help countries achieve targets cost-effectively.

Paris Agreement: An international climate agreement adopted in 2015 at the UN Climate Conference (COP21) in Paris. The central goal of the agreement is to strengthen the global response to the threat of climate change by keeping the global temperature increase this century well below 2°C above pre-industrial levels and striving to limit the temperature increase even further to 1.5°C.

Agenda 2030 and the Sustainable Development Goals (SDG:s): The UN resolution “Agenda 2030 – Transforming our world” was adopted by the UN General Assembly in 2015. Agenda 2030 consists of 17 global goals and 169 targets and aims to achieve long-term sustainable economic, social and environmental development to eradicate extreme poverty, reduce inequalities and injustices in the world, and combat climate change.

Taskforce on Climate-related Financial Disclosures (TCFD): The Taskforce on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB) to address the lack of consistent and reliable information on companies’ climate-related risks and opportunities. TCFD’s primary goal is to develop a reporting framework that enables companies to provide decision-relevant information to investors, lenders and insurers so they can better assess and price climate-related risks and opportunities.

The TCFD framework is structured around four core elements: governance, strategy, risk management, and metrics and targets. These elements are designed to help companies disclose how they identify, assess and manage climate-related risks and opportunities, as well as the potential financial implications of these issues for their business.

Impact reports

During 2024, we published three impact reports that provide insight into how our investments can contribute to positive social and environmental benefits while striving for good financial returns.

Handelsbanken Global Impact, read the report [here](#).

Handelsbanken Global Obligation, read the report [here](#).

Handelsbanken Latinamerika Impact Tema, read the report [here](#).

Approved companies in transition

To read about which companies are approved as companies in transition, read more [here](#).

Direct and collaborative dialogues

Read more about our direct dialogues [here](#).

Read more about our dialogues together with other investors [here](#).

Investor networks and collaborations

Read more about investor networks and collaborations [here](#).



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