

Engagement strategy



Our vision

Handelsbanken Fonder's vision is to generate financial returns while contributing to sustainable development. We do this through management in line with the Paris Agreement's climate goals and contributing as much as possible to the 2030 Agenda.

Why do we engage with companies?

As a significant investor and owner, Handelsbanken Fonder has a responsibility and an opportunity to engage with companies to influence them to act responsibly and conduct their business sustainably.

We believe that by being active owners in the companies we invest in, we can contribute to both healthier returns and a healthier society. Our *Policy for Shareholder Engagement and Responsible Investments* expresses that the starting point for our engagement activities includes Handelsbanken's core values, our commitments and the international norms and conventions that the fund company adheres to.

Engagement is both a method and an end in itself for us at Handelsbanken Fonder. In practice, this means that engagement is one of the tools we leverage to move closer to our vision and achieve our two overarching sustainability goals and related targets, of which the fourth target concerns engagement:

Investment portfolios in line with the Paris Agreement climate goals

- We will reduce our carbon intensity by 50% by 2030.
- We will double our investments in environmental and climate solutions by 2030.

Increase our contribution to the 2030 Agenda

- We will increase the share of sustainable investments by 30% by 2025.
- We will increase our engagement activities with positive results each year until 2025.

In addition, engaging with companies to influence them in a more sustainable direction is also an essential tool for us to:

Manage sustainability risks in our portfolios and prevent and manage any adverse impacts on sustainable development

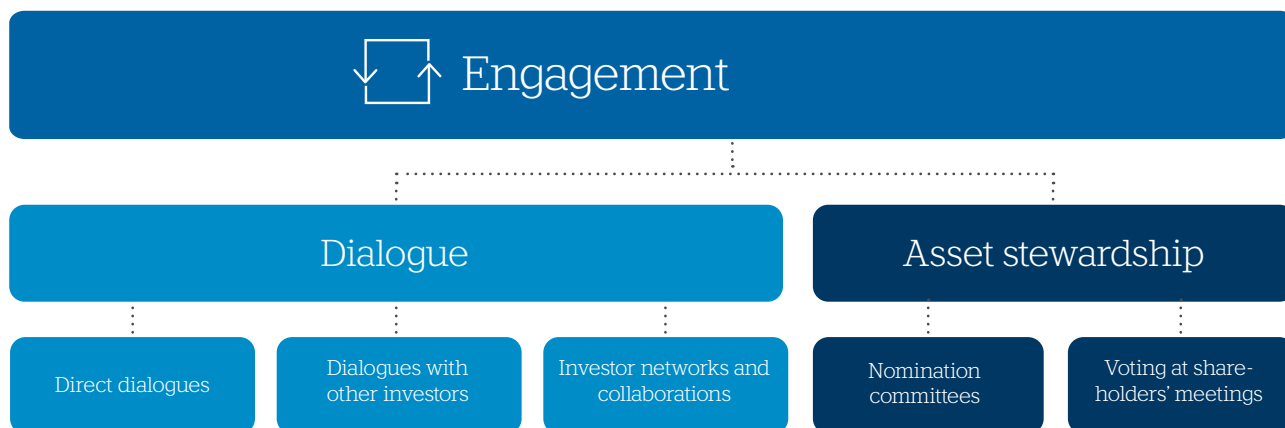
This means that we use engagement as a tool within the scope of the fund company's activities related to the SFDR to identify prioritised risks – so-called Principal Adverse Impact Indicators (PAIs).

It also means that we have a responsibility and an opportunity to influence companies if we identify suspected or confirmed serious or systematic norm violations.

¹ Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)

Engagement methods

Our engagement activities take place in several ways. We divide these efforts into asset stewardship and dialogues.



Asset stewardship

A critical part of serving as an asset manager is promoting active, responsible asset stewardship in the companies owned by the funds. As a shareholder, Handelsbanken Fonder can influence companies through active asset stewardship in both actively and passively managed funds. Some of the most direct ways of engaging are through representation on nomination committees and voting at shareholders' meetings. The basis for these activities is the fund company's Policy for Shareholder Engagement and Responsible Investment, guidelines regarding work on nomination committees and Voting Policy, as well as relevant industry guidelines from the Swedish Investment Fund Association, the Swedish Code of Conduct for fund management companies and the Guidelines for management companies' shareholder engagement.

Nomination committees

The most direct way Handelsbanken Fonder can make an impact in its ownership role is by participating in nomination committees. Therefore, the fund company will accept invitations to serve on nomination committees, provided that the holdings are not deemed to be too small or the fund company too far down on the list of owners. In Handelsbanken Fonder's view, the nomination committee plays a vital role in asset stewardship, and it provides the opportunity to influence the composition of the boards. The fund company's guidelines for nomination committees are sent to the companies where a seat on the nomination committee has been offered.

The guidelines describe our focus, namely:

- Competence of the board and analysis of strategic needs
- The importance of sustainability competency relevant to the company's operations
- Board diversity and equality.

Voting at shareholders' meetings

Handelsbanken Fonder invests in a large number of companies across a wide variety of geographic markets. By voting at shareholders' meetings, Handelsbanken Fonder

can influence the direction these companies take on relevant issues. In general, the fund company votes at the shareholders' meetings of companies in which our ownership exceeds 0.5 per cent, or if issues of particular importance are raised. Learn more in the fund company's Voting Policy.

Dialogues

We can engage in dialogue in various ways. We divide them into direct dialogues, dialogues together with other investors, and investor networks and collaborations. We believe that by combining these different methods, we and other investors can benefit from each other's experience and knowledge, coordinate our messaging and efforts, and thus utilise both our own and the companies' resources more efficiently.

Direct dialogues

In the direct dialogues, the fund company's fund managers and sustainability analysts often participate together. This adds value to the dialogues through a greater number of perspectives for all involved parties on the company's operations, risks and opportunities.

Dialogues together with other investors

One of the benefits of collaborative engagement is that several investors together represent a larger ownership share and send a clear signal to companies about investors' expectations in a particular issue. Often, dialogues with other investors are pursued under the leadership of a supplier, revolving either around specific themes, such as human rights or climate, or around cases where companies are suspected of violating international norms such as the Global Compact or the OECD Guidelines for Multinational Enterprises.

Investor networks and collaborations

Handelsbanken Fonder also actively participates in investor networks and collaborations. Participating in joint initiatives is a way to make a contribution to our industry, the asset management industry, and develop its sustainability efforts. Moreover, participating in networks is important for furthering the fund company's own learnings and development.

Priorities for our engagement activities 2023–2025

We believe that in order for active and effective engagement to take place, a clear process for selection, implementation and follow-up of the dialogue is essential. Simply put, it is a matter of prioritising and adapting our activities in relation to the goals we want to achieve. In addition, we have a responsibility to our customers and stakeholders to be transparent and clear about how our engagement activities are conducted.

Therefore, during 2023-2025, we will prioritise further developing our process for selection, implementation, follow-up and reporting of our engagement efforts. This involves adapting our engagement activities in line with developments in the scope of the fund company's efforts related to the SFDR.

During 2023-2025, the fund company will place particular emphasis on the following sustainability areas:

- Climate, climate dialogue is an important tool for our commitment to achieve investment portfolios in line with the Paris Agreement climate goals.
- Biodiversity, because the preservation of biodiversity is essential to sustain the ecosystems on which humanity and its prosperity depend.
- Human rights, as we are convinced that all human beings are born free and equal in dignity and rights, and that we as investors have a responsibility to respect human rights.

Follow-up of results and reporting

Follow-up

The frequency of follow-up of the fund company's actions related to asset stewardship and sustainability depends on the area.

A quarterly follow-up occurs in the Sustainability Risk Forum to monitor the individual funds' and the fund company's overall progress on the set sustainability goals. For example, the Sustainability Risk Forum follows up on sustainability performance and the engagement efforts related to companies that directly violate our sustainability criteria.

The Head of Corporate Governance regularly follows up on the work that takes place in the nomination committees with the fund company's appointed representatives. This occurs in joint meetings in which guidelines and current issues are reviewed.

The voting at shareholders' meetings is regularly followed-up during the season by the Head of Corporate Governance. All votes are registered digitally. The fund company's voting rights must be exercised to ensure that companies comply with the corporate governance principles set out in the fund company's guidelines for corporate governance. Voting that breaches these guidelines must be documented with a specific justification.

Reporting

Engagement Report

As of the 2022 reporting year, we have integrated the reporting of engagement into our annual Voting Report. The report describes the sustainability issues we have prioritised engaging in, as well as the companies we have engaged with through dialogue – either directly or with other investors – including information on the goals for these dialogues. The report also describes our efforts related to asset stewardship, including how we have voted at shareholders' meetings.

Sustainability and Stewardship Report

The fund company's annual reporting of the actions we have taken related to sustainability and asset stewardship presents a selection of different engagement efforts. These include certain company dialogues, engagements in investor networks, collaborations and initiatives, as well as our asset stewardship.

Climate Report

The fund company's annual Climate Report, which is published in accordance with the TCFD recommendations for climate reporting, specifically describes our engagement efforts in the area of climate.