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About the report

This report is guided by the Taskforce on Nature-related Financial Disclosures (TNFD). Its purpose is to integrate nature-related risks and opportunities into our investment decisions. By applying the TNFD framework, we strengthen our ability to make informed decisions that consider the value of nature and long-term sustainability.

Handelsbanken Fonder AB consists of three business areas: active management, passive management, and allocation management. At the end of 2024, the total assets under management in these funds amounted to just over SEK 1,058 billion.

About TNFD

The Taskforce on Nature-related Financial Disclosures (TNFD) is a working group focused on nature-related financial reporting. TNFD has developed recommendations and guidance that encourage and enable companies and the financial sector to identify, assess, report, and act on their dependencies on nature, as well as the impacts, risks, and opportunities related to biodiversity and ecosystem services. Learn more [here](#).

Nature and biodiversity

Biodiversity is declining at an accelerating pace across the globe. Wildlife and plant life are under threat, and climate change is disrupting fragile ecosystems. As part of the financial system and a manager of our customers' savings, Handelsbanken Fonder has a role to play in supporting a development that preserves and protects the value of nature.



The significance of nature for us as investors

Biodiversity and functioning ecosystems are fundamental to the long-term prosperity of societies and businesses—and therefore also to the value of our investments. By offering our clients funds and asset management that take nature-related risks and opportunities into account, we as a fund company have the opportunity to contribute to positive development while safeguarding long-term value creation.

This report outlines our work on nature and biodiversity during 2024, as well as our strategy for identifying, managing, and reducing our indirect impact on nature through our investments. We are in the early stages of developing a biodiversity strategy, but have already taken important steps, including mapping the portfolio's impacts and dependencies, and engaging in dialogues with companies in priority sectors.

Our goal is to conduct at least 20 biodiversity-related engagement dialogues annually with selected portfolio companies through 2030. In 2024, we conducted 15 direct dialogues and participated in several

collaborative initiatives. Our ambition is to develop reporting in line with the TNFD framework and contribute to the global goals of the Kunming-Montreal Framework.

We recognize that working with biodiversity is complex and rapidly evolving, but we are firmly committed to continuing our efforts through concrete actions, collaboration, and increased transparency. Our goal is to generate strong long-term financial returns by integrating nature-related aspects into our investment processes.

Kunming-Montreal-framework:

The agreement was adopted in December 2022 by 196 countries under the UN Convention on Biological Diversity. It aims to halt and reverse biodiversity loss by 2030 and includes four overarching goals for 2050. The framework serves as global guidance for countries, companies, and investors in their efforts to protect natural capital and ecosystem services.

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.

The year in review

Sustainability is central to Handelsbanken Fonder's asset management. Below are some key figures that illustrate our work on nature and biodiversity, and its effects during 2024.

15 direct dialogues

Conducted with priority companies regarding biodiversity.

First Swedish actor

Handelsbanken Fonder was the first Swedish fund company to join the Business Coalition for a Global Plastics Treaty.



SEK 1,058 billion

Assets under management by Handelsbanken Fonder, representing approximately 89 per cent of the bank's total asset management.



44 companies

Identified in an initial screening as potential candidates for biodiversity-related engagement.



6 AGMs

Where Handelsbanken Fonder voted on issues related to biodiversity in 2024.

7 initiatives

Participated in by the fund company, focused on biodiversity. Two of these targeted overexploitation of natural resources on land and at sea, and three focused on pollution.

268 collaborative dialogues

Held with companies on issues related to biodiversity.

New target

From 2024 onwards, we commit to conducting at least 20 biodiversity-related engagement dialogues annually with selected portfolio companies through 2030.



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Policy and Commitment

Policy and Criteria

Through its operations and business relationships, Handelsbanken aims to promote sustainable and circular business models that consider biodiversity, encourage efficient use of natural resources, and minimize negative environmental impact. The transition to a circular economy is seen as a key opportunity to reduce resource use and thereby limit environmental and climate impact.

Handelsbanken Fonder's Policy for Shareholder Engagement and Responsible Investment defines the fund company's strategies for engagement and responsible investment. The fund company considers the principal

adverse impacts of investment decisions on sustainability factors across nearly all of its management. Read more in our Policy for Shareholder Engagement and Responsible Investment [here](#).

The fund company excludes certain products and services associated with high risks of having negative impacts on the environment, society or stakeholders. By excluding products and services deemed to carry significant risk, the fund company actively avoids activities directly linked to biodiversity loss. In addition to exclusions, the fund company actively engages in stewardship and engagement on sustainability issues. Read more about our exclusions [here](#).

According to Handelsbanken Fonder's Voting Policy, the fund company is generally supportive of shareholder proposals aimed at increasing transparency and reporting in the areas of climate and biodiversity. The policy also emphasizes the importance of companies mapping how their operations affect and depend on biodiversity, and reporting this openly along with actions taken—preferably in line with TNFD's reporting guidelines. Read more in our Voting Policy [here](#).

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Governance

Board responsibilities

The Board of Directors of Handelsbanken Fonder is responsible for overseeing the sustainability strategy, which includes nature and biodiversity. The Board reviews and approves the Policy for Shareholder Engagement and Responsible Investment, which governs the management of our assets. This policy also sets the strategic framework for our voting behavior at annual general meetings and our participation in nomination committees.

Management responsibilities

Handelsbanken Fonder's Management is responsible for monitoring and developing the company's work on nature and biodiversity, including governance and strategy development. The Head of Sustainability is responsible for developing strategies and policies, as well as methods and tools related to nature-related risks and opportunities. This includes keeping the organisation informed about global trends and industry developments in the field of nature and biodiversity.

Governance structure

Handelsbanken Fonder's governance structure for managing nature-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), Head of Products, Heads of Asset Management, and specialists, makes decisions on sustainability-related matters, such as method development and assessments of companies in relation to exclusion criteria. Progress and monitoring of our sustainability goals are regularly reported in the Sustainability Risk Forum, which includes the CEO, Head of Products, Heads of Asset Management, Head of Compliance, Chief Risk Officer, and Head of Sustainability.

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Strategy

Societies, businesses, and the financial sector depend on nature's resources and the ecosystem services it provides. Economies around the world are therefore closely linked to the state of nature. The rapid loss of biodiversity poses a growing threat to both current and future economic development and well-being. In response to this challenge, the conservation and restoration of nature has become a global priority.



Our nature strategy

Our strategy aims to address the most material nature-related risks and opportunities. By identifying and managing these, companies and financial actors can reduce their own risks and contribute to a more resilient financial system. A key milestone in this effort is the Kunming-Montreal Global Biodiversity Framework, adopted in 2022 by 196 countries. The framework includes four overarching goals for 2050, including halting human-driven species extinction, ensuring sustainable use of biodiversity, equitable resource sharing, and closing the annual biodiversity financing gap of USD 700 billion.*

The Taskforce on Nature-related Financial Disclosures (TNFD) is a global initiative launched in 2021, building on the structure of the Task Force on Climate-related Financial Disclosures (TCFD), with a focus on governance, strategy, risk management, and metrics and targets.

TNFD has developed a framework with recommendations and guidance to help companies and the financial sector assess, report, and act on their nature-related dependencies, impacts, risks, and opportunities. Handelsbanken Fonder has used this framework to guide its biodiversity reporting and aims to continue developing its reporting in line with TNFD's recommendations.

Impacts, risks, and opportunities

Handelsbanken Fonder has conducted an initial portfolio-level analysis to identify which nature-related issues are most relevant to our investments. The analysis is based on how the portfolio, through exposure to different sectors, may affect and depend on nature and its ecosystem services. This provides guidance on which sectors and areas are particularly important to evaluate further. The analysis is based on research-driven assumptions about how different sectors

generally affect ecosystem services and which services their production processes depend on. The assessment is made at a global and sector level and does not consider individual companies or geographic differences. The mapping was conducted using the Encore tool, developed by Global Canopy, UNEP FI, and UNEP-WCMC.

Global Canopy: A non-profit organisation that provides data to increase transparency and support better decision-making related to deforestation and biodiversity protection.

UNEP FI (United Nations Environment Programme Finance Initiative): A partnership between the UN Environment Programme and the global financial sector aimed at promoting sustainable development within the economy and financial industry.

UNEP-WCMC (United Nations Environment Programme World Conservation Monitoring Centre): A global centre of expertise focused on biodiversity, nature's contributions to society, and the monitoring and analysis of conservation efforts.

* www.financeforbiodiversity.org/wp-content/uploads/Finance-and-Biodiversity-COP15.pdf

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The results show that the greatest potential impact from our total investment portfolio on the environment is linked to:

- Greenhouse gas emissions
- Use of terrestrial ecosystems
- Water use and impact on freshwater ecosystems

An analysis of sector-based risk exposure reveals that investments in manufacturing companies are the largest contributing factor to the overall risk of impact on greenhouse gas emissions.

The most significant potential ecosystem-related dependencies in the fund company's total investment portfolio are linked to water resources:

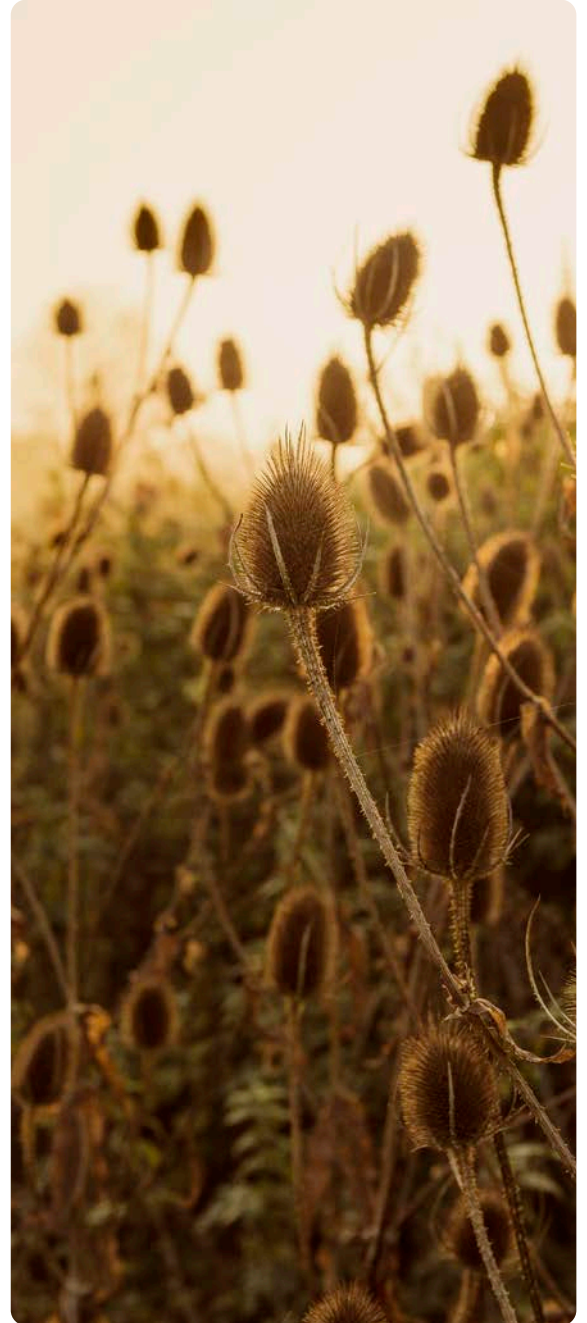
- Groundwater
- Surface water
- Water flow regulation

In addition, the portfolio is associated with potential dependencies related to ecosystem services that help mitigate the effects of climate change and support climate adaptation:

- Mass stabilization and erosion control
- Protection against floods and storms
- Climate regulation

Again, the manufacturing sector accounts for the largest potential dependencies on ecosystem services in the fund company's total investment portfolio.

In summary, the mapping identifies the sectors and issues most relevant for the fund company to focus on going forward.



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Our nature strategy

Our nature strategy rests on three main pillars, where we recognize that as asset managers, we have a responsibility to manage risks and opportunities related to nature and biodiversity.

1 Reduce negative impact on nature



Why

As asset managers, we have a responsibility to understand and reduce the negative impact of our investments on nature, biodiversity, and the ecosystem services that support both society and the economy.

Target

No specific target has been adopted. However, since nature and climate are closely linked, our target to reduce the carbon footprint of our total investment portfolio by 50% by 2030 is also relevant and guiding for our work on nature and biodiversity.

Our methods and tools

- We monitor, report, and manage indicators (PAI indicators) relevant to biodiversity as part of our SFDR-related work and reporting.
- We exclude companies that have been found to violate international environmental norms.
- We exclude investments in oil sands due to the technology's significant negative impact on both emissions and nature.
- We exclude fossil fuels from our investments.

2 Invest in solutions for nature



Why

Significant investments are needed in solutions that help halt and reverse biodiversity loss. That is why we invest in environmental and climate solutions.

Target

We aim to double our investments in environmental and climate solutions by 2030.

Our methods and tools

- We invest in companies that develop products and services that directly contribute to or enable positive outcomes for nature and biodiversity.
- We develop and offer products that support this goal, such as our actively managed impact funds.
- We invest in green bonds and sustainability-linked bonds.
- Over 98% of our funds integrate sustainability into their processes and have individually defined minimum levels of sustainable investments, including environmental, climate-related, and socially sustainable investments.

3 Engage



Why

Active ownership is a central part of our strategy for nature and biodiversity. We have therefore developed a stewardship and engagement strategy specifically for this area.

Target

Between 2025 and 2030, we aim to conduct at least 20 biodiversity-related engagement dialogues annually with selected portfolio companies in priority sectors.

Our methods and tools

- We conduct direct dialogues with priority companies. (Read more on page 12.)
- We participate in initiatives and collaborations with selected companies in sectors with significant impact on nature and biodiversity. (Read more on page 20.)
- We support calls to action and engage in industry initiatives on issues such as reducing pollution from plastics and chemicals. (Read more on page 20.)
- We vote at annual general meetings. (Read more on page 12.)

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Methods and tools

Portfolio analysis of nature-related impacts and dependencies

Handelsbanken Fonder has analysed and evaluated its holdings using Encore, a tool designed to support the understanding and management of nature-related risks. Encore illustrates how different industries impact nature and how dependent they are on ecosystem services – that is, the functions and resources provided by nature. The tool is specifically developed for financial actors to identify environmental risks in their investments and align their operations with global environmental goals.

Encore is a collaboration between Global Canopy, the UN Environment Programme Finance Initiative (UNEP FI), and the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC). Its purpose is to contribute to a global financial system that benefits both nature and people, and that supports the implementation of international frameworks such as the Kunming-Montreal Global Biodiversity Framework. The analysis is based on the principle of double materiality: how economic activities both affect and depend on nature.

The analysis shows how various business activities are dependent on ecosystem services. This is mapped through scientific studies and expert assessments, where each connection is evaluated based on the importance of the ecosystem service. It also examines which parts of ecosystems contribute to the functioning of these services, taking into account different habitat types according to the global classification system developed by the International Union for Conservation of Nature (IUCN). A colour-coded system (red, yellow, green) is used to indicate the significance of different ecosystem compo-

nents. In addition, the analysis identifies how business activities impact nature, based on the five main drivers of biodiversity loss as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)*:

- Land and sea use change
- Direct exploitation of organisms
- Climate change
- Invasive alien species
- Pollution

These connections are also identified through research and expert judgment, and each is assessed based on its significance. Encore shows how these impacts lead to changes in the condition of ecosystems and links them to specific parts of nature.

Sustainable investments and investments in climate and nature solutions

Handelsbanken Fonder reports in accordance with the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), which includes the disclosure of sustainable investments. A sustainable investment is defined by the regulation as an investment in an economic activity 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. In the fund company's application, a sustainable investment can thus be a company that derives at least 25 percent of its revenue from activities contributing to an environmental or social objective under Agenda 2030, or at least 20 percent of revenue aligned



with an environmental objective under the EU Taxonomy. Alternatively, a sustainable investment can be assessed as an impact investment or an investment in a sustainable bond. For more information about the methods, details, and other criteria applied in accordance with the SFDR, please read more [here](#).

All of the fund company's investment products reported under SFDR Article 8 and 9 have a commitment to a minimum proportion of sustainable investments, with a specifically set level for each fund. Through these commitments, the fund company works to maintain a high level of sustainable investments, including investments in climate and environmental solutions.

*Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Service

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Engagement Work Nature and biodiversity

Foundation for our engagement activities

Biodiversity loss entails both risks and opportunities for us as asset managers, since we invest in companies whose activities and value chains may negatively impact or depend on nature and ecosystems in various ways. Engagement dialogue is among the most important sustainability tools available to financial actors to address their indirect impact across the value chain. Accordingly, within the scope of the fund company's work on biodiversity, we have developed a specific engagement target. Our nature-related engagement strategy prioritizes the use of our resources where we have relatively large ownership and influence, and where collaboration with others can help address the drivers behind biodiversity loss.

Target: Between 2025 and 2030, we aim to conduct at least 20 biodiversity-related engagement dialogues annually with selected portfolio companies in priority sectors.*

* Priority sectors where these issues are material include food, chemicals, manufacturing, mining, pulp and paper, and aquaculture. Companies within these sectors undergo a selection process based on an assessment of risk and performance across various sub-issues.

For companies where biodiversity is assessed as a material issue, our overarching expectations are as follows:

Ambition: Publicly commit to minimizing contributions to key drivers of nature loss and to conserving and restoring ecosystems at the operational level and throughout value chains by 2030.

Assessment: Assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities at the operational level and throughout value chains.

Targets: Set time-bound, context-specific, science-based targets informed by risk assessments of nature-related dependencies, impacts, risks, and opportunities. Report annual progress towards these targets.

Implementation: Develop a company-wide plan to achieve the targets, prioritizing rights-based approaches and collaboration with Indigenous peoples and local communities where they are affected. Report annual progress towards the plan.

Governance: Establish board oversight and define management's role in assessing and managing nature-related risks, impacts, dependencies, and opportunities.

Engagement: Collaborate with external parties, including actors across value chains, industry organizations, policymakers, and other stakeholders, to create an enabling environment for implementing the plan and achieving the targets.

Our overarching expectations are based on those of Nature Action 100 and are adjusted depending on the sector, activity, and value chain, and on how the specific company impacts or is impacted by biodiversity loss. We use all types of tools within our stewardship strategy to manage nature-related risks and opportunities identified as part of our sustainability efforts.



Priorities in Biodiversity Engagement

Within thematic collaborative engagement, where we work together with other investors, we place particular emphasis on issues such as pollution from chemicals and plastics, as well as the overexploitation of natural resources on land and at sea. Reactive engagement is prioritized in cases of suspected environmental norm violations and where our sustainability data indicates poor performance in biodiversity. In our proactive engagement efforts, we encourage more companies to take the next step in assessing, understanding, managing, and reporting on their nature-related dependencies and impacts. The importance of respecting the unique role and rights of Indigenous peoples in biodiversity work is a priority across thematic, reactive, and proactive engagement efforts.

Voting as a form of engagement

We are generally supportive of shareholder proposals aimed at increasing transparency and reporting on climate and biodiversity. For biodiversity, the fund company encourages companies to map how their operations affect and depend on biodiversity, and to report transparently on this and any actions taken, preferably in line with TNFD's reporting guidelines.

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Goals and metrics

Our goals and metrics serve to guide and monitor the implementation and outcomes of our nature strategy, enabling us to evaluate whether it is steering us in the right direction.

1 Reduce negative impact on nature



50% We intend to reduce the carbon footprint of our total investment portfolio by 50 per cent by 2030.

Since nature and climate are closely interconnected, our goal to reduce the carbon footprint of our total investment portfolio by 50 per cent from the base year 2020 to 2030 is also relevant and guiding in our work with nature and biodiversity.

2 Invest in solutions for nature



X2 We aim to double our investments in environmental and climate solutions by 2030.

Significant investments are needed in solutions that help halt and reverse biodiversity loss. Therefore, we intend to double our investments in environmental and climate solutions from the base year 2020 to 2030.

3 Engage



20 We aim to conduct at least 20 biodiversity-related engagement dialogues annually with selected portfolio companies in priority sectors between 2025 and 2030.



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Principal Adverse Impact Indicators

As asset managers, we recognize our responsibility to understand and reduce the negative impact of our investments on nature, biodiversity, and the ecosystem services that support humanity and the economy. Therefore, we monitor, report, and manage indicators (PAI indicators) relevant to biodiversity as part of our SFDR-related work and reporting.

In its supplementary guidance for financial institutions, the Taskforce on Nature-related Financial Disclosures (TNFD) provides a mapping

of how the EU's Sustainable Finance Disclosure Regulation (SFDR) relates to TNFD's metrics. SFDR is an EU regulation designed to help investors assess how sustainability risks are integrated into investment decision-making processes. It includes several mandatory indicators for principal adverse impacts (PAI).

Handelsbanken Fonder has chosen to include a number of voluntary indicators, in addition to the minimum requirements, to provide a broader disclosure of nature-related impacts.

Category	PAI-indicators	Description	Result 2024	Result 2023
Climate change	Table 1, indicator 1 Greenhouse gas emissions	Scope 1 Greenhouse gas emission	1 370 306 tCO ₂ e	1 468 047 tCO ₂ e
	Table 1, indicator 1 Greenhouse gas emissions	Scope 2 Greenhouse gas emission	472 673 tCO ₂ e	528 705 tCO ₂ e
	Table 1, indicator 1 Greenhouse gas emissions	Scope 3 Greenhouse gas emission	38 036 655 tCO ₂ e	36 336 407 tCO ₂ e
	Table 1, indicator 1 Greenhouse gas emissions	Total Greenhouse gas emission	39 879 635 tCO ₂ e	38 333 158 tCO ₂ e
Land/Water/Marine resource use	Table 2, indicator 10 Land degradation, desertifi- cation or soil sealing	Share of investments in companies causing land degradation, desertification or soil sealing	9,77 %	11,00 %
Land/Water/Marine resource use	Table 2, indicator 15 Deforestation	Share of investments in companies without a defor- estation policy	87,21 %	81,42 %
Pollution/pollution reduction	Table 1, indicator 8 Emissions to water	Emissions to water (weight- ed average tons per invest- ed million EUR)	0,79 t/mEUR	1,40 t/mEUR
	Table 1, indicator 9 Hazardous and radioactive waste	Hazardous and radioactive waste (weighted average tons per invested million EUR)	1,17 t/mEUR	3,27 t/mEUR
	Table 2, indicator 1 Inorganic pollutant emissions	Inorganic pollutant emissions (weighted average tons per invested million EUR)	0,00 t/mEUR	0,00 t/mEUR
	Table 2, indicator 2 Air pollutant emissions	Air pollutant emissions (weighted average tons per invested million EUR)	0,02 t/mEUR	0,02 t/mEUR

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Pollution/pollution reduction	Table 2, indicator 3 Emissions of ozone-depleting substances	Tons of ozone-depleting substances (ODS) per invested million EUR, weighted average	53,81 t/mEUR	0,03 t/mEUR
	Table 2, indicator 13 Non-recycled waste ratio	Tons of non-recycled waste per invested million EUR, weighted average	147,63 t/mEUR	73,79 t/mEUR
Resource use/restoration	Table 2, indicator 6 Water usage and recycling	Water usage and recycling - Average water usage per invested million EUR in revenue	1 453,60 m2/mEUR	1 516,65 m3/mEUR
	Table 2, indicator 6 Water usage and recycling	Weighted average share of recycled and reused water	71,35 %	100,45%
	Table 2, indicator 7 Investments in companies without water management policy	Share of investments in companies without water management policy	70,65 %	17,69%
	Table 2, indicator 8 Exposure to areas of high water stress	Share of investments in companies operating in high water stress areas without water management policy	No data	No data
	Table 2, indicator 11 Investments in companies without sustainable land/agricultural policies	Share of investments in companies without sustainable land/agricultural policies	No data	No data
	Table 2, indicator 12 Investments in companies without sustainable ocean/marine policies	Share of investments in companies without sustainable ocean/marine policies	96,66 %	93,91%
State of nature	Table 1, indicator 7 Activities negatively affecting biodiversity-sensitive areas	Share of investments in companies with activities negatively affecting biodiversity-sensitive areas	1,81 %	1,76%
	Table 2, indicator 14 Natural species and protected areas	Share of investments in companies affecting endangered species	No data	No data
	Table 2, indicator 14 Natural species and protected areas	Share of investments without biodiversity policy in operations in or near protected areas or areas with high biodiversity value outside protected areas	0,63 %	1,23%

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Environmental and climate solutions

An environmental and climate solution investment is an investment that is assessed to contribute to an environmental objective, in line with the goals of Agenda 2030 and the EU Taxonomy. This includes companies whose revenue contributes to an environmental and climate objective (to the extent that the company's revenue is assessed to contribute, for example, 50 percent), as well as sustainable bonds such as green bonds, where the entire borrowed amount is used to finance environmental investments or projects.

Measurement point	2024	2023	2022
Share of investments in environmental and climate solutions	18,10%	20,70%	22,70%
Change from previous year	-2,60%	-2,00%	
Share of sustainable investments	42,10%	43,20%	43,20%
Change from previous year	-2,50%	0,00%	

Comment on environmental and climate solutions 2023–2024

The proportion of investments in environmental and climate solutions decreased during the year from 20.7 to 18.1 per cent. This development is mainly explained by how clients have chosen to allocate their capital between different funds and strategies, which has affected the overall portfolio composition. The proportion of sustainable investments also decreased slightly, from 43.2 to 42.1 per cent, but the level remains high in the fund company's total portfolio.



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Case study

Investing in solutions

Aguas Andinas – from wastewater to resource

Handelsbanken Fonder has invested in Aguas Andinas, Chile's largest water utility and a key player in the global water sector. The company provides drinking water, treats wastewater, and offers sewage services to over two million residential, commercial, and industrial customers. Together with its subsidiaries, Aguas Andinas serves approximately 8.5 million people and covers an area of 71,000 hectares in the Santiago Metropolitan Region*.

The company has achieved 100% coverage for drinking water and 98.4% coverage for wastewater treatment, compared to a global average of just 20%. Aguas Andinas has made significant progress in wastewater treatment by developing biofactories—facilities that use innovative technologies to transform wastewater into valuable resources.

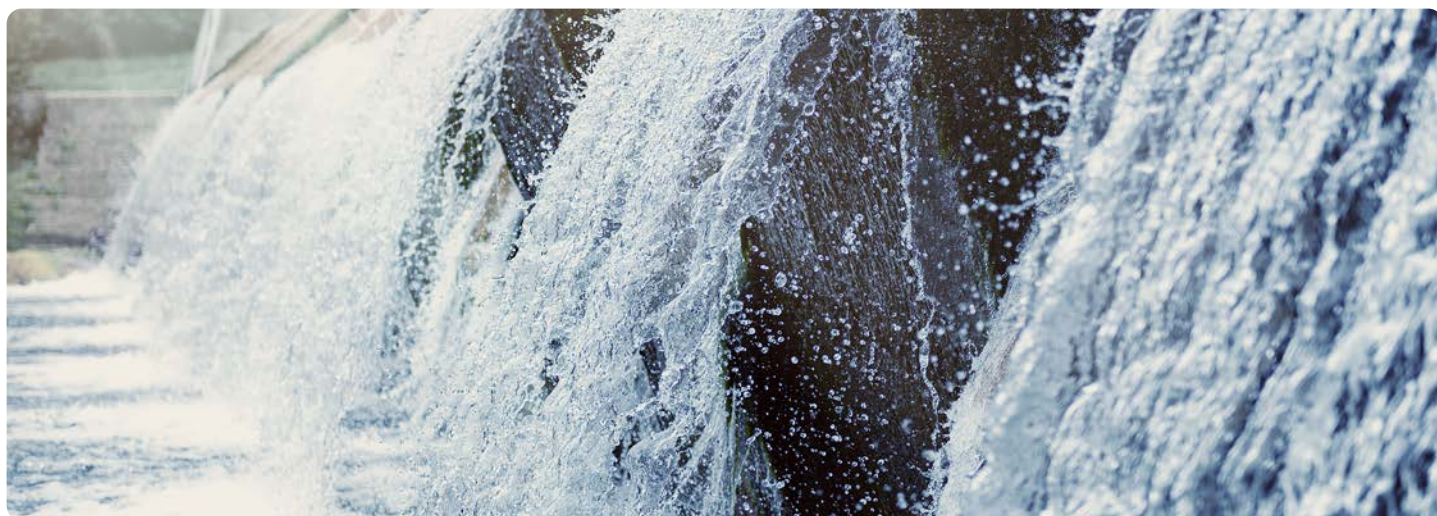
The company operates two major biofactories: La Farfana and Mapocho-Trebal. A key feature of these facilities is the production of biogas, generated by breaking down organic matter in wastewater. This biogas is then used as fuel to produce energy. For example, 63% of the electricity at Mapocho-Trebal is generated from biogas. At La Farfana, methane is separated from carbon dioxide and injected into the Metrogas network. In 2023, this amounted to 11,219,325 Nm per month.

Another important output is biosolids, the organic waste from the treatment process. Aguas Andinas recycles 100% of this waste, using it in agriculture. Two-thirds are used directly as biosolids after quality control, while the remainder is dried and sold as fertilizer under the brand name Huechún. This biofertilizer has been applied to over 30,000 hectares of land, helping to reduce carbon emissions

in agriculture. Huechún has been certified as a fertilizer since 2021. The biofactories also reuse treated water. In 2023, more than 45 million cubic meters of treated water were reused, with 80% allocated to agriculture. This reduces pressure on natural water bodies and supports sustainable water management, which is critical in times of water scarcity.

By transforming traditional treatment plants into biofactories, Aguas Andinas demonstrates how such facilities can become resource recovery centers, contributing to circular economy principles and climate resilience.

*www.aguasandinasinversionistas.cl/media/Files/A/Aguas-IR-v2/bond-issuances/en/Integrated-report-2023-en.pdf



About risk

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Investing in solutions

Desert Control – Soil and water

More than 20% of the world's arable land is already degraded. According to the UN, 12 million hectares of fertile land become desert every year, which corresponds to 2,000 football fields per hour*. At the same time, global food production needs to increase by about 70 percent by 2050 to meet population growth and the increased demand for food**.

Desert Control aims to achieve several global goals, but focuses primarily on goals 2, 9, 13, and 15***.

Three of our funds invest in Desert Control, a company working to solve problems related to soil degradation, water scarcity, and the need for sustainable land use. Desert Control works with methods to restore degraded land, strengthen ecosystem resilience, increase food security, and support sustainable economic development. The company has developed a solution, Liquid Natural Clay (LNC), to transform sandy and draining soils so that they can retain water and nutrients better. By improving soil health and increasing yields, LNC can also strengthen ecosystem vitality and save water.

LNC is applied directly to the soil via irrigation systems. When LNC penetrates the root zone, a structure is formed that acts like a sponge, helping to retain water and nutrients in the soil. This creates a better environment for plant growth and can also reduce the need for irrigation.

Tailored solutions for different sectors

Agriculture: The LNC technology can help farmers maximize yields, save water, and retain important nutrients in the soil. The technology is suitable for various types of cultivation, including arable land, permanent crops, orchards, and vineyards.

Trees and forests: LNC can be applied to existing trees or used in reforestation projects to improve soil health and increase the survival of seedlings. By strengthening trees' resistance to drought, the LNC technology can contribute to more sustainable forestry. LNC can be applied directly in forests through irrigation systems, sprayed around trees, or injected into the soil to retain more water and nutrients in the root zone. The goal is healthier trees with increased resistance to drought, which can make forestry more sustainable and less resource-intensive.

Landscape architecture: LNC can be used to improve the sustainability of green areas by reducing water consumption and improving soil health. This can help create resilient green landscapes even in challenging environments and improve the health and appearance of grass, trees, flowers, shrubs, and other plants in landscaped areas.



UN World Food Programme

Desert Control has been selected to participate in the UN World Food Programme's (WFP) Innovation Accelerator SPRINT Programme. The program aims to test the LNC technology in Iraq, focusing on sustainable food production and efficient water use. The project, funded by WFP, will be carried out in collaboration with Desert Control's regional partner Soyl and WFP's country office in Iraq.

Case studies

Masdar City: In the United Arab Emirates, Masdar City has used LNC to conserve water and maintain its green areas. A seven-month study showed that water savings were up to 60% for trees during certain months.

Limoneira: An American farming company/citrus farm and Desert Control started a small pilot project involving 50 trees in 2022. The project's positive impact, including water savings, led to an expanded project covering 6,000 trees. After these two pilot trials, Limoneira proceeded with commercial implementation of LNC on their citrus farm.

* www.unced.int/sites/default/files/documents/2017-09/GLO_Full_Report_low_res.pdf

** www.fao.org/fileadmin/templates/wsfs/docs/expert_paper/How_to_Feed_the_World_in_2050.pdf

*** www.desertcontrol.com/wp-content/uploads/2024/05/DesertControlAnnualreport2023.pdf

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Examples of engagement initiatives

Some of the initiatives and collaborations we support in the climate area are:

Initiatives with an overarching focus on nature and biodiversity

Nature Action 100

Nature Action 100 is a global investor initiative led by Ceres, IIGCC, Finance for Biodiversity, and Planet Tracker. The ambition of the initiative is to influence the 100 companies in the world that are considered most systemically important for reversing the loss of natural capital and biodiversity by 2030. Within the framework of the initiative, Handelsbanken Fonder participates actively in investor groups engaging with AbbVie, Astra Zeneca, Dow Inc, Kimberly-Clark, Stora Enso, and Wilmar. In other dialogues, the fund company does not participate directly in the engagement work but, as a participant in Nature Action 100, we support the collective engagement with all companies. For an overview of which companies Nature Action 100 engages with, read more [here](#).

Sustainalytics Biodiversity and Natural Capital Stewardship Programme

The collaboration led by Sustainalytics aims to strengthen investors' ability to influence through dialogues. This can, for example, involve supporting companies to follow best practices in the area, such as mapping and reporting in line with the Task Force on Nature-related Financial Disclosures (TNFD). The initiative targets the entire value chain that affects biodiversity and natural capital, and so far, about fifty companies have been selected and are participating, from financiers to food producers. Read more [here](#).

Initiatives focused on overexploitation of natural resources on land and at sea

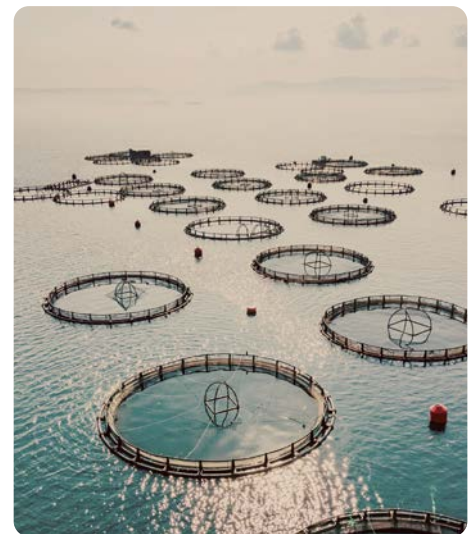
FAIRR Seafood Traceability

Fish and shellfish are among the world's most traded and vulnerable commodities, mainly due to overfishing, where global demand is expected to double by 2050.

Traceability—being able to track a product from the place of production (for shellfish, from the vessel or farm) all the way through the supply chain—is crucial for companies to manage ESG risks. To ensure that seafood traceability is aligned with best practices, FAIRR has started an investor collaboration for dialogues with a core group of seven seafood companies, supported by the World Wildlife Fund (WWF-US), UNEP FI's Sustainable Blue Economy Finance Initiative, World Benchmarking Alliance (WBA), and Planet Tracker. The initiative engages with CP Foods, Marubeni Corporation, Maruha Nichiro Corporation, Mitsubishi Corporation, Nissui Corporation, Nomad Foods, and Thai Union. Handelsbanken Fonder has signed letters to all companies and is actively participating in the dialogue with Mitsubishi Corporation. Read more about FAIRR Seafood Traceability [here](#).

FAIRR Sustainable Aquaculture

Aquaculture is a rapidly growing food sector that can have negative impacts on ecosystems in both sea and on land through the feed value chain. The investor collaboration targets seven of the world's largest salmon companies, encouraging them to develop a strategic, science-based approach to better manage ESG risks related to the purchase of fish feed ingredients such as wild forage fish, fishmeal, fish oil, and soy. Read more about FAIRR Sustainable Aquaculture [here](#).



Initiatives focused on pollution

IIHC/Chemsec

The initiative is led by investors and coordinated by ChemSec, which conducts research, cross-border collaborations, and provides practical tools and databases for developing more progressive chemical legislation for the transition to non-toxic alternatives. ChemSec also works on advocacy and improving the implementation of chemical legislation, an area complicated by the existence of many different legislations globally. Effective regulation of hazardous chemicals is also an important driver for innovation towards new and safer substances. IIHC urges the world's largest chemical producers to phase out the use of hazardous and persistent chemicals in favor of more non-toxic alternatives and to increase their transparency through clearer reporting. Within the framework of the initiative, Handelsbanken Fonder participates as an active and supporting investor in dialogues with Yara, Evonik, and LG Chem.

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In other dialogues, the fund company does not participate directly in the engagement work, but as a participant in IIHC, we support the collective engagement with all companies. For more information about IIHC and an overview of which companies IIHC engages with, read more [here](#).

FAIRR Waste och Pollution

Industrial animal farming generates more than three billion tons of waste, including manure and urine, per year. This waste has a significant negative impact on the surrounding environment and ecosystems. The collaboration aims to improve both the management of animal waste and nutrient pollution by encouraging companies to use manure in a sustainable way so that it adds nutrients without polluting soil and water, which in turn reduces the need for synthetic fertilizers. The investor collaboration targets ten of the world's largest pork and poultry

producers as well as two agrochemical companies. Read more about FAIRR Waste and Pollution [here](#).

Business Coalition for a Global Plastics Treaty

The Business Coalition for a Global Plastics Treaty—convened by the Ellen MacArthur Foundation and WWF—brings together companies, non-governmental organizations, and financial institutions with a shared ambition to establish a legally binding UN treaty to stop plastic pollution. The vision is a circular economy where plastic never becomes waste or pollution, but instead retains the value of the product and material within the economy.

Handelsbanken Fonder was the first Swedish financial actor to join the coalition, and its work is expected to continue until the treaty is adopted. Read more about the Business Coalition for a Global Plastics Treaty [here](#).

Examples of how we voted on nature-related issues in 2024

Reporting on risks – PepsiCo

A proposal at PepsiCo's 2024 annual general meeting concerned the company reporting on risks related to biodiversity loss in its operations and supply chains. The aim was to identify how vulnerable the company's operations and supply chains are to these risks. The proposal referred to TNFD (Taskforce on Nature-related Financial Disclosures) or SBTN (Science Based Targets Network) as frameworks for such risk assessment work. PepsiCo already publishes sustainability goals, including those related to deforestation and sustainable palm oil. However, Handelsbanken Fonder assessed ahead of the annual meeting that PepsiCo could do more and therefore voted in favor of the proposal.

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Appendix

Glossary

Taskforce on Nature-related Financial Disclosures (TNFD)

A global framework that helps companies and financial actors identify, assess, and report dependencies, impacts, risks, and opportunities related to nature and biodiversity, with particular focus on reporting nature-related risks and opportunities. TNFD builds on the structure of TCFD and has four core elements: governance, strategy, risk management, and metrics and targets.

Paris agreement

An international agreement on climate change 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 holding the global temperature rise this century well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.

Agenda 2030 and the Global Goals: UN resolution

Agenda 2030 was adopted by the UN General Assembly in 2015. It consists of 17 Global Goals and 169 targets aimed at achieving long-term sustainable economic, social, and environmental development to eradicate extreme poverty, reduce inequalities and injustices worldwide, and combat climate change.

Biodiversity

The variations of living organisms within and between species and the ecosystems they are part of, along with the ecological processes that sustain life on Earth. Biodiversity is the foundation for functioning ecosystems and is vital for the well-being of nature and humans.

Ecosystems

Systems of living organisms and their surrounding environment where they interact and depend on each other. Ecosystems form the basis for ecosystem services and biodiversity.

Ecosystem services

The services and benefits that nature provides to humans, such as clean water, food, pollination, climate adaptation, and recreation. Healthy ecosystems are essential for the well-functioning of society.

Natural capital

Nature and its resources such as soil, water, biodiversity, and ecosystem services that have economic value for societies and businesses.

Kunming-Montreal framework

A global framework adopted at the UN Conference COP15, consisting of goals and actions to protect and restore biodiversity by 2030. The framework is linked to TNFD and other international nature and finance initiatives.

IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services)

An international scientific body that compiles and assesses scientific knowledge on biodiversity and ecosystem services to support decision-making and policy at a global level.

Sustainable Finance Disclosure Regulation (SFDR)

An EU regulation that came into effect in March 2021 to enhance transparency and prevent greenwashing in sustainable investments. It requires financial market participants in the EU to disclose how sustainability risks and impacts are integrated into their processes and products. SFDR mandates specific disclosures for different product categories, focusing on climate-related metrics such as emissions and exposure to fossil fuels.

Double materiality

An analytical framework where the impact of investments on nature and the environment (from the organization's perspective) and nature's impact on the organization (from a risk and opportunity perspective) are assessed simultaneously.

Impact investment

Investments intended to create a measurable positive effect on environmental and/or social goals, aligned with Agenda 2030 or similar global frameworks.

Encore

A tool developed to help financial actors analyze and understand the impact and dependency of investments on nature and ecosystem services.

Circular economy

A business model aimed at reducing resource waste, recycling materials, and where possible, returning resources to the cycle to protect natural capital and biodiversity.

Principal Adverse Impact (PAI)

Used in sustainability reporting to describe significant negative effects that an activity or investment may have on the environment, nature, and biodiversity. The concept specifically refers to consequences related to sustainability factors such as greenhouse gas emissions, activities in areas with sensitive biodiversity, water use, and other environmental and social aspects.

Investor initiatives and collaborations – nature and biodiversity

To read about the investor initiatives and collaborations Handelsbanken Fonder cooperates with regarding nature and biodiversity, read more [here](#).

Direct and collaborative dialogues – nature and biodiversity

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

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



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