

Policy for shareholder engagement and responsible investments

1. Introduction

1.1 Handelsbanken Fonder AB

Handelsbanken Fonder AB (the fund company) conducts both active and passive (index and rules-based) fund management in UCITS funds and alternative investment funds, with assets entrusted to the fund company by its unit holders. The fund company engages in portfolio management and, to a limited extent, investment advisory services for other companies within the Handelsbanken Group. The fund company is part of the Handelsbanken Group as a wholly owned subsidiary of Svenska Handelsbanken AB (plc).

The primary objective of Handelsbanken Fonder is to generate financial returns while contributing to sustainable development through investment portfolios that are aligned with the Paris Agreement, as well as to, through the fund company's operations, contribute to the UN's 17 Sustainable Development Goals (as defined in Agenda 2030) to the greatest extent possible. Being a responsible investor and shareholder is a central part of our approach to fund managing. In the view of the fund company, acting responsibly is an essential condition for long-term value creation in a company. Consequently, responsible investments are an important prerequisite to attaining our objective of generating satisfactory long-term returns, and the consideration of sustainability risks is an integral component in the management of funds and portfolios as well as in the fund company's investment advisory services. The fund company's views on sustainable development and responsible investment are discussed in more detail in section 3, Guidelines for Responsible Investment.

Active fund management means that the fund managers carefully analyse each investment (portfolio company) based on relevant issues regarding corporate strategy, financial and non-financial results and risks, capital structure, social and environmental impact and corporate governance. This is accomplished by gathering information from the portfolio companies and external sources as well as through the fund managers' independent analyses.

Passive fund management means that the funds invest based on a pre-determined index or rules-based strategy, and a commitment is made to the fund unit holders that returns will be delivered in line with this. It is essential that the fund company selects an index/strategy that considers the parameters that the fund company finds relevant in each case, such as sustainability risks, given that the selection of the index/strategy governs the fund's investments.

The fund company's funds invest worldwide in companies across a significant number of markets. However, from an ownership perspective, the Swedish and other Nordic equity markets are of particular importance due to the fund company's significant capital under management within these markets. The fund company is one of the major shareholders in the Swedish equity market.

Pursuant to applicable regulations, the fund management is to be conducted exclusively in the joint interest of the fund unit holders. The fund company always aims to attain the highest returns possible for the fund unit holders, taking into consideration the funds' objectives and investment restrictions. In support of these objectives, the fund company makes use of opportunities for shareholder engagement associated with the equity holdings in the various funds.

Investments in interest-bearing securities also utilises the opportunities for engagement associated with this type of financing.

1.2 About the policy and its purpose

The purpose of this policy is to establish Handelsbanken Fonder's policy for shareholder engagement, which includes the fund company's guidelines for corporate governance and the guidelines for responsible investments.

The fund company's guidelines for corporate governance state how the fund company, in practice, will execute its corporate governance and exercise its voting rights, as well as how the fund company monitors relevant information regarding the portfolio management companies and manages any potential resulting conflicts of interest associated with the ownership. The guidelines also declare how the fund company conducts dialogues with portfolio management companies and how the fund company collaborates with other shareholders to improve the conditions for corporate governance. Lastly, the guidelines include the overall governance-related principles that Handelsbanken Fonder promotes in the companies that the fund company invests in on behalf of the fund unit holders.

The guidelines for responsible investment determine the direction of the fund company's responsible investment efforts and the fund company's actions as an investor and shareholder. The guidelines state how the fund company, through both active and passive fund management, integrates environmental, social and governance (ESG) factors in its business operations.

The Policy for Shareholder Engagement has been adopted by the Board of Directors and is a governing document that must be continuously adhered to in the business. The policy is updated and adopted by the Board at least annually. The policy should also be used for communication with existing and potential fund unit holders and is therefore published on the fund company's website at <https://www.handelsbankenfonder.se>.

1.3 Applicable rules

Handelsbanken Fonder's business activities are regulated primarily by the Swedish Investment Funds Act (2004:46) and the Alternative Investment Fund Managers Act (2013:561). Especially important for corporate governance are rules within these regulations that state that the fund company's fund management must occur exclusively in the joint interest of the fund unit holders. According to the statutory provisions, the fund company may not acquire equities with voting rights that would give the fund company significant influence over the management of a company. Moreover, the management of each fund must occur in accordance with the fund rules that have been approved by the Financial Supervisory Authority.

Pursuant to Chapter 2, §17h in the Swedish Investment Funds Act, a fund management company shall adopt principles for shareholder engagement concerning investments in equities in certain specified instances. Corresponding rules are stated for the management of non-UCITS funds in Chapter 8, §27a of the Alternative Investment Fund Managers Act. The rules within each regulation include information on the scope of the principles. Chapter 4, §17 in the Swedish Investment Funds Act and Chapter 8, §27b in the Alternative Investment Fund Managers Act also include requirements to annually disclose the manner in which the adopted principles for shareholder engagement have been applied.

Furthermore, Chapter 15 in the Financial Supervisory Authority's regulations (FFFS 2013:9) on UCITS funds requires a fund management company to adopt internal rules that state the strategies the company will follow when exercising its voting rights. Similar rules are found in Article 37 of the Commission's Delegated Regulation No. 231/2013/ EU.

The regulation (EU) 2019/2088 of the European Parliament and the Council on sustainability-related disclosures in the financial services sector (SFDR), with related delegated regulations, contain comprehensive requirements on the type of information that a fund management company must provide investors with regard to the sustainability efforts undertaken in its fund management and the manner in which sustainability risks are integrated into the investment and advisory processes. This regulation is supplemented by the European Parliament and the Council's regulation 2020/852/EU, which establishes a framework to facilitate sustainable investments

(the EU Taxonomy). The information pertaining to these regulations is to be provided on the

fund company's website, in the fund's prospectus and in the annual report.

The fund company also observes relevant rules and guidelines issued by the EFAMA (European Fund and Asset Management Association), including the EFAMA Stewardship Code, and those of the Swedish Investment Fund Association, including the Swedish Code of Conduct for fund management companies, Guidelines for marketing and information by fund management companies, as well as Guidelines for fund management companies' shareholder engagement – all of which are reflected in this policy.

1.4 Commitments

The fund company supports international initiatives and guidelines that have the common purpose of encouraging and facilitating sustainable enterprises. The Guidelines for Responsible Investment are based on international norms regarding the environment, human rights, working conditions, anti-corruption and controversial weapons. These norms are expressed in the UN's conventions and agreements and are applicable to companies' environmental and social responsibility.

The fund company, through Handelsbanken, is a signatory of the UN's Principles for Responsible Investments (UN PRI). Handelsbanken and the fund company also support the voluntary UN Global Compact initiative. The fund company is also a signatory of the Net Zero Asset Managers' Initiative. These initiatives and guidelines govern the fund company's work and, together with the values expressed in our corporate culture, constitute a clear and common foundation for our asset management.

1.5 Responsibility and organisation

Handelsbanken Fonder's Board of Directors takes decisions, at least annually, about this Policy for Shareholder Engagement. The results of the fund company's corporate governance and responsible investment efforts are reported to the Board at least annually and to the CEO on a regular basis. The CEO is responsible for the fund company's corporate governance and responsible investment work, but may also appoint a Head of Corporate Governance and a Head of Sustainability to lead and coordinate the operational work on behalf of the fund company. These responsibilities also include ensuring that the information provided by the fund company regarding responsible investment and the fund company's sustainability efforts are in compliance with the requirements imposed in regulations and self-regulations. The CEO should adopt guidelines for the corporate governance and sustainability work to the extent it is deemed to be necessary and appropriate.

The organisation and decision-making process differ somewhat between corporate governance and sustainability issues and are therefore reported under differing sections below.

2. Guidelines for corporate governance

The primary objective of a limited liability company is to generate returns for its shareholders. These returns are then frequently used for investments, either in the company directly or through distributions to additional investments in the company or other companies and business operations; all to benefit the development of society at large. It is essential that the company is governed optimally under the prevailing conditions for a company to generate the highest returns possible over the long term and in a sustainable manner.

Given this context, the overall purpose of the fund company's corporate governance is to promote conditions for a positive sustainable performance of the companies in which the fund capital has been invested, and thereby the potential for good returns. The ownership role should be carried out in such a manner that the value growth in the companies, and thus the unit value of the funds over

the long term, will be maximised in the joint interest of the fund unit holders. The fund company's view is that intentional, active and responsible corporate governance is an essential part of the assignment from the fund unit holders.

Corporate governance is directed at the companies' own governance, with the objective that the company shall comply with the principles that the fund company believes should apply for an effective and sound corporate governance and the principles external regulations may set. Corporate governance should also be used with the purpose of promoting the type of responsible behaviour that the fund company considers to be a basic prerequisite for creating positive long-term value creation in a company.

The level of activity in the ownership role will be determined on the basis of the value that is expected to be achieved. When exercising corporate governance, the importance of the fund company's freedom of action is taken into account, e.g., the freedom to sell an equity holding at any time.

The fund company is expected to act independently, both in relation to the companies in which Handelsbanken Fonder is a shareholder via the funds, as well as in relation to its own shareholders. The fund company's corporate governance should be exclusively determined by what is considered to be in the best interest of the fund unit holders over the long term and, within this context, identify and manage actual and potential conflicts of interest.

2.1. Principles concerning the companies' corporate governance

Swedish limited liability companies must follow the basic rules of the Swedish Companies Act regarding the company's organisation and governance. Moreover, it is the view of

the fund company that Swedish listed companies should comply with the Swedish Corporate Governance Code (the "Code"), which complements legislation and other rules by providing a norm for corporate governance with a higher level of ambition, while permitting non-compliance when such deviations can be justified.

Similarly, non-Swedish companies must comply with relevant corporate law legislation and should also follow, or explain any deviations from, the corporate codes of conduct applicable to the markets in which they are listed.

The following principles for corporate governance reflect the principles of the Code, but in certain cases also contain additions or clarifications. The fund company advocates for the Swedish Corporate Governance Code to be continuously adapted to promote positive development of corporate governance in Swedish listed companies. This is accomplished primarily through representation in relevant industry bodies, for example the Swedish Institutional Owners' Association, one of the principals in the Association for Generally Accepted Practice in the Securities Market, which is active through the self-regulation bodies the Swedish Securities Council, the Swedish Corporate Governance Board and the Swedish Financial Reporting Board.

Information and transparency

The fund company promotes transparency and appropriate disclosure from the companies, since both are fundamental for facilitating effective corporate governance and well-functioning financial markets, and thereby for facilitating the opportunity to manage the fund capital in the best interest of the fund unit holders.

The general meeting

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

Companies must comply with the rules regarding ownership influence as required by law, stock exchange agreements, relevant codes and guidelines, and should otherwise act in accordance with generally accepted market practices.

To achieve conditions conducive to ownership influence, the notice of the general meeting must be made as early as possible within the framework of what is permitted according to legislation and articles of association. Shareholders must receive information well before the meeting, thus allowing them time to consider the proposals that will be presented at the meeting. Proposals that are not customary in nature must be specifically justified in the notice.

Nomination committees

The nomination committee is the preparatory body of the general meeting for decisions regarding the Board, auditors and remuneration, as well as instructions for the nomination committee. The nomination committee should promote the interests of all shareholders.

The nomination committee must consist of representatives from the largest shareholders in the company. A board member, typically the Chairman of the Board, may be included in the nomination committee, but preferably only as a co-opted member. The Chairman of the Board should not serve as chairman of the nomination committee. The members of the nomination committee are required to hold skills appropriate for their assignment. The nomination committee should aim for diversity through a balanced gender distribution, among other factors.

The work of the nomination committee is undertaken as soon as possible after the nomination committee has been appointed and continues until a new nomination committee has been appointed. It is essential that the work of the nomination committee is a well-structured process. The work should include an analysis of the skills and competencies required for the company's board, as well as an inventory of the existing qualifications and an assessment of the suitability of the board members. A carefully planned and implemented evaluation of the Board, as well as interviews with at least incumbent board members and the CEO, is an important basis for the tasks of the nomination committee. The nomination committee strives to identify qualified candidates through a broad approach. If necessary, an external recruitment firm should be engaged.

The nomination committee's work should be conducted in such a manner that the members become insiders only in exceptional circumstances and for short periods of times.

The nomination committee must justify and document its proposals in a concrete and transparent manner.

Handling insider information

Handelsbanken Fonder actively makes an effort to not obtain insider information in its asset stewardship. In the cases where insider information needs to be received, the fund company keeps an insider log.

Board of Directors

The fund company works to ensure that each company has an effective Board of Directors characterised by diversity, with relevant expertise for the company. Diversity should be interpreted broadly in this context and its aim is to ensure that the board works with a variety of perspectives on key issues. The fund company's view is that diversity increases value creation and reduces risk. Emphasis should be placed on an equal distribution of gender on the Board, in accordance with the Swedish Corporate Governance Code. This applies to all companies, including those not listed on a regulated market. Overall, each board should have the ability to consider and manage relevant sustainability issues of the company.

Swedish companies must comply with the Code's rules on independent board members to ensure the board's ability to govern the company with integrity and efficiency. In boards that include members of management, a specific remuneration committee must be established. Moreover, board members should not take on other assignments if it prevents them from dedicating sufficient time to contributing to the efficiency of their board assignment.

To enhance the effectiveness of the work of the board, efforts are to be made to limit the number of board members, unless the complexity of the business operations requires otherwise. Regulations equivalent to the Code, in addition to established practices, should be applied to foreign companies so long as these are not in conflict with the fundamental principles of this policy.

Auditors

Auditors are appointed by the shareholders and constitute their controlling body. It is therefore important that the auditor has an independent position in relation to corporate management and the Board, and that the nomination process is characterised by transparency and clarity. The information provided by the auditor to the shareholders should be relevant and clear. The audit must be regularly evaluated to ensure high quality. The auditor must explicitly report on other assignments in the company in addition to the auditing assignment.

Internal control

A well-functioning system for internal control is an important requirement for a well-managed business. The Board is responsible for ensuring that the company has an effective risk management programme in which relevant risks are identified, managed and followed up. The Board should ensure a favourable control environment and promote a sound risk culture. The company's reporting must provide an accurate view of the important risks in the business operations and how the company works to monitor and follow up these risks.

Fees and board remuneration

In general, board remuneration should be reasonable and market-based, as well as reflect the responsibilities and efforts of the board members. A variable component may be accepted under exceptional circumstances if it can be specifically justified for the individual company. The variable fee component must be designed clearly and in such a way that the Board's controlling function is not undermined or can be called into question. The board members should not participate in incentive programmes for employees. The fund company has a positive view on board members' investments in the stock of the company.

Remuneration systems and remuneration

The Board of the company is responsible for establishing and evaluating the company's remuneration system. A company's remuneration structure should steer towards its established targets and strategies, while simultaneously ensuring that the company can attract and maintain an appropriate level of competence. A balance between economic, environmental and social values is an essential part of the basis for long-term value creation. Sustainability issues that are vital to the company's long-term financial growth should therefore be reflected in the companies' remuneration programmes.

Additionally, the remuneration system should be reasonable, balanced and adapted to the conditions of the company. The remuneration must be market competitive and fair.

The company should have a remuneration policy that describes the basic guidelines for compensation to the employees of the company. The remuneration policy should include the terms and conditions for fixed salary, any variable remuneration, principles for termination benefits and conditions for retirement, as well as any equity-related incentive programmes and other benefits. Pension shall be based on

fixed salary and be linked to length of employment in order to anticipate pension expenses. Employee remuneration should be viewed as a part of a whole made up by these components.

Decisions regarding the remuneration policy are taken at the general meeting based on proposals substantiated by the company's board. In certain cases, equity-related incentive programmes may complement other types of remuneration. In addition to being a part of the total remuneration, the purpose of an equity-related incentive programme is to create a mutual interest between shareholders and employees regarding share price performance. The incentive programme is expected to stimulate greater effort among participants to achieve defined performance targets. One way to strengthen this mutual interest is to require an individual investment to participate in the incentive programme.

The fund company shall promote the following general principles:

- Equity-related incentive programmes must be characterised by simplicity, clarity, transparency and measurability.
- Incentive programmes must have a clear relationship between the shareholders' returns and the participants' distributions.
- Performance targets are set and adjusted based on special circumstances applicable to the company and the sector in which the company operates. Sustainability dimensions should be an expressed part of these targets. This means that sustainability goals that are relevant, quantifiable, transparent and monitorable, as well as create value for the company, should be part of an incentive programme. These goals can be implemented advantageously in short-term programmes as well.
- The incentive programme should be constructed so that performance is evaluated over the long term.
- The cost of the equity-related incentive plan should be well-balanced between shareholder requirements for low costs and employees' expectations for performance-based compensation.

If the information for the company management's remuneration and equity-related incentive programme is insufficient regarding structure, evaluation or transparency, the fund company will abstain from voting or will vote against the proposal. Ahead of the 2024 general meeting season, the fund company will, as a general rule, vote against long-term incentive programmes that do not include relevant, quantifiable, transparent, monitorable and value-creating sustainability goals. If a company can provide adequate justification, for example if the company has sustainability goals included in their short-term incentive programmes, the fund company may accept long-term programmes without sustainability goals. For foreign companies, the fund company will adapt its position to the prevailing best practice in the concerned country in so far as it relates to sustainability parameters in incentive programmes.

Capital structure

Companies should strive for an effective capital structure. Matters related to capital structure are typically handled by the Board of Directors and senior management, with the aim of promoting the development of the company over time.

Decisions associated with company equity, such as decisions regarding distributions, equity issues or equity repurchases, should be made by the shareholders. Authorisation for changes in the capital structure are to be time-limited. Proposals from the company's board regarding such changes must be transparent and clearly describe the reasoning for the proposed measures. The company should normally have a dividend policy, and proposals for distributions should be in accordance with this policy.

New share issues are normally made with preferential rights to existing shareholders. The right to subscribe may instead apply to one or several shareholders or external individuals (so-called directed share issue) under the condition that it is permissible according to company law, i.e., it is objectively regarded as in the

shareholders' interest to deviate from the preferential rights. In this case, the Board must provide a detailed reason for why the proposal deviates from the general principle of preferential rights. The fund company determines on a case-by-case basis which type of share issue is in the shareholders', and thereby the fund unit holders', interest. General issue appropriations to the Board in Swedish companies should not exceed ten per cent of the company's capital at the time of the meeting, unless another assessment is made in the individual case. For foreign companies, the fund company will adapt its position to the prevailing best practice in the concerned country in so far as it relates to issue appropriations.

Equal treatment of shareholders

The equal treatment of shareholders is an essential foundation in Swedish company law. The fund company works to ensure that equities with the same financial rights in the company are always treated equally in financial terms, e.g., in connection with distributions, acquisition of all equities or liquidation. The fund company also believes that the principle of "one share, one vote" is normally preferable, i.e., there is a direct link between financial ownership and influence.

Deviations from this principle must be justified. The fund company normally votes against the adoption of differences in voting rights and is, in general, in favour of decreasing the current differences in voting rights, provided that this can occur with respect to existing ownership rights.

Shareholder motions

Each individual shareholder motion is evaluated on the basis of several factors, such as how the proposal affects short-term and long-term shareholder value, how the company acts in relation to its competitors and whether the issues addressed in the proposal are best handled via legislation or through company-specific actions.

2.2. Handelsbanken Fonder's means for exercising corporate governance

The fund company conducts corporate governance in such a manner that the company's value and, thereby, the long-term growth of the funds are optimised. The level of activity within the ownership role, and the selection of activities, should be determined based on the potential opportunities for engagement and what is considered to be impactful for the value creation. Corporate governance can differ between active fund management and passive fund management since, for example, the scope of action based on customer promises can differ.

A prerequisite for sound and effective corporate governance is an adequate level of knowledge regarding the companies as well as their strategies and challenges. The fund company tracks and analyses the performance in the fund's investee companies. In particular, it is important to monitor how the companies act in accordance with relevant codes and from a sustainability perspective, and that their actions are in line with the fund company's Guidelines for Responsible Investment.

The corporate governance work focuses primarily on holdings in companies in which Handelsbanken Fonder is a major shareholder, since this provides the best conditions for favourable results for fund unit holders in these companies. The fund company's shareholdings are usually more substantial in companies in Sweden and the rest of the Nordic region. However, even with smaller shareholdings in companies listed on foreign exchanges, the fund company takes action when the conditions are considered to have a beneficial impact for fund unit holders.

The fund company regularly monitors important corporate events in relevant companies in which the fund company is a shareholder. From an ownership perspective, general meetings and extraordinary general meetings are the key events where the fund company

ensures the availability of relevant information as input for analyses and voting decisions. This is conducted through contact with the companies, third-party analyses, market information and analyses from proxy advisors. The fund company then independently decides on the matters where votes are to be cast or when other decisions are to be made.

General meetings

The fund company normally votes at the general meetings in the companies with significant holdings in the funds and at general meetings deemed to be of significance for other reasons. The fund company should exercise its voting rights in the manner that the fund company deems will result in the strongest long-term performance of the funds' unit value. The fund company normally votes for all of the equities in each fund. In markets where the equities are locked for a longer period of time in order to be registered for voting at a general meeting, the freedom of action regarding a potential need to divest is weighed against the importance of ownership influence.

In accordance with the fund company's fund rules, it is possible to use equity loans to a limited extent within the fund management. In each individual case, the fund company makes an assessment of whether or not an equity loan is appropriate from an ownership perspective. All of the equities are either withdrawn ahead of the general meeting in order for voting to be possible for all of the equities or the fund company takes the decision to retain the entire or parts of the equity loan if it does not significantly impact the fund company's ability to exercise ownership influence.

Nomination committees

The fund company exercises long-term ownership through participation in nomination committees. As a consequence of the fund company's business activities, long-term ownership in individual companies cannot be guaranteed, although the nomination committee's work is always undertaken with a long-term perspective irrespective of the company, in accordance with the Policy for Shareholder Engagement.

Normally, the fund company participates in nomination committees when Handelsbanken Fonder is one of the major shareholders and is offered to propose a nomination committee member. The fund company does not participate in the nomination committee at Handelsbanken or in other companies that could be considered inappropriate due to conflicts of interest or for other similar reasons. The Head of Corporate Governance is responsible for determining which nomination committees will be manned and who will represent Handelsbanken Fonder on these committees. Handelsbanken Fonder's representatives are required to have expertise and experience that make them suitable for their assignment in the nomination committees. The nomination committee representatives, who may be both internal or external individuals, must use the guidelines and directives established by the fund company's Corporate Governance Committee as the basis for their work on the nomination committees.

The funds managed by the fund company are able to use equity loans to a limited extent in the fund management. Equity lending normally does not occur in companies in which the fund company has a seat in the nomination committee.

The nomination committee's work must, to the greatest extent possible, be carried out in a way where the fund company's freedom of action is not limited with regard to the funds' equity holdings.

Board representation

The fund company should exercise its corporate governance without requiring its own representation on the boards of the investee companies. Board representation complicates the fund company's opportunities to pursue active and efficient fund management and is also difficult to reconcile with the requirement that a fund company

may not acquire significant influence and that the funds' assets may be redeemed by the unit holders at any time.

Dialogues with companies and communication with other stakeholders

The fund company also uses dialogues with companies when exercising its ownership role, e.g., with regard to responsible behaviour or in conjunction with various proposals from the company for the general meeting, such as incentive programmes, when these are considered to be relevant. Dialogues with the companies' representatives take place on either the initiative of the company or representatives of the fund company, and the meetings can either be conducted regularly or be called ad hoc for certain reasons.

The fund company may also communicate with other parties and stakeholders in the portfolio companies where such contact is expected to promote the long-term performance of the investment. Examples include communicating with the customers of the portfolio company, union organisations, stakeholder organisations or individuals that may impact the business operations of the company in the portfolio.

Collaboration with other shareholders

If it is considered to improve the conditions for corporate governance pursuant to this policy, the fund company may collaborate with other shareholders on one or several issues. This can be done through bilateral contacts or through industry organisations such as the Swedish Institutional Owners' Association.

Disputes and settlements

Occasionally, the funds' assets are invested in companies that violate various types of rules. This can include violations of marketplace rules (e.g., deficiencies in or incorrect disclosure), violations of competition rules, fraud, corruption, etc.

These violations can result in legal processes against the company in question, often in the form of a class action suit, which is most commonly seen in North America. Such a process usually leads to a settlement and the company is required to repay shareholders for incurred losses. The settlements can also include requirements for changes to the company's corporate governance in the form of changes to management or the Board of Directors, as well as requirements for new or amended internal rules or inspection systems.

Where conditions allow, the fund company, on its own accord or through the use of legal expertise, will actively participate in the class actions, processes involving competition violations and similar disputes, to seek the best possible outcome in the settlements and also assist in making the necessary changes in the corporate governance of the company at fault.

The objective of monitoring companies and participating in processes and settlements is to ensure that the affected funds and their shareholders receive remuneration when a company has committed a remuneration-based rules violation, as well as that the fund company should be actively engaged in improving the corporate governance of the company at fault. Active engagement in these types of processes ultimately contributes to maintaining confidence in the equity markets.

The fund company normally participates passively in these types of processes by ensuring that the affected funds receive a portion of the concluded financial settlements.

2.3. Conflicts of interest

A number of conflicts of interest can arise in the fund company's corporate governance work. Most notably, this applies to the fund company's relationship to its owner, Svenska Handelsbanken AB (plc), as well as companies that have ownership ties or personal ties

to Handelsbanken. This could also apply to other companies with which the fund company has significant business relationships. As a result of any of these ties, the fund company could be governed by other considerations than those that are in the best interest of the unit holders.

The fund company addresses these conflicts of interest in numerous ways to ensure that its actions related to ownership matters are always made on the basis of what is in the best interest of the unit holders.

In its analysis and actions, the fund company makes the same type of assessments and takes the same positions irrespective of the relationship the fund company has to the company concerned. The fund company's Policy for Shareholder Engagement and Responsible Investment, which has been adopted by its board, and the principles therein, apply to all fund investee companies, regardless of any association with the Handelsbanken Group or other companies.

The fund company has a Board of Directors in which at least half of the board members must be independent of the Handelsbanken Group. Corporate governance issues are reported to the board at least annually. In the event that the fund company has acted in a manner that is contrary to what could be considered to be in the best interest of the unit holders, the Board will thus be notified of this information.

The fund company has established a Corporate Governance Committee consisting of a Head of Corporate Governance in the fund company (also the Board Secretary), the CEO, the Chairman of the Board and two of the independent board members. In order to manage risks for conflicts of interest in relation to the fund company's owner, at least one of the independent members is required to support a committee decision for it to be valid.

Furthermore, pursuant to Chapter 2, §17 in the Swedish Investment Fund Act, the fund company must annually report how votes have been cast at the general meetings. This disclosure requirement means that the fund company is unable to covertly act in a manner inconsistent with the best interest of the unit holders.

The fund company also utilises the services of a proxy advisor, whose advice can provide guidance to the fund company in these sensitive matters.

The variable remuneration model for the fund company's active equity fund managers entails that the fund managers are evaluated exclusively on the results, over a period of several years, in the fund(s) they manage. Consequently, when the fund manager takes a position on how the fund company should vote at general meetings in the portfolio companies, there is a clear incentive to support the proposals that are deemed to best benefit the company's performance from a shareholder perspective.

2.4. Decision-making body for corporate governance

Decisions related to corporate governance issues that are of an essential or fundamental nature are taken by the Board of Directors. The Board of the fund company consists of five members, three of whom are independent of the Handelsbanken Group. Essential and fundamental decisions refer to decisions on the Policy for Shareholder Engagement and Responsible Investment, established by a corporate governance committee, as well as the task preparations for the committee (see below).

The Corporate Governance Committee consists of the Head of Corporate Governance in the fund company (who is also chairman of the committee), the CEO, the Chairman of the Board and two of the independent board members. The committee's is tasked with preparing corporate governance issues of significance, such as:

1. Regular updates of the Policy for Shareholder Engagement and Responsible Investment prior to the Board's decisions.
2. Instructions for nomination committee work (to be decided by the committee).
3. Positions regarding principle issues in the ongoing work (to be decided by the committee).

In order to manage the risks for conflicts of interest in relation to the fund company's owners, at least one of the independent members is required to support a decision by the committee for it to be valid.

The committee normally gathers annually ahead of the general meeting season (typically in September), as well as when any of the points above are raised.

3. Guidelines for responsible investment

3.1. Core values

Handelsbanken Fonder's view is that responsible actions constitute the foundation for long-term value creation in a company. Consequently, responsible investments are an important prerequisite to attaining our objective of generating positive long-term returns.

The Fund company's primary objective is to create financial returns and contribute to sustainable development through fund management aligned with the targets of the Paris Agreement. Additionally, the Fund company aims to contribute to the UN's 17 Sustainable Development Goals (as defined in Agenda 2030) to the greatest extent possible through its business activities. As a significant investor, Handelsbanken Fonder has an important role to play in helping realise the Paris Agreement, driving capital into investments that contribute to the achievement of the Sustainable Development Goals and in contributing to the transition to sustainable development.

Handelsbanken supports international initiatives and guidelines that have the common purpose of encouraging and facilitating sustainable enterprises. This policy is based on international norms regarding the environment, human rights, working conditions, anti-corruption and controversial weapons. These norms are stated in the UN's conventions and agreements and can be applied to company's environmental and social responsibility.

The Fund company is a signatory of the UN's Principles for Responsible Investment (UN PRI), and Handelsbanken and the Fund company are signatories of the UN's voluntary Global Compact initiative. The Fund company is also a signatory of the Net Zero Asset Managers' Initiative.

These initiatives and guidelines provide guidance for the Fund company's work and, together with the values expressed in the Fund company's corporate culture, represent a transparent and common foundation for our asset management.

3.2. Scope

This policy applies to the Fund company's fund management and the funds' direct investments in Swedish and foreign equities and corporate bonds. In the case of indirect investments for the purpose of managing, for example, liquidity or regional allocations, the policy is applied to the greatest extent possible. The policy applies in full for external funds in Handelsbanken Fonder's fund of funds. The policy also includes the investment advisory services provided by the Fund company.

3.3. Sustainability risks and transparency related to adverse impacts for sustainable development

Within the scope of the Fund company's fund management, sustainability risks are an integral and ongoing component of the investment and advisory processes as well as the decision-making in the fund management. In general, sustainability risks are managed in Handelsbanken Fonder's fund management through the inclusion of

companies based on sustainability analyses, the exclusion of companies and through engagement in the form of dialogues and active corporate governance. The methodologies and tools used for the integration and management of sustainability risks differ depending on the management focus – active fund management, passive fund management or active al- location fund management.

The Fund company's view is that the integration of sustainability risks has a positive impact on returns in the fund and the advisory services provided, while simultaneously contributing to a more sustainable development. The funds' prospectus and the Fund company's website provides more detailed information on how the sustainability risks are integrated into the fund management and the likely effects these risks have on returns.

In all of its fund management, the Fund company takes the principle adverse impacts for sustainability factors into account when making investment decisions. Likewise, the Fund company also considers the principle adverse impacts for sustainability factors in its processes related to advisory services. The Fund company has established due diligence routines for identifying and prioritising principal adverse impacts on sustainability factors and the indicators used for sustainable development. A description of the principal adverse impacts for sustainability factors in the Fund company's business activities is available on the Fund company's website, together with a report on the planned and implemented measures taken in relation to these adverse impacts. The description also includes information on how the Fund company engages companies through dialogue and active corporate governance on behalf of the funds. Additional information on how the principal adverse impacts on sustainability factors are taken into account for each individual fund is provided in the prospectus for each fund.

3.4. Sustainability methodologies

The Fund company's responsible investment efforts are based on three pillars: exclusion, inclusion and engagement.

Sustainability is integrated in investment analyses and decisions, although the approach can vary in the operations in terms of selecting individual investee companies, an index, or funds for inclusion in fund portfolios. The selection of asset classes and management focus also impacts the approach taken.

Exclusion

Handelsbanken Fonder does not invest in certain business activities. The Fund company's position is

based on the following rationale:

- certain products and services face a high risk of adversely impacting the wider society and other stakeholders.
- the business activities are incompatible with the role of a responsible investor, a long-term investment perspective and investing for a sustainable development and future.
- certain products and services involve increased sustainability risks in the companies' value chains, and in our assessment the risks are not manageable.
- The Fund company excludes investments in:
- companies involved in the production or distribution of weapons banned under international law, such as cluster weapons, anti-personnel mines, biological and chemical weapons
- companies involved in the production or distribution of nuclear weapons
- companies whose revenue to more than 5% derives from the extraction of thermal coal, or whose revenue to more than 5% derives from coal power generation
- companies involved in the production of cigarettes.

The majority of the Fund company's funds also apply enhanced exclusion criteria, which provides for the exclusion of companies involved in the production or distribution of:

- conventional weapons and military equipment
- alcohol
- tobacco
- cannabis
- commercial gambling
- pornography
- fossil fuels, including the extraction of tar sands.

The enhanced exclusion criteria also include companies with verified violations of international norms and conventions.

All of the company holdings are regularly analysed to identify companies that do not comply with international norms and conventions regarding the environment, human rights, work conditions and anti-corruption. This means that all company holdings are reviewed to identify potential crimes or violations against international norms based on the UN Global Compact initiative's four principle areas.

In certain cases, we can accept deviations from some of our exclusion requirements. Potential deviations from the policy are addressed by Sustainability Committee (see Chapter 3.5). As a result, holdings that are usually not permitted could remain in the portfolio over a transitional period.

The Fund company strives to actively participate in the transition to a world with low carbon emissions and currently recognises several investment opportunities in companies that are transitioning their business activities from production of fossil fuels to renewable energy. The Fund company has therefore made the decision to, in special instances, accept deviations from our exclusion criteria and permit some exposure to fossil fuels if the company fulfils the requirements to be classified as a company in transition.

For additional information, refer to Handelsbanken Fonder's strategies for exclusion under the Responsible Investment section on the Fund company's website at handelsbankenfonder.se.

Inclusion

The Fund company strives to select investments that align their business activities with, or positively

contribute to, sustainable development in accordance with Agenda 2030 and the targets of the Paris Agreement. The fund management aims to increase investments in solutions to global sustainability challenges and thereby contribute to the attainment of the Sustainable Development Goals and the transition to an economy with low carbon emissions.

- The fund management actively seeks to invest in companies that carry out their business activities in a sustainable manner or in companies with products and services that contribute to sustainable development.
- The fund management actively identifies companies that contribute to the transition to an economy with low carbon emissions and support the targets of the Paris Agreement.
- In the same way, allocation fund management actively identifies fund managers and fund products aligned with the points listed above.

Investments can be included based on two dimensions of sustainability: as a result of the company's operational sustainability performance, or as a result of the company's products and services.

Companies that fulfil the requirements to qualify as a company in transition can be included in the fund management. Decisions regarding companies in transitions are addressed by the Sustainability Committee (see Chapter 3.5).

For additional information, refer to Handelsbanken Fonder's strategies for inclusion under the Responsible Investment section on the Fund company's website at handelsbankenfonder.se.

Engagement

As a significant investor, the Fund company has a responsibility and an opportunity to engage with companies to encourage them to act responsibly and conduct their business in a sustainable manner, in addition to promoting the advancement of sustainability efforts in the asset management industry. The Fund company conducts engagement through company dialogues, corporate governance work and investor networks. Our engagement efforts are grounded in Handelsbanken's core values, our commitments, as well as the international norms and conventions the Fund company supports.

Engagement dialogues

Dialogues are an important tool for engaging companies. This applies to both proactive dialogues aiming at influencing companies to improve their sustainability efforts, as well as dialogues with companies that the Fund company determines are not complying with international norms and conventions or are not adequately managing their sustainability risks.

The Fund company carries out engagement efforts on its own through direct contact with companies, as well as through collaboration with other investors. The dialogues can be classified as follows:

- Targeted dialogues: The Fund company carries out these dialogues through direct contact with the company.
- Dialogues together with other investors: These dialogues are conducted together with other investors and are often facilitated by an external service provider.
- Partnerships and industry initiatives: These dialogues focus on companies within specific sectors and on specific sustainability issues.
- Investor networks: Collaboration with other investors that aim to contribute to and promote the development of sustainability efforts within the asset management industry.

Shareholder motions on sustainability issues

Engagement efforts can also be exercised through the Fund company's corporate governance work in conjunction with general meetings in the portfolio companies. In general, the Fund company supports shareholder motions that seek to promote sustainable enterprises and greater transparency in accounting and reporting the company's climate impact and work on human rights and employee rights, etc.

For additional information, refer to Handelsbanken Fonder's strategies for engagement under the Responsible Investment section on the Fund company's website at handelsbankenfonder.se.

3.5. Decision-making body for sustainability work

The CEO of the Fund company is responsible for implementing a sustainability perspective in policies and strategies, and for adopting guidelines for the forthcoming sustainability work. The heads of asset management for active, passive and allocation fund management are responsible for the integration of sustainability (including risks and opportunities) into the investment process, the analyses and the investment decisions, in accordance with the policies and strategies. These efforts are led by the Head of Sustainability, who is responsible for coordinating the work and developing policies and strategies related to sustainability.

The Fund company has a Sustainability Committee in which specific sustainability issues are prepared and decided, with the decisions taken by the CEO. The purpose of the Sustainability Committee is to take decisions on the assessment of companies in relation to the enhanced exclusion criteria (business activities and norm breakers)

as well as companies that are included in accordance with specific criteria for companies in transition. The Sustainability Committee also takes a position on the development of methodologies related to the analysis and assessment of these criteria.

The Fund company's risk control function follows up on a daily basis to ensure compliance with the exclusion criteria. Any deviations are reported to the board and the CEO within the framework of the risk control function's ongoing work.

Below, how the Fund company follows up, reports and communicates related to corporate governance and responsible investment is described.

4. Follow-up, reporting and communication

4.1. Follow-up

The follow-up of the actions taken by the Fund company within corporate governance and sustainability occurs at different frequencies depending on the subject matter. The Fund company's risk control function monitors the funds on a daily basis to ensure their compliance with the fund rules and the promises made to customers regarding the exclusion of companies.

Quarterly follow-up takes place in a special forum – Risk Forum for Sustainability – to determine whether the funds individually, and the Fund company as a whole, are working towards the sustainability objectives.

The Head of Corporate Governance regularly monitors the nomination committee's work with the appointed representatives of the Fund company. This occurs in joint meetings in which guidelines and current issues are reviewed.

A follow-up of voting at general meetings is conducted by the Head of Corporate Governance on a regular basis during the voting season. All votes are registered digitally.

The Fund company's voting rights are to be used to ensure that companies are in compliance with the corporate governance principles stated in the Fund company's Guidelines for Corporate Governance. Any votes cast that are in conflict with the guidelines must be documented with a specific justification.

4.2. Reporting

The Fund company must annually report the follow-up of the corporate governance and sustainability work in the annual reports of the funds or in a separate report. The reports should include a general description of the Fund company's voting in the portfolio companies, e.g., the number of general meetings, geographic distribution and a compilation of the votes cast by the Fund company at the general meetings in the portfolio companies. The reports should also state whether any critical votes occurred during the period, e.g., where the Fund company was a major shareholder or where a critical or controversial matter was up for decision at the general meeting. Information must be submitted concerning the cases where the Fund company used advisory services or voting recommendations from a proxy advisor.

With regard to the sustainability efforts, the report should include information about the sustainability dimensions that were taken into consideration in the management of the fund, the methodologies used in the sustainability efforts and the work carried out by the Fund company to engage the fund's investee companies. The reports for the engagement efforts should include information concerning the dialogues conducted with the portfolio companies, how they were conducted and, where appropriate, the results of the dialogues.

Handelsbanken Fonder's Board of Directors shall receive a report on the corporate governance and sustainability work, as well as the compliance to this policy, at least annually.

4.3. Communication

An important part of the Fund company's shareholder engagement is that the company's position on matters concerning corporate governance and responsible investment are communicated to various shareholders. This Policy for Shareholder Engagement, which expresses the Fund company's view on matters of principle, is to be published and made available on the Fund company's website. This information may be used for communication with investors.

A summary annual report is to be produced that describes how the Fund company has conducted its corporate governance work overall throughout the year.

Voting at general meetings should also be reported annually, retrospectively, on the Fund company's website. A portion of the Fund company's responsible investment efforts will also be communicated via Handelsbanken's annual sustainability report.