

Due diligence routines related to sustainability in investment decisions

The fund company's CEO-guidelines for due diligence in fund management operations constitute the basis for the routines that are to be applied and the type of due diligence that is to be respected in conjunction with investment decisions in the fund company's mutual funds and portfolios. Within these guidelines, the fund company must comply with the laws and other regulations applicable to the business operations, fund rules/investment rules, information disclosed in the prospectus and fact sheet, as well as internal rules adopted by the fund company, such as investment strategies/investment guidelines and the fund company's *Policy for Shareholder Engagement and Responsible Investment*.

The fund company has established routines to ensure that sustainability risks and the sustainability requirements specified for each fund/portfolio are taken into account in the investment decisions. The sustainability analysis constitutes a portion of the investment analysis conducted for investment decisions. In addition to the internal analysis, the sustainability analysis includes analyses from external providers of sustainability analysis. Indicators that take the principal adverse sustainability impacts into account constitute a portion of the sustainability analysis. These indicators are described in general in the document "Statement on principal adverse impacts of investment decisions on sustainability factors" (PAI Statement), which is annually updated. In addition to this, the fund company's sustainability analysis is applied, in line with the SFDR regulations. Refer to the document "SFDR – Sustainability definitions and methodologies" (in Swedish) at [Follow our work | Handelsbanken](#) for more information.

Because of the fund company's climate goals aiming to contribute to the climate transition, in which investing in climate solutions is a target, including companies with a certain exposure to fossil fuels is possible if the company meets the fund company's requirements to qualify as a company in transition. See the document "Inclusion of companies in transition" at [Follow our work | Handelsbanken](#). Before investment decisions are taken regarding companies in transition, decisions are taken in the fund company's Sustainability Committee. Companies in transitions are companies in the process of transforming their operations in a way that is expected to contribute to the attainment of one or more of the Sustainable Development Goals (SDGs) of the 2030 Agenda.

The due diligence procedures applied differ depending on the management approach in question.

All of the investments within *actively managed equity and fixed income funds* are analysed from a sustainability perspective, which is recorded as part of the investment analysis documentation. Sustainability is integrated in the analysis which serves as the basis for the investment decision. The starting point for the analysis is an assessment of a company's material sustainability risks and opportunities, as well as an assessment of how well the company manages these sustainability areas. In addition, a company's objectives and level of transparency in reporting related to sustainability are also analysed. In this regard, the fund managers consider the fund company's inclusion strategy and exclusion strategy (refer to [handelsbanken-fonder.se](#) for more information), and analyse whether a company meets the criteria to qualify as a company in transition.

Active allocation management invests primarily in other funds, including both the fund company's own funds and funds from external fund providers. All of the fund providers in which our fund management invests complete an operational due diligence (ODD) process and an investment due diligence (IDD) process. The sustainability efforts of the fund provider and the product are evaluated in the ODD and IDD processes. This applies to both management of funds and discretionary portfolios. The fund company's risk control function carries out verifications on a quarterly basis to ensure that all of the fund investments have an ODD and an IDD.

Investments in our *passive allocation funds*, which only invest in the fund company's own funds, occur exclusively in funds that meet the same sustainability requirements as those specified for passive fund management.

The due diligence efforts for the rest of our *passive fund management*, in which the integration of sustainability risks is embedded in the index methodology, are primarily conducted in conjunction with the selection of index and index provider. The fund company ensures that the sustainability requirements specified for the product are included in the index methodology as part of these due diligence efforts. In addition, the party that supplies the sustainability data to the index provider is evaluated, as is the quality of this data. The

indices used by the fund company are provided by index providers registered as administrators at ESMA, pursuant to the Benchmarks Regulation (BMR).

Risk control continuously monitors each fund to ensure that they fulfill our customer promise linked to sustainability. Here, the risk control function follows up that all investments are approved based on the fund's criteria, ensuring that the proportion of investments in sustainable investments according to the SFDR does not fall below our customer promise.

In addition, all funds are reviewed and reported in line with the disclosure requirements of the SFDR and are reported quarterly in the fund company's published EET file as well as in each fund's periodic reporting. This reviewing and reporting is performed by the fund company's sustainability team. Furthermore, Compliance verifies, based on a risk-based analysis, that the fund company complies with the due diligence rules and routines adopted by the fund company. The risk control function and Compliance regularly report to the fund company's CEO and Board of Directors.