

FUND MANAGEMENT POLICY

HANDELSBANKEN FONDER AB

The fund management organisation within Handelsbanken Fonder AB (the Management Company) consists of analysis, fund management and trading. The Management Company manages active equity and fixed income funds, passive index funds and exchange-traded funds (ETFs) as well as passive and active allocation funds.

RESPONSIBLE INVESTMENTS

Sustainability analysis is an integral part of fund management. The starting point is international norms and conventions, as well as voluntary frameworks such as the UN's Global Compact and UN's PRI. The sustainability work is based on three methods: inclusion, exclusion and engagement. The approach taken in the ongoing operations can differ depending on the selection of individual companies, the choice of index or the selection of funds to be included in the fund portfolios.

Essentially, all of our funds exclude investments within the controversial sectors of alcohol, tobacco, cannabis, commercial gambling, weapons and war materials, pornography and fossil fuels. The funds also exclude companies that violate international norms and conventions regarding human rights, labour law, the environment and anti-corruption. In addition, all of our funds exclude companies involved in banned weapons, nuclear weapons and coal mining.

The Management Company's risk control function monitors the funds on a daily basis to ensure compliance with its provisions related to the exclusion of companies. The control refers to the sectors we exclude as well as the companies that are not in compliance with international norms and conventions. A more detailed description is available in our Policy for shareholder engagement and responsible investments.

INVESTMENT PROCESSES

Active equity- and fixed income funds

Five different investment strategies are included in the active management: thematic, selective, balance, small-cap and fixed income. A common factor for all of the strategies is to provide fund management the best possible conditions to deliver added value to the customer based on the fund's investment focus. The fund management processes are dynamic and continuously evolving to meet changes in the market. Fund management is based on a common global process for market research that is expressed in quarterly strategy meetings in which all fund managers participate. The common analysis is the basis for the entire active management. A significant internal exchange of information, knowledge and ideas, both formally and informally, occurs within the fund management organisation on a regular basis.

Sustainability analysis is an integral part of the portfolio managers' investment analyses and impacts the investment decisions. As a result, an assessment of the company's sustainability performance is made for each holding.

Index funds and ETFs as well as passive allocation funds

A common factor for our passive fund management is that the funds follow a clear and pre-defined index or rules-based strategy with the objective of delivering performance in line with this. We work with several investment processes within passive management. Index funds and ETFs use physical optimisation, physical replication and derivative-based management. The passive allocation funds use a rules-based management process based on determined target weightings or other rules-based strategies such as protective floors. In common for all of the processes is that they follow a structured process to provide fund

management the greatest possibility of delivering returns to the customer according to the fund's given conditions based on the investment focus. The process is dynamic and continuously evolving to address changes in the market.

Sustainability regarding inclusion and exclusion is an integral part of the fund management processes, most notably through sustainability-adapted indices. The sustainability-adapted indices are produced in collaboration between an index provider and a provider of sustainability analyses. The providers can differ between various indices and markets.

Allocation fund management

The investment process within allocation fund management is pursued as a team with a clear division of responsibilities and authority. The objective is to provide fund management the best possible conditions for delivering added value to the customer based on the fund's investment focus. The process is dynamic and continuously evolving to address changes in the market.

The investment process and portfolio construction consists of several steps with different investment horizons and starting points. All of the portfolios managed by the team use a common analysis process. The analysis is ongoing and portfolio positions are therefore changed continuously based on the current analysis.

The allocation funds are so-called fund of funds. These invest primarily in Handelsbanken's funds as well as in the funds of other fund management companies. Sustainability analysis is an integral part of the allocation management process and impacts the investment decisions. An assessment of the strategy and the underlying fund's sustainability performance is made for each holding. In addition, all of the fund providers are analysed regularly based on sustainability dimensions.

RESPONSIBILITIES OF THE FUND MANAGER

The investment process for each fund requires the fund manager who is responsible

for the portfolio to take a number of investment decisions. With each investment decision, the fund manager must ensure that the decision concurs with the objectives, investment strategies and risk mandate for the fund/discretionary mandate concerned. The fund manager's decisions are supported by a comprehensive framework for the fund management activities, which includes reference to current fund rules, investment strategies and legislation with applicable investment limits.

FOLLOW-UP OF RETURNS

A frequent follow up of risk and the realised returns takes place in the investment process. The portfolios are evaluated against a pre-determined public index (the fund's benchmark index). The objective of the active equity- and fixed income fund management, as well as the active allocation fund management, is to deliver returns over the long term that outperform the benchmark index. The objective of passive fund management is to deliver returns over the long term that are in parity with the performance of the fund's benchmark index. An independent unit within fund management has the responsibility for the evaluation and analysis of the fund management returns realised.

BEST EXECUTION

The Management Company aims to attain the best possible results. The Management Company's Chief Executive has made the decision to adopt internal guidelines that are designed to achieve the best possible results when the Management Company executes trading on behalf of the funds or another client. When placing orders, the Management Company either places an order at a counterparty, who then executes the order on behalf of the funds (e.g., on the stock market), or the Management Company executes the order directly with the end counterparty. The Management Company takes a number of factors into account for the placement of all orders, including price, costs, speed, likelihood of execution and settlement, size, nature and other circumstances relevant to the execution. The price is always essential and often the most significant factor. The

Management Company only executes transactions with counterparties that have been approved by the Management Company's credit committee. This applies to trading with financial instruments as well as with securities lending. An evaluation of the counterparties' trading routines will be conducted at least once a year in order to ensure that the process consists of high-quality trading and low operational risks. Given that Handelsbanken serves as one of the Management Company's counterparties in the placement of orders, Handelsbanken is also evaluated in the same manner as other counterparties. Information about the share of turnover conducted via closely-related securities companies (Handelsbanken) is available in the funds' annual reports.

In addition, periodic controls of executed transactions will be conducted. This includes systematic controls of closing prices and transaction costs. These controls are administered to ensure that the Management Company conducts trading with those counterparties that are best equipped to achieve the best possible results. The guidelines also include instructions on how orders should be allocated across different funds to ensure that no fund/other client is favoured. Further information will be provided by the Management Company upon request.