

An aerial photograph of a lush green forest. A river flows through the center of the forest, its water appearing a vibrant turquoise color. The trees are dense and varied in shade, from deep greens to bright yellows. The overall scene is serene and natural.

Sustainability and engagement report 2023

Handelsbanken

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About risk

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Taking action to make a real difference

” Today, as much as 99.8% of the fund volume chooses not to invest in fossil fuels ”.

2023 was yet another tumultuous year with wars, turbulent financial markets and natural disasters marking the world. New heat records were frequent, and the year was the warmest ever recorded since pre-industrial times. The oceans were also affected by the warming, with severe consequences for several marine species.

AGAINST THIS BACKDROP, IT IS OF THE UTMOST IMPORTANCE that we as asset managers, and also the companies we invest in, understand and are able to handle rapid changes by adapting and limiting our climate impact. These are major challenges and we all have an important role to play, and the record-warm year underlines the importance of urgent and continued action to combat climate change. This was also reflected during COP28, the climate summit in Dubai, where countries agreed that the world must “transition away from fossil fuels”.

At Handelsbanken Fonder, we work continuously to reduce our funds' climate footprint, and today, as much as 99.8 per cent of the fund volume chooses not to invest in fossil fuels. Since additional efforts are required, we also direct investments towards companies that contribute to solutions to mitigate the consequences of climate change, as well as towards companies that are transitioning from fossil-dependent operations to renewables. Through product development, we can continue to increase our sustainable investments and investments in environmental and climate

solutions, and thus contribute to a reduced climate footprint. During the past year, we expanded our product offering with another nine new funds with different investment focuses.

As a significant investor and owner, with more than SEK 900 billion in fund assets under management, we have a great opportunity to influence the companies we invest in through dialogues, voting at shareholders' meetings and participating in nomination committees. This way, we can make a real difference – not

least together with other actors. Handelsbanken Fonder's objective is to generate good long-term financial returns, while simultaneously taking sustainability risks into account and contributing to a more sustainable development. Thank you to all of our customers for trusting us to manage your capital!

Learn more on the following pages about our continued efforts in 2023 to reach our sustainability goals.

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3

questions for
Magdalena Wahlqvist
Alveskog,
CEO of
Handelsbanken
Fonder

Are there any special efforts from 2023 that you would like to highlight?

– Yes, it's exciting that we've launched a total of nine funds. It feels great that we, for example, have launched another impact fund, Handelsbanken Global Impact.

Is there any area that has been particularly challenging during the year?

– I've felt that it's becoming increasingly important to clarify how we as a fund company relate to various sustainability issues in a changing world. For us as a financial player, it's important to be long-term in our approach, with confidence in our goals and strategies, while we at the same time need to be responsive to change.

Do you see any particular focus area in the near future?

– We have a great responsibility to support and encourage companies to report more transparently, and to then use that information wisely in order to meet our ambitious targets on both financial return and sustainability.

3

questions for
Aurora Samuelsson,
Head of Sustainability
at Handelsbanken
Fonder

Are there any special efforts from 2023 that you would like to highlight?

– Yes, I'm proud of the teamwork at the fund company. The sustainability team coordinates the work, but all our colleagues are active in driving and implementing our sustainability efforts in the fund management and in investment decisions, as well as in the monitoring process. Our strength lies in collaborating and benefiting from the commitment and expertise of the entire company.

Is there any area that has been particularly challenging during the year?

– Globally, 2023 has been marked by war, tragic loss of life, climate challenges and increased geopolitical tensions. Closer to home, the importance of transparency and follow-up in the construction sector, for example, has received increased attention, which underlines the importance of collaboration with other investors and expert organisations to highlight the improvements needed.

Do you see any particular focus area in the near future?

– It's important that the sustainability perspective also includes respect and justice for the people who are most acutely affected by climate change and biodiversity loss – something that can be challenging to capture in dialogues or sustainability data. We are all affected differently by these changes and that is something we need to manage differently based on our circumstances and roles, but we all have a responsibility. In our case, we do this through our asset management, in which we will contribute to both financial returns and ambitious sustainability efforts through a close dialogue with the companies and issuers in which we invest in.

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The year in brief

Sustainability is central to Handelsbanken Fonder's asset management. Here are some figures of our efforts and their effects in 2023.

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298

BSEK in dark green (Article 9) funds.

587

company dialogues.

11.6

BSEK in impact investments.

21

companies approved as companies in transition.

52

BSEK invested in green, sustainable and social bonds.

244

BSEK in investment portfolios in line with the Paris Agreement.

75%

of our nomination committee seats were filled by women.

99.8%

of the fund volume chooses not to invest in fossil fuels.

68

nomination committees served on.

977

AGMs voted at, in 43 countries.

Our vision and our sustainability goals

Our vision is to create financial wealth and planetary health. Our sustainability goals are to manage our investment portfolios in line with the Paris Agreement's climate targets in the form of net-zero greenhouse gas emissions by 2040 at the latest, and to contribute as much as possible to the goals of the 2030 Agenda. On the following pages, we describe how we work on our sustainability goals and how things have gone in 2023.

Investment portfolios in line with the Paris Agreement

Goal:
Net-zero greenhouse gas emissions by 2040

How we will achieve the goal

Reduce emissions in our overall fund portfolio

Invest in environmental and climate solutions

Targets

Target 1
-50%

Reduce the carbon footprint of our portfolio by 50% by 2030.

Target 2
x2

Double our investments in environmental and climate-related solutions by 2030.

Contribute to Agenda 2030

Goal:
Increase our contribution to the 2030 Agenda

How we will achieve the goal

Invest in solutions

Drive engagement for change

Targets

Target 3
+30%

Increase the share of sustainable investments by 30% by 2025.

Target 4
+

Increase our engagement activities with positive results each year until 2025.

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Our path to net-zero carbon emissions

The IPCC synthesis report* released in March 2023 shows that the Earth's climate is changing at an accelerating rate, sea levels are rising and the occurrence of extreme weather is increasing. Yet at the same time, the report also highlights that there are technologies and solutions to limit global warming. However, emissions must be reduced significantly, and every tenth of a degree of global warming we manage to avoid makes a substantial difference.

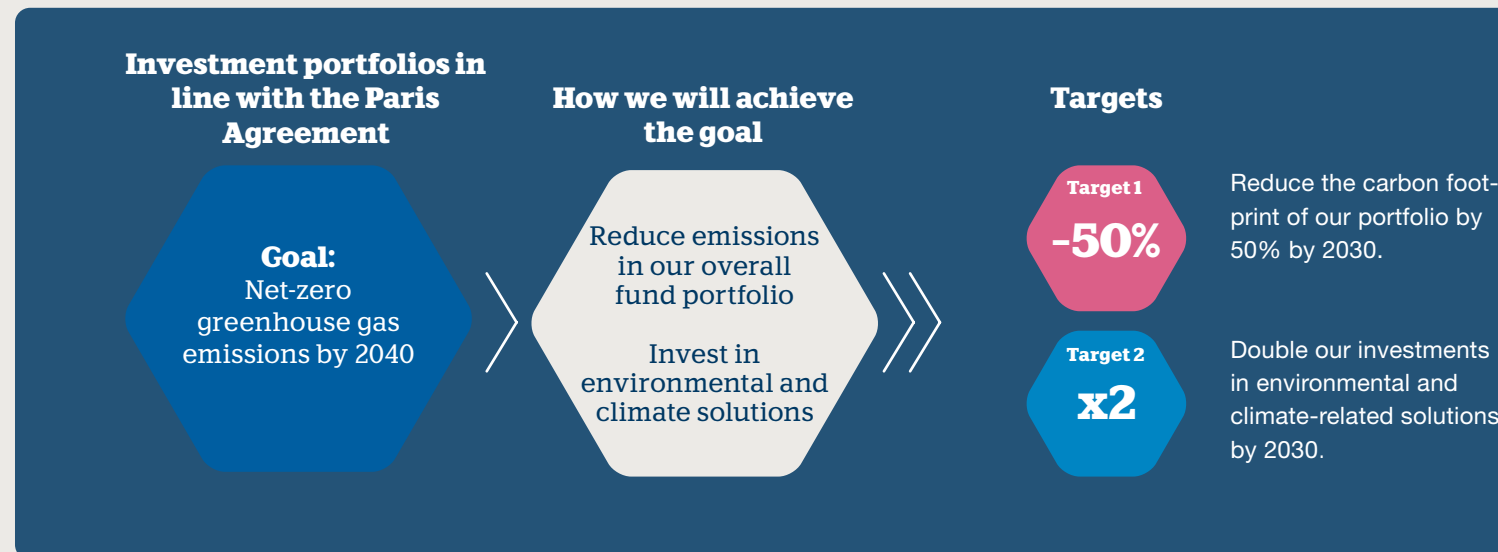
HANDELSBANKEN FONDER STRIVES both to reduce the funds' climate footprint and climate risks, and to direct investments towards companies that contribute to solutions in the transition. Our first overarching sustainability goal is to achieve net-zero greenhouse gas emissions from our overall

investment portfolio by 2040. On our way to achieving this, we have two targets.

What is net-zero emissions?

The concept of net-zero emissions means that greenhouse gas emissions from us humans should not exceed the greenhouse

gases that are absorbed from the atmosphere in a process called carbon removal. To achieve this, emissions should first and foremost be reduced to as close to zero as possible. Any remaining emissions are neutralised with the corresponding amount of carbon dioxide uptake – for example, by restoring forests and wetlands.



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*ipcc.ch/report/ar6/syr/.



Target 1

Reduce the carbon footprint of our portfolio by 50 per cent by 2030

” We want to engage to drive change in areas where we can make a difference and tangibly contribute to reduced emissions.”

The goal of net-zero emissions from our overall investment portfolio can be achieved in several ways. By only investing in low-carbon sectors, the goal could be reached relatively quickly. This, however, is not the way we make the biggest difference in reality. Achieving the global climate goals requires a comprehensive transition, especially in sectors with historically high emissions. All companies need to be focused and goal-oriented in their pursuits to reduce carbon dioxide emissions – and as a long-term investor, Handelsbanken Fonder needs to be part of that journey.



Frej Örnberg
Sustainability Analyst
Handelsbanken Fonder

Target 1
-50%

How we reach the goal - examples of our business activities

Engagement activities for reduced emissions

During 2023, we have finetuned our process with the aim of making an even more accurate impact in areas where we can make the biggest difference and tangibly contribute to the goal. Factors that form the basis of our prioritisation are companies that account for the largest share of our total investment portfolio's carbon footprint, whether the companies have set ambitious emission reduction targets for scopes 1, 2 and 3, and whether the companies report on all three scopes.

For us, it is important that the companies report as complete and correct as possible. Good data quality provides us with a greater possibility to understand and manage the carbon footprint of our portfolios, and helps companies understand the areas where opportunities to reduce their emissions exist.

In addition to targets and complete reporting, we ask for clear plans from the companies on how they intend to achieve their goals, including how the companies intend to impact their value chain emissions.

Our dialogues in 2023 with companies active in the mining, steel and the industrial sector show that when companies set science-based targets both for their own operations and for the value chain, it can generate positive snowball effects in other markets, sectors and companies.

During 2024 we will therefore continue to follow up and require companies to increase the clarity, scope and level of ambition in their climate efforts to reduce emissions in the areas with the greatest impact.

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Target 1
-50%

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Stefan Hagman
Portfolio Manager
Handelsbanken Developed
Markets Index Criteria

New index fund in line with the Paris Agreement

In 2023, we broadened our range of funds and launched Handelsbanken Developed Markets Index Criteria. It is a global index fund that only invests in developed markets and tracks a Paris Aligned Benchmark (PAB). Such an index reduces its carbon footprint in line with the goals of the Paris Agreement, alongside exclusion requirements. The fund is our eighth in this category.

“We are pleased to be able to offer another index fund with a high sustainability profile, and the fund is an important piece of the puzzle in our total index offering.”

“Investments in new technologies, such as biofuels for aviation and carbon capture in industry, are also exciting areas that we are keeping tabs on.”

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Drivers of the green transition

Political ambitions to combat climate change have surged around the world, and major investments are being made in several places. Regulations and technological advances have driven the green transition, and during COP28, member states agreed that the world should transition away from fossil fuels.

Concrete policy decisions for a faster transition

Accelerating the transition requires political ambition and action. In many parts of the world, the level of ambition has increased in recent years, but these ambitions need to be converted into actual decisions and detailed regulations to increase the willingness to invest.

COP28

At the UN's latest climate conference in Dubai, COP28, which was held at the end of 2023, a statement was reached that for the first time declared that the world should "transition away from fossil fuels". The agreement also includes a pledge to triple global renewable energy capacity by 2030 and to double the rate of energy efficiency improvements.

IRA

In the United States, a major investment in the country's climate transition is being made possible via the Inflation Reduction Act (IRA), which gives companies in the United States large tax breaks if green initiatives are implemented. This means that the cost of a multitude of climate-positive technologies can fall substantially. This could also lead to new investment opportunities for European companies, via the requirements for local production. At the same time, there are concerns that the IRA is dependent on the outcome of the 2024 presidential election in the United States.

Fit for 55

Fit for 55 is a package of climate legislation in the EU, with the aim of reducing net emis-

sions of greenhouse gases by at least 55 per cent by 2030. The politicians of Europe are ambitious and even though the direction is clear within Fit for 55, key decisions, clear regulations and permit processes are still missing. This leads to companies holding off on larger investments such as hydrogen and wind power. However, one can anticipate an upturn, for example in Germany and France, where local initiatives are beginning to take shape.

Regulations and technological advances

In China, regulations, technological advances and favourable profitability have driven growth. During 2023, new installations of solar panels doubled, which accounted for more than one in two installations in the world

in 2023 – despite the fact that the subsidies have been removed. Another rapidly growing segment in the country is electric cars.

Handelsbanken Fonder views regulations and policy decisions as an essential part of accelerating the transition to a world with lower carbon dioxide emissions, where fossil fuels must be phased out and replaced by renewable energy sources. We are therefore searching for solution-oriented companies in areas such as solar energy and wind power.

Investments in new technologies, such as biofuels for aviation and carbon capture in the industrial sector are also interesting areas to follow.

How did it go 2023?

HANDELSBANKEN FONDER'S TOTAL CARBON FOOTPRINT, scope 1, 2 and 3 included, increased by 2.0 per cent in 2023, from 50.2 to 51.2 tCO₂e/MSEK. Looking at scope 1 and 2 alone, the carbon footprint decreased by 13.1 per cent. We have chosen to include scope 3 in our target, even though this is challenging. Excluding scope 3 would have been a much easier way to go, but it would also have meant that a very large and significant part of our portfolio companies' emissions would have been omitted. Instead, we try to report and account for our methods and results as transparently as possible, aware of the existing challenges.

The main explanation for the slightly increased carbon footprint in terms of scope 1, 2 and 3 during the year is that several companies, including several of the fund company's Swedish portfolio companies that are significant in our data, have transitioned from estimated to reported emissions data for scope 3. In many cases, this change has resulted in the companies reporting significantly higher emissions than previously estimated.

Improved data that closer reflects reality is valuable, but the sometimes very large differences in companies' reported emissions also pose a challenge in how to accurately

document the fund company's development over time towards the target of a 50 per cent reduction of the carbon footprint by 2030. We therefore place great emphasis on analysing what affects our annual outcomes and how we can use this information to continue to improve both our measurement methods and the actual work we conduct in the funds. An important part of that analysis is considering the company level and assessing whether the companies' climate goals and development are pointing in the right direction. Here, we note that among several of the companies that account for the largest part of the fund company's carbon footprint, there has been a clear reduction in the companies' own footprint, in line with what can be expected of companies that comply with their set climate targets. In addition, we note that the majority of the fund company's total carbon footprint (over 63 per cent) derives from companies that have set scientific-based emission reduction targets, approved by the Science Based Targets initiative (SBTi).

If we also include companies that have applied to SBTi to have their climate targets validated, these companies together account for over 70 per cent of the fund company's total carbon footprint. This means that we can expect the companies' emissions to continue

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Target 1
-50%





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to decrease in the future. However, the fund company's development towards our carbon footprint target is affected by more factors than the companies' actual climate efforts. Through a combination of stock market movements, flows and reallocations, these companies as a group make up a larger share of the total portfolio – and despite the companies' own reductions, this has contributed to an increase in the fund company's total carbon footprint. The data on carbon footprint is mainly based on information from our sustainability data provider, ISS ESG. They provide a snapshot of what the portfolio's car-

bon footprint looks like and the calculations are not always completely comprehensive.

The work ahead

The analysis of the 2023 outcome clearly demonstrates the challenges that both we as investors and the companies have ahead of us when it comes to understanding and impacting emissions from the entire value chain. It is crucial to take a holistic approach if we are to reach our goal of net-zero emissions in the long run, and the same applies to most companies and countries in the world. The road to get there is built on cooperation.

Our part in this consists of aspects such as being clear in our dialogues and continuing to demand as accurate and complete reporting of the companies' scope 3 data as possible. We will therefore continue to pursue this issue in 2024, partly through our climate dialogues and partly through various collaborations, such as CDP and Climate Action 100+. We are also working with other investors within the IIGCC to further develop guidelines and methodologies related to the integration of scope 3 data for portfolio managers, so that we can best meet the challenges that exist globally.

”It is crucial to take a holistic approach if we are to reach our goal of net-zero emissions.”

Target 2

Double our investments in environmental and climate solutions by 2030

Target 2
x2

By investing in companies that develop products and services for the climate transition, participating in new share issues and IPOs, and investing in sustainable bonds, Handelsbanken Fonder contributes to supporting various environmental and climate solutions – and enabling the companies behind them to grow.

How we reach the goal - examples from our business activities

Investments in bonds with clear climate benefits

One way for us to contribute to environmental and climate solutions is to invest in bonds issued by companies and other bond issuers with the aim of financing improvements related to the environment and climate.

When investing in bonds that are categorised as green or sustainable, we actively seek investment opportunities that provide clear added value. Investments are directed towards projects and objectives that are deemed to be material for the sector, the market and are in

accordance with our overall strategy. We also conduct engagement efforts in the area and have pursued several dialogues with companies and banks to let them know what types of projects we wish to see more of and which sustainability parameters we believe require more transparency.

Overall, the bond market is dominated by bonds aimed at financing reduced climate impact. Investment opportunities in climate adaptation and other environmental issues, on the other hand, still make up a smaller part of the supply. Within the latter category, we are actively seeking investments, for example related to water and biodiversity, and during

2023 several new investments related to these themes have been made.

One of these is a green bond issued by a Swedish municipally owned company, in which the borrowed capital will improve and ensure sustainable distribution of drinking water. We have also invested in green bonds in a French multi-utility company, focused on water and waste management on a global scale. In 2023, the company's first impact report was published, which showed that 84 per cent of the borrowed capital was allocated to projects related to water. An estimated 68 million people had been supplied with drinking water, including in France, Italy, India,

Bangladesh, Sri Lanka and several African countries.

Another investment made during the year was in a sustainability-linked bond issued by a Brazilian company active in the paper and packaging industry, in which the framework focuses on reduced water use in the company's production. The framework also includes a biodiversity target, stating that the company will reintroduce two regionally extinct species and reinforce at least four threatened species.

We look forward to follow up and discuss the outcomes of our investments with the issuers to see that the progress is in line with our expectations.

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Dialogues regarding environment and climate

During 2023, 20 direct dialogues were held with companies regarding how they contribute to important environmental and climate solutions through their products and services. Many of these dialogues concern how the companies can help accelerate the transition to renewable energy, electrification or increased energy efficiency. Transforming the food system is another key area for achieving global environmental and climate goals, where we as investors see an opportunity to support and influence companies that develop solutions for different parts of the value chain.

During the year, we have conducted dialogue with an American agrotech company about the possibilities for a more efficient use of fertilizer and other inputs, and about tackling challenges linked to behavioral change in the agricultural sector.

A similar example is a Norwegian company that specialises in converting sand and degraded land into arable land, with which we have held dialogues on how they can accelerate and expand their business to achieve critical improvement of soil environments.

Green, sustainable and social bonds

At the end of 2023, holdings in green, sustainable and social bonds totalled to SEK 52.3 billion for the entire fixed income management – an increase of SEK 2.6 billion compared with the previous year. Of these SEK 52.3 billion, SEK 50.9 billion were holdings in bonds classified as contributing to environmental and climate solutions, which is an increase of 5.4 per cent compared with 2022.

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The green transition

– water and sanitation

Target 2
x2

Access to clean water and sanitation is essential for human health and development. Yet unfortunately, with the accelerating pace of climate and environmental change, water access is becoming even more limited.

WATER PLAYS A CENTRAL PART in the world's food and energy production. As water becomes more and more scarce, the risk of conflict also increases.

Today, about 750 million people lack clean water and about one in three people in the world live without access to basic sanitation. Water scarcity often goes hand in hand with poverty and leads to an unhealthy environment with diseases as a result. An important part of adapting to these challenging conditions is the development of innovative solutions to save and purify the water that is still available.

Water and sanitation is one of the areas in which the Handelsbanken Latin Amerika Impact Tema fund invests. An example of such an investment is the Brazilian company Sabesp, which provides residential, commercial and industrial users in São Paulo with water and sewerage services. In São Paulo,

the network for sewage and sanitation is relatively well developed, but there is still much to accomplish. Sabesp is working to increase the proportion of purified water from 83 to 90 per cent within about three years. The company is also actively working on solutions to collect wastewater from the city's poor areas where infrastructure is inadequate. Through its efforts within wastewater management, Sabesp has improved the living standards of millions of people, and the pollution of the Pinheiros River has been at the same time been reduced. Investing to reduce pollution of the rivers in the area continues to be one of the company's most important goals.

Sabesp's investments are also in line with the Brazilian national goal of 99 per cent of the population having access to water and 90 per cent of the population having access to sewage by 2033.



Elias Kayal
Portfolio manager
Handelsbanken Brasilien Tema



Kristoffer Eklund
Portfolio manager
Handelsbanken Latinamerika Impact Tema
and
Handelsbanken Global Impact

”By 2033, 99 per cent of Brazil's population should have access to water and 90 per cent to sewage.”

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How did it go in 2023?

Target 2
x2

THE SHARE OF ENVIRONMENTAL AND

CLIMATE SOLUTIONS decreased during the year — from 22.7 per cent to 20.7 per cent of assets under management. This outcome is mainly due to the fact that our actively managed funds, which have a large proportion of investments in solution companies, have decreased in size relative to our index funds, which have a lower proportion of these types of investments. In fixed income management, the proportion of environmentally sustainable investments has increased, but decreased as part of the entire fund company's assets under management.

The challenge of solutions versus emissions

During 2023, we have seen strong growth in our index products, which reflects how the market as a whole developed during the year. Our Paris-aligned index funds had the greatest growth, which of course is viewed as positive from a climate perspective. On the other hand, this means that the actively managed funds that choose investments in environmental and climate solutions make up a smaller proportion of the fund company's total capital, and that the effect on the fund company's target to increase investments in environmental and climate solutions will therefore be negative.

Environmental and climate solutions at the company level are measured according to the fund company's method based on revenue that positively contributes to the environmental and clima-

te-related goals in Agenda 2030, as well as revenue that is aligned with the climate and environmental objectives of the EU taxonomy. Sustainable bonds, such as green bonds, with environmental and climate objectives are also counted as solution investments.

From an overall perspective, it is important to take into account both emissions (target 1) and solutions (target 2), which is why Handelsbanken Fonder has set separate goals for these areas. In the long term, we believe that these two areas meet, but in the short term it may seem as though there are contradictions between them.

The work ahead

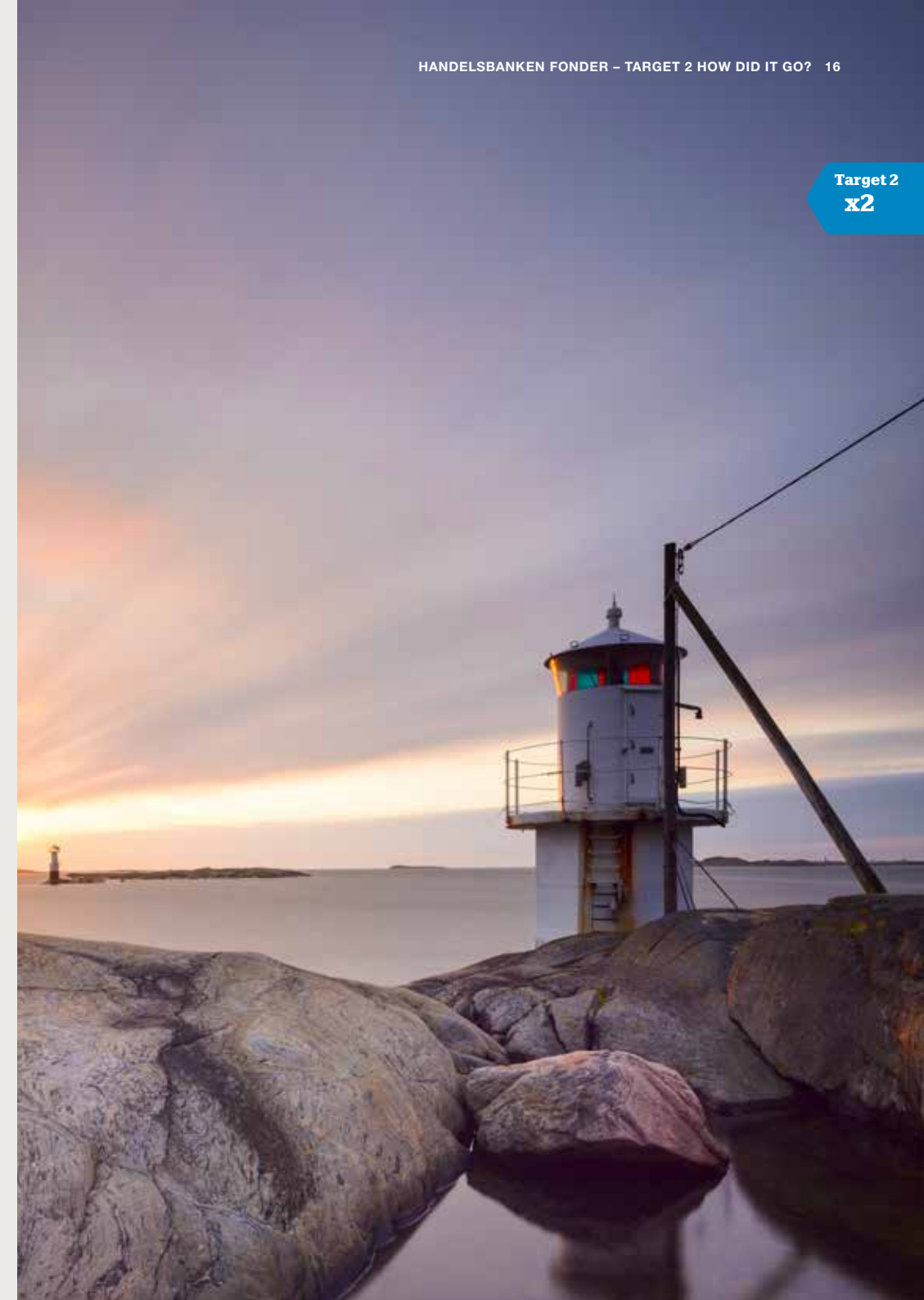
To better ensure coverage and data quality regarding the companies' activities that contribute to Agenda 2030, we implemented new data sources during the year. As a result, we have become somewhat stricter in our estimates of the companies' share of environmental and climate solutions, which is reflected in the results.

We conclude that efforts within the areas of methodology and data will continue to be a focus area, with the current implementation of CSRD* for many of our portfolio companies and continued accounting according to the EU taxonomy.

*CSRD (Corporate Sustainability Reporting Directive) is a new EU directive that will ensure that companies report the impact of their business' social and environmental activities.

About risk

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Contributing to Agenda 2030

As a significant investor with over SEK 900 billion in assets under management, Handelsbanken Fonder has a responsibility to act in line with the Paris Agreement and invest in accordance with the goals of the 2030 Agenda.

TO PROMOTE AND ACCELERATE efforts to achieve the 17 Sustainable Development Goals (SDGs) and the related 169 targets by 2030, extensive investments and policy reforms are required in areas such as health care, access to clean water, financial inclusion, human rights and gender equality. It also concerns preserving ecosystems and biodiversity, and utilising natural resources in a sustainable manner. Against this background, we are working

actively at Handelsbanken Fonder to be part of the necessary investments.

In order to take strategic action towards the goal of increasing our contributions to Agenda 2030, we have set the following two quantitative targets for 2025:

- Increase the share of sustainable investments by 30 per cent.
- Increase our engagement activities with positive results each year.

About risk

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Target 3

Increase the share of sustainable investments by 30 per cent by 2025

Target 3
+30%

We are convinced that, just as in our efforts to reach net-zero greenhouse gas emissions, investments in solutions are a key part of the work required to achieve the goals of the 2030 Agenda.

How we reach the goal - examples from our business activities

Handelsbanken Global Infrastruktur – investing in the society of the future

In October 2023, Handelsbanken Global Infrastruktur was launched – an equity fund that invests globally in companies that secure society's basic functions, such as transport, communications, energy, and water and waste. Within communications, this can concern telecom masts and networks, as increased digitalisation demands expanded and robust infrastructure. As regards transport, we invest in the largest companies in the railway sector, but also companies that work on the construction of bridges, tunnels, roads, as well as passenger transport and infrastructure around ports and airports. Within energy and

electricity grids, there are companies that produce and distribute energy from solar, wind and hydropower. In this area, several companies are transitioning from fossil energy production to renewables. The last area is water and waste management, which is fundamental to all societies and where shortcomings have major consequences.

Infrastructure plays a critical role in sustainable development and the transition to achieve the SDGs. In order to be included in Handelsbanken Global Infrastruktur, the majority of a company's revenue needs to be linked to infrastructure, as well as meet the fund's sustainability requirements which are integrated into the management model. Approximately half of the revenue generated by the fund's holdings contributes to one or more of the

SDGs, such as SDG 11, "Sustainable Cities and Communities", and SDG 6, "Clean Water and Sanitation".

Handelsbanken Global Impact – solutions in focus

Handelsbanken Global Impact was launched at the end of 2023 and is an actively managed equity fund. The fund looks for the most promising companies that work to create a positive, measurable impact on society, the environment and the climate – in line with the Agenda 2030 SDGs.

The fund managers spend a lot of time finding and analysing companies that we believe can truly contribute to positive developments. What kind of business is it; who benefits from the business; how large of an impact do they

have; what kind of contribution does the company make from an investor, company and societal perspective; and what risks may be associated with an investment?

Examples of areas with interesting companies:

- Education – reduces inequalities in society and increases opportunities for children and young people
- Sustainable infrastructure – electrification of society requires major investments
- Digital and financial inclusion – creates conditions for more people to become involved in the economy and society
- Health and medical care – increased equality and social development requires investments in improved access to good quality health and medical care.

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”A very exciting bond, where we have the opportunity to make an impact and simultaneously contribute to women being able to really invest in their companies.”

About risk

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Investment with a focus on female entrepreneurship

During the year, Handelsbanken Hållbar Obligation invested in a social bond issued by the British bank National Westminster Bank (NatWest). The bond was issued on International Women's Day on 8 March, and the funding is used exclusively to support small and medium-sized companies owned and operated by women in the UK.



Karin Göransson
Portfolio Manager
Handelsbanken Hållbar Global Obligation

THIS THEME IS UNIQUE TO THE BOND

MARKET and we have previously only noted a few similar bonds globally. NatWest is the first bank to clearly allocate an entire social bond of EUR 500 million for lending to companies run by women. The purpose of this women-led social bond is to increase gender equality and enable women to expand their businesses, an area where access to finance has previously been one of the major barriers.

Target 3
+30%

Green, sustainable and social bonds

In 2023, sustainable bonds accounted for approximately 13 per cent of all corporate bond issuances globally. In Europe, the corresponding figure was slightly higher. Green bonds, i.e. bonds with a focus on climate or the environment, account for the larger share, although the share of social bonds grew significantly during the pandemic. After the pandemic, however, social bonds have once again declined in favour of green bonds

How did it go in 2023?

THE SHARE OF ASSETS UNDER MANAGEMENT IN SUSTAINABLE INVESTMENTS for 2023 remains at the same high level as the previous year, at 43.2 per cent. We are therefore still close to achieving the target, but the trend and prospects are unchanged compared to the previous year. The unchanged result at the overall level is mainly explained by two main movements in different directions that cancel each other out. The negative impact on the development towards the target is that the funds with the highest proportion of sustainable investments, i.e. the actively managed funds, have decreased as a share of the fund company's total capital in favour of passively managed funds – in line with the developments on the market as a whole during the year. However, this has been offset by an increase in the proportion of sustainable investments in the funds on the total.

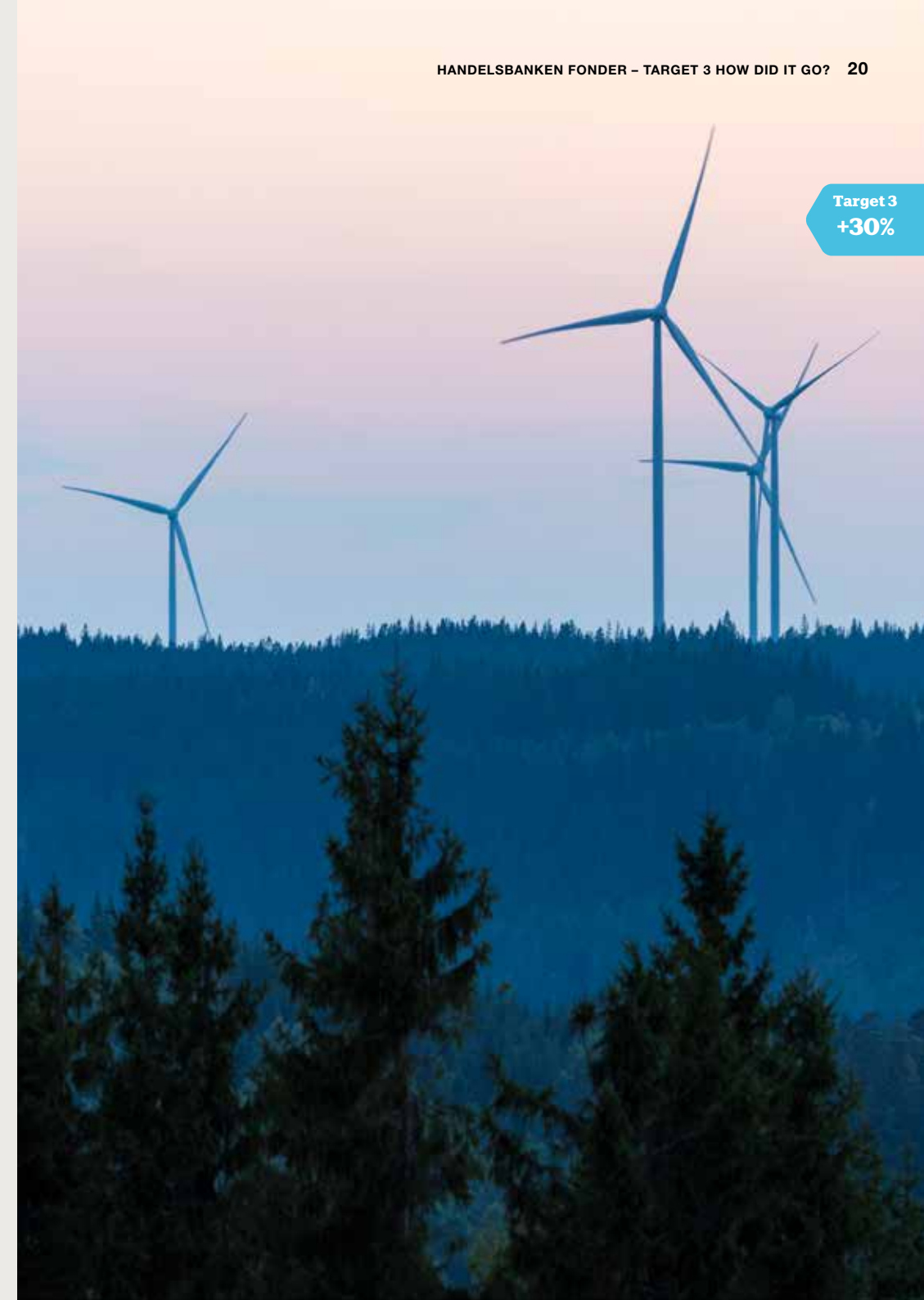
The work ahead

We are continuously developing our product range and methods to achieve our target. In December 2023, for example, a new fund, Handelsbanken Global Impact, was launched. The fund aims to invest in solution companies, and we expect this to yield positive results in 2024. The fund management is also actively working to find and invest in solution companies, which has contributed positively to the 2023 outcome. We also see challenges on the way to reaching our goal. In general, it tends to become more and more difficult to annually increase the share of sustainable investments from already high levels in the funds that account for the largest share. In addition, we note that it may be challenging to improve the outcome annually if the trend of flows from active to passive funds continues to characterise the market going forward.

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Target 3
+30%



Target 4

Increase engagement activities with positive results each year until 2025

Engagement activities with positive results are vital if we are to achieve our target of increasing our contribution to Agenda 2030. Engagement is also an important tool for managing sustainability risks in our portfolios and preventing and mitigating adverse impacts on.



Anna Zetterström Bellander
Sustainability Analyst
Handelsbanken Fonder

Target 4
+

How we reach the goal - examples from our business activities

Tech companies and human rights

Digitalisation is an important part of the transition to a more sustainable society. However, the digital platforms of big tech companies also carry significant risks. In order to manage this type of risk and counteract the negative aspects of digital development, Handelsbanken Fonder has joined a newly launched three-year collaborative project coordinated by the AP Funds' Council on Ethics. In the

project, a group of institutional investors will collaborate to conduct engagement dialogues with the tech companies Alibaba, Alphabet, Amazon, Apple, Meta, Microsoft and Tencent. These dialogues focus on preventing and dealing with the negative consequences for society, democracy and the people – not least children and young people – that can arise from the spread of harmful, incorrect or fake content. The consequences of this can be discrimination, violence and deteriorating mental health. The goal of the engagement is for the tech companies to take concrete me-

asures to manage the above-mentioned risks related to their products and business model, but also to deliver transparent reporting in the area. Handelsbanken Fonder views the collaboration as crucial to gaining a better understanding and being able to influence some of the systematic social risks that digitalisation entails.

Dialogue on nature and biodiversity

In the autumn of 2023, Handelsbanken Fonder became a member of Nature Action 100, a new global initiative run by Ceres, IIGCC,

Finance for Biodiversity and Planet Tracker. The ambition of the initiative is to, through collaborative investor dialogues, influence the 100 companies in the world deemed to be most systemically important for reversing the trend of loss of nature and biodiversity by 2030. These companies have an impact on habitat loss, overexploitation of land, and pollution of soil and water. Some of the sectors that are in focus initially are biotechnology, pharmaceuticals, chemicals and food, where the latter sector includes, for example, meat and dairy producers, as well as producers of processed foods.

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Class action – Wells Fargo

A key part of active asset stewardship is overseeing that listed companies conduct their operations soundly, in accordance with applicable laws and regulations. Among other things, this can call for the fund company to take an active part in a class action. This type of process is conducted partly to recover as much as possible of the shareholders' losses caused by a listed company, for example by providing false or misleading information to the stock market, and partly to maintain confidence in the stock market by demonstrating that fraudulent behaviour is not acceptable.

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SINCE 2020, HANDELSBANKEN FONDER and three US pension funds have together acted as lead plaintiffs in a class action lawsuit in the United States against the American bank Wells Fargo. The class action alleges that Wells Fargo has not complied with US regulators' requirements for improved internal governance and monitoring. The demands from the authorities arose after Wells Fargo

was involved in an account scandal in which the bank opened and charged for a very large number of accounts without customers requesting this. Wells Fargo assured the stock market on several occasions that it was working on and complying with the requirements of the regulators. When information became public that the bank was far from meeting the requirements, the share price fell significantly

on several occasions. This caused financial damage to the shareholders. In January 2023, Handelsbanken Fonder, together with the three US pension funds, managed to negotiate a settlement with Wells Fargo via mediation, declaring that the bank will pay USD 1 billion to the affected shareholders. The settlement is the largest a Scandinavian institution has been involved in negotiating, the sixth largest

settlement in the last ten years and the 17th largest ever in the United States. The settlement has been confirmed by a court in New York and payment to the two affected funds managed by Handelsbanken Fonder, as well as other affected shareholders, can be expected in 2024.

How did it go in 2023?

Target 4

+

DURING 2023, THE NUMBER OF OUR OWN DIALOGUES HAS INCREASED

marginally, from 197 to 199. The fund company has continued to prioritise proactive engagement activities and take advantage of the entire fund management's collective resources and expertise in the dialogues. Collaboration between fund managers and sustainability analysts creates the conditions needed for the engagement activities to reach out widely and have a real impact.

Several concrete steps have been taken in the areas that have been subject of our proactive

dialogues. For example, two portfolio companies in Latin America, where the fund company over time has highlighted the importance of increased transparency, published their first sustainability reports in 2023. A company operating in China, with which we have pursued a dialogue about high risks linked to labour rights, has conducted and published an external audit on forced labour within the company's own factories, and intends to urge its suppliers to do the same. As regards biodiversity, we see that many companies have taken steps towards more systematic risk management, and towards working and

”The fund company has continued to prioritise proactive engagement activities and take advantage of the entire fund management’s collective resources and expertise in the dialogues.”

reporting in line with new, international guidelines in the area. Among the Swedish companies that the fund company in 2022 and 2023 has encouraged to report according to The Taskforce on Nature-related Financial Disclosure (TNFD), two are on the list of TNFD Early Adopters, published in early 2024.

“The fund company has continued to prioritise proactive engagement activities and take advantage of the entire fund management’s collective resources and expertise in the dialogues.”

About risk

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In addition to the direct dialogues, the fund company has, together with other investors, participated in collaborative dialogues with 388 companies in 2023. This can be compared to 224 companies in 2022.

A large part of the collaborative dialogues are conducted on behalf of the fund company by an external party and regard suspected violations of norms related to human rights, the environment and corruption. Each dialogue about suspected norm violations is targeted and followed up with regard to the companies' transparency, implementation of relevant policies and processes, and actions for any violations. Of the 220 questions about norm violations that were raised during the dialogues in 2023, our supplier assessed that the companies had shown sufficient transparency in 68 per cent of the questions. In 74 per cent of cases, companies indicated that they have

changed, or will change, policies and processes. 21 per cent have committed to remedying and compensating for the suspected violations, another 46 per cent have initiated actual action and 2 per cent have remedied the violations.

Within the context of investor networks and initiatives supported by Handelsbanken Fonder, 17,754 companies have been contacted during the year – compared to 2,123 companies in 2022. The large increase in this number is attributed to the fact that the investors have not had the opportunity to select the companies they want to engage with within the framework of the campaigns led by the CDP, which account for the largest share of reported initiatives. Instead, each investor stands behind all CDP initiatives, regardless of one's holdings. CDP summarises that in 2023, company reports on the areas of

climate, forest and water have improved with 24 per cent compared with 2022, and that the companies with the highest score (AAA) from the CDP for their transparency have increased with 14 per cent.

Through active asset stewardship, the fund company has also influenced companies through voting at 977 shareholders' meetings and by partaking in 68 nomination committees. In the boards proposed by these nomination committees, the proportion of women increased from an average of 37 per cent in 2022 to 38.5 per cent in 2023.

The work ahead

In 2024, we will continue to develop our process for selection, implementation and follow-up of our engagement efforts. One part of this concerns continuing to adapt our engagement activities to align with the developments of the fund company's

SFDR-methodology and our efforts to reach our sustainability goals. In line with the fund company's engagement strategy, we will focus particularly on climate, biodiversity and human rights. In report after report, we see how urgently action in these areas is required, which is also reflected in the fact that different frameworks and regulations on these topics are developing rapidly. We recognise that companies have vast and difficult challenges ahead of them, not only related to their own direct impact on people and the environment, but also related to risks in their entire value chain. As investors, we need to understand the complexity of this task and be actively involved in the companies' journeys through dialogue and mutual learning.

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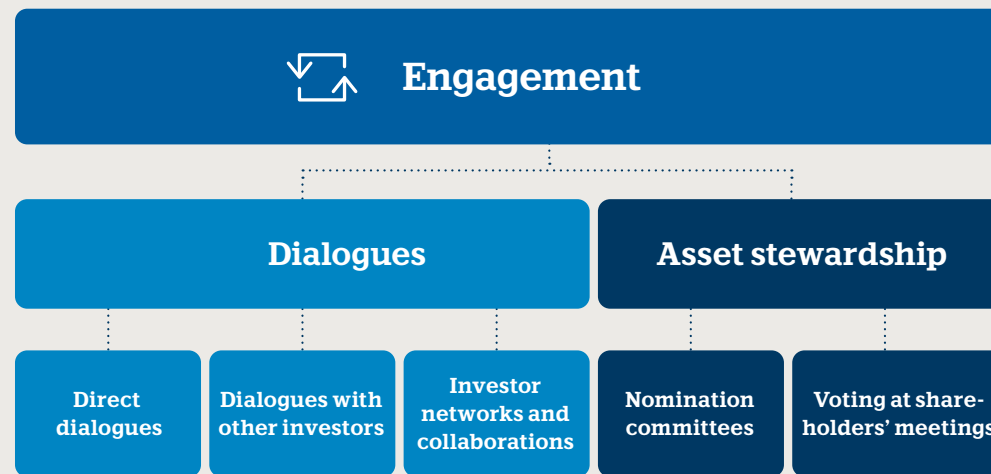
Engagement in-depth

Engagement

The basis for the fund company’s engagement efforts are the values of Handelsbanken, our commitments and the international norms and conventions we uphold. Our efforts to influence companies in a more sustainable direction consist both of dialogues and active asset stewardship. Measuring the effects of our engagement activities is a complex task, seeing as changes in companies’ behaviour, as well as their effects on people and the environment, is affected by a multitude of factors.



Staffan Ringvall
Head of Corporate Governance
Handelsbanken Fonder



in order to secure healthy long-term returns for our funds’ shareholders. For the same reason, we also partake actively in meetings and take positions on issues where we can make a difference for the companies, and therefore also our shareholders.

In the work on nomination committees, current tough times have made a noticeable mark. Boards and individual board members are questioned and media discourse can at times be loud while individual shareholders or groups of shareholders take initiative for change. However, Handelsbanken Fonder still believes in a long-term, structured process in line with the Swedish Corporate Governance Code. It is critical to not be stressed by the pressure and instead proceed in a systematic manner, through reviewing the companies’ competence needs at the board level and thereafter suggesting a board composition and remuneration that best serve the companies in the long run.

However, this does not mean that the fund company is passive. As a major shareholder, it is important that we in our efforts related to shareholders’ meetings and nomination committees are able to understand and adapt to changed conditions and increased demands on the companies and their boards. Nowadays, companies not only need to understand their core business and financial conditions. They also need to adapt to external events and new, comprehensive regulations, including those in the areas of sustainability and safety. As a large and responsible institutional owner, Handelsbanken Fonder is able to be involved in influencing the companies to generate healthy long-term returns, by seeing opportunities in these changes and adapting. This is what we have done in 2023, and what we intend to continue to do.

Comments from our Head of Corporate Governance
Asset stewardship can be both easy and difficult. When times are good – meaning that the meetings are well-prepared and that well-considered proposals for the companies are presented, while the boards are also allowed to work in a structured manner without interruption under calm market conditions – it is relatively easy to vote at

meetings and serve on nomination committees. In times of declining markets, inflation and international trouble spots, not only are companies and boards tested, but asset stewardship also becomes more difficult.
Handelsbanken Fonder reviews calls for meetings, external analyses and shareholder proposals to determine what is best for a company on the long term; everything

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Dialogues

Dialogues can be conducted in various ways. We divide them into direct dialogues, dialogues 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 our direct dialogues, the fund company's fund managers and sustainability analysts often participate together, which adds value to the dialogues through a greater amount of relevant perspectives for everyone involved on the company's operations, risks and opportunities. During 2023, Handelsbanken Fonder conducted its own direct dialogues with 199 companies.

Read more [here](#) about the direct dialogues we have conducted during the year.

Dialogues with other investors

One of the strengths of collaborative engagement is that several investors together represent a larger ownership share and send clear signals to companies about investors' expectations on 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

have been suspected of violating international norms such as the UN Global Compact or the OECD Guidelines for Multinational Enterprises. During the year, 388 companies were addressed through dialogues with other investors.

Read more [here](#) about the direct dialogues we have conducted during the year.

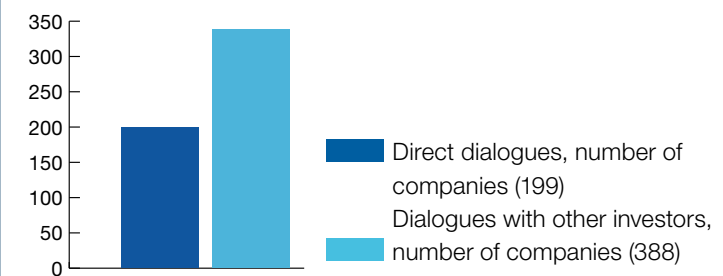
Investor networks and collaborations

Handelsbanken Fonder also actively participates in investor networks and collaborations. Participating in collaborative initiatives is a way to help our industry, the asset management industry, develop its sustainability efforts. Participating in networks is also important for the fund company's own learnings and development. The most recent networks and investor initiatives that Handelsbanken Fonder has joined are Nature Action 100, Investor Initiative on Hazardous Chemicals and Business Coalition for a Global Plastics Treaty.

Handelsbanken Fonder also regularly supports investor appeals aimed at companies or other decision-makers, urging them to raise their sustainability ambitions in various ways. During the year, the fund company has supported appeals in areas such as climate and human rights. Handelsbanken Fonder contacted 17,754 companies, which reflects the fact that some of these networks – especially the Carbon Disclosure Project (CDP) – have very extensive campaign activities, and in 2023, we signed all the CDP mailings for increased transparency. However, we would like to make it clear that Handelsbanken Fonder has not been directly involved in these company contacts.

Read more [here](#) about the investor networks and collaborations we have supported during the year.

Distribution of dialogues 2023



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Priorities in our engagement activities

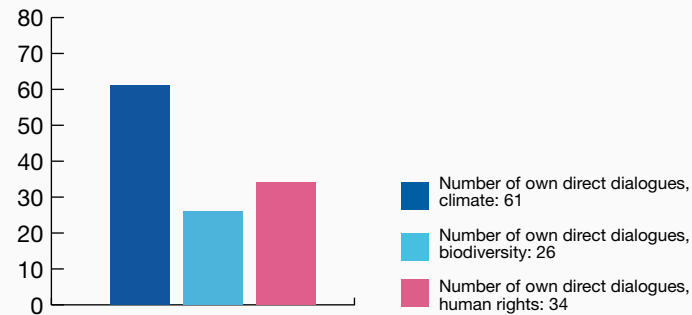
WE BELIEVE THAT A PREREQUISITE FOR active and effective engagement is to have a clear process for selection, implementation and follow-up of the dialogues. It is simply a matter of prioritising and adapting our activities in relation to the goals we want to achieve.

In addition, we have a responsibility to our customers and stakeholders to be transparent and clear about how our engagement efforts are conducted.

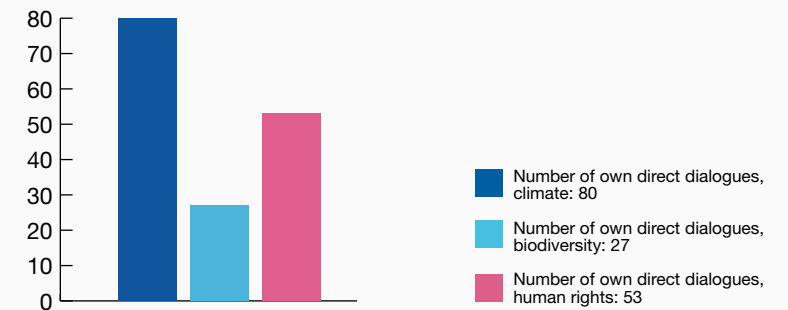
During 2023, priorities for our engagement activities have been adapted to align with the developments taking place within the framework of the fund company's SFDR-methodology, as well as to contribute more clearly to our sustainability goals. The dialogue is classified as either proactive, reactive or thematic:

- *Proactive dialogue* is conducted when we identify an opportunity for improvement in a company's sustainability performance. In both active and passive mandates, we particularly prioritise conducting direct proactive dialogues with companies in which we see

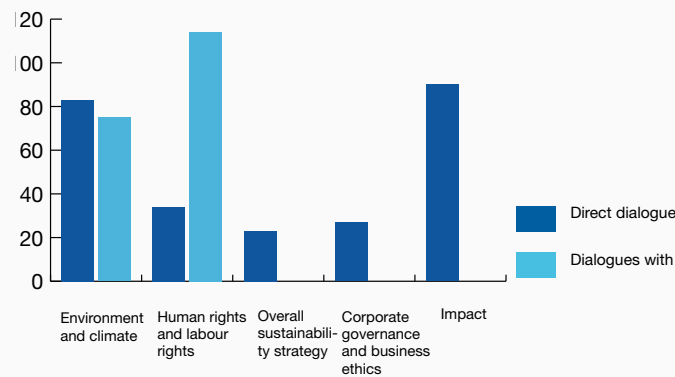
Direct dialogue, prioritised thematic issues 2022



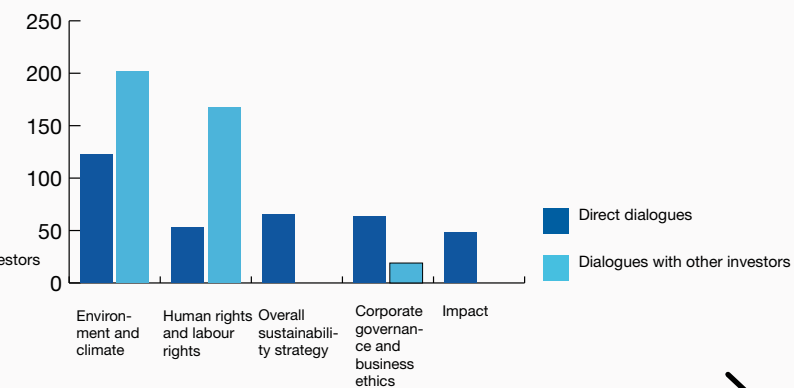
Direct dialogue, prioritised thematic issues 2023



Distribution of companies by theme 2022



Distribution of companies by theme 2023



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opportunities for sustainability improvements and when we assess that we have a good chance of reaching out with our influence.

Our general assessment is that this opportunity is greater in the companies in which we are relatively large owners, both in active and passive mandates, but we still aim to make an impact regardless of our ownership share. Conducting regular proactive dialogue also enables a more successful reactive dialogue, when needed, on the management of specific material risks or reported incidents. The vast

majority of proactive dialogues are direct dialogues.

- We engage in *reactive dialogue* when we identify that a company has significant and inadequately managed sustainability risks, or is suspected of causing adverse impacts on people and/or the environment. This includes, for example, dialogues about suspected norm violations. Reactive dialogues are conducted both directly and together with other investors.

- *Thematic dialogue* is a form of proactive engagement where several companies are addressed simultaneously in areas that are deemed particularly important. Often, thematic dialogues are aimed at specific industries with high levels of exposure to a particular theme and related risks and opportunities. Thematic dialogue often takes place in collaboration with other investors under the leadership of an external supplier or organisation, but it can also take place within the context of our direct dialogues.

”The vast majority of proactive dialogues are direct dialogues.”

Dialogues - environment and climate

Environment and climate

During 2023, the topic of environment and climate has been the most common sustainability issue raised both in our direct dialogues and in our dialogues with other investors. The reason we have prioritised this issue is partly because the world is developing in the wrong direction, and partly because we view dialogue as a crucial tool for achieving our sustainability goals of reducing the carbon footprint of our portfolios and increasing the number of investments in climate and environmental solutions. Last year, the fund company conducted 80 direct dialogues on climate, ten of which were climate dialogues that were prioritised because they account for the largest share of our total investment portfolio's emission intensity and we saw tangible opportunities to influence the companies' climate efforts.

Biodiversity

During 2023, the fund company conducted 27 direct dialogues on biodiversity. In addition, the fund company has also participated in several collaborative thematic dialogues on biological diversity.

Dialogues with other investors - environment and climate

FAIRR Sustainable Aquaculture

Aquaculture is a rapidly growing food sector that can generate climate risks from the use of feed, which often has a high protein content. This investor collaboration is aimed at eight of the world's largest salmon companies with the aim of encouraging them to develop a strategic, science-based approach to better manage ESG risks associated with the sourcing of wild forage fish, fishmeal, fish oil and soy.

[FAIRR](#)

FAIRR Biodiversity Loss from Waste Pollution Engagement

Preserving biodiversity is essential to sustaining the ecosystems on which the world depends. The FAIRR Biodiversity Loss from Waste Pollution Engagement aims to improve both animal waste management and nutrient pollution by encouraging companies to use fertiliser in a sustainable way so that it provides nutrients without polluting soil and water, ultimately reducing the need for fertilisers. The investor collaboration which we participate in is aimed at ten of the world's largest pork and poultry producers and two agrochemical companies.

[FAIRR](#)



Eva Dorenius
Sustainability Analyst
Handelsbanken Fonder

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Initiatives with collaborative dialogues that reinforce each other **FAIRR antimicrobial resistance (AMR) – Environment and health**

Increasingly stringent legislation, raised demands from investors and heightened awareness among consumers are all reasons why AMR has been identified as a material risk for companies in the agricultural, food, restaurant and pharmaceutical industries. AMR results in antibiotics losing their effectiveness, which entails financial risk not only for pharmaceutical companies with antibiotic production and companies that produce and sell animal protein, but also for global animal and public health. The WHO has identified AMR as one of the world's top ten global health threats, proving it to be imperative that antibiotics are used responsibly and sparingly.

Handelsbanken Fonder is engaged in two collaborative dialogues through FAIRR focused partly on North American fast-food chains and partly on global pharmaceutical companies in livestock production – the sector where 70 per cent of the world's antibiotic use takes place. The objective of the dialogues is to map the companies' risk awareness regarding AMR and encourage their operational activities to comply with the WHO guidelines on responsible use of medically important antimicrobials (MIA). The first assessment of the seven selected animal pharmaceutical companies shows that current reporting is not sufficient to allow investors to assess if and how the companies are adequately managing the risk of AMR in their product portfolio. For example, none of the seven selected companies report AMR as a material risk, and only two of the seven companies report how large of a share of their revenue derives from antibiotic production. While the majority of the fast-food chains have some sort of antibiotic policy in place for chicken, most of the companies lack meaningful antibiotic policies for other sources of protein such as eggs, beef and pork. Current shortcomings demonstrate the need for continued dialogue between the companies and active investors such as Handelsbanken in order to hold the companies accountable according to standard practice and to accelerate meaningful developments to improve animal health and protect global public health.

[FAIRR Animal Pharmaceuticals](#)
[FAIRR Restaurant Antibiotics](#)

Collaborative dialogues and initiatives that reinforce each other

IIHC, ChemSec, Nature Action 100 och Business Coalition for a Global Plastics Treaty – Environment, waste and health

Examples of initiatives and appeals we partake in that reinforce each other – both for the sake of increasing our own knowledge, and for the opportunity to have a greater influence on companies as well as a more effective usage of time for both us and the companies – are the Investor Initiative on Hazardous Chemicals (IIHC), appeals aimed directly at companies regarding their chemical usage and production; the cross-industry collaboration Business Coalition for a Global Plastics Treaty; as well as the investor initiative Nature Action 100.

The IIHC is supported with knowledge from ChemSec, an organisation that conducts research and cross-industry collaborations, and which has the practical tools needed to develop more progressive chemicals legislation for the transition to non-toxic alternatives. Through the IIHC, dialogues are pursued with the world's 50 largest chemical producers – where the companies are encouraged to use non-toxic alternatives, resulting in them receiving higher scores in the annual ChemSec ranking. This works well in combination with our collaboration with Nature Action 100 to support biodiversity, where several of the largest chemical companies are also involved, as well as the concrete investor appeals we send directly to the chemical companies via ChemSec with calls to set goals for reducing hazardous chemical use. Our purpose in working with the Business Coalition for a Global Plastics Treaty is to develop a legally binding treaty UN treaty to stop plastic pollution.

About risk

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Dialogues – human rights and labour rights

Human rights and labour rights

We are convinced that all persons are born free and equal in dignity and rights. For this reason, we have a particular focus on human rights and labour rights in our analysis and engagement dialogues.

Several of the major events and developments that have been at the top of the agenda during the year have clear links to human rights. The tense geopolitical situation, Russia's continued war in Ukraine, the war between Israel and Hamas, the climate transition and the digitalisation of society raise various questions about companies' responsibility for human rights throughout the value chain, not least those with links to conflict and high-risk areas.

We have prioritised conducting direct and collaborative dialogue with companies in some of the sectors and value chains that can be linked to elevated human rights risks, such as renewable energy, mining, the clothing industry, the construction sector and the food industry. We expect companies to commit to respecting human rights and to work in accordance with the UN Guiding Principles on Business and Human Rights, and to report transparently on identified risks and how these are managed. During 2023, the fund company conducted 53 direct dialogues and 167 dialogues with other investors on human rights and labour rights.

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Companies with operations in conflict zones or high-risk countries, including Russia

In general, Handelsbanken Fonder's position is that we exclude investments in companies that have been confirmed to be in violation of international norms and conventions regarding, among other things, human rights, labour rights, the environment and corruption. However, we do not exclude companies because of exposure to specific countries, beyond what applies according to applicable sanctions. As far as sanctions are concerned, we adhere to current regulations from the EU, UN and OFAC.

Handelsbanken Fonder is concerned about companies' continued presence in Russia, and we manage this issue within the context of our engagement activities. During 2023, we went through Ukraine's entire International Sponsors of War list and matched against our funds' holdings. We contacted all 13 companies that were on the list and received responses from eight of them and held meetings with four of them. We are not finished

or satisfied with this outcome – we continue to follow up and ask for answers from the companies that have not yet answered our questions, and we follow up on the development of the companies with which we have initiated dialogue. We expect companies with a presence in Russia to clearly assess, minimise and manage the risks that their presence in Russia entails. How this is done can differ depending on the individual company's situation. In addition to International Sponsors of War, there are other sources and lists of information that have led us to engage in dialogue regarding companies' presence in or business relations with Russia.

In total during 2023, we have pursued dialogue with 23 companies regarding their presence in or their business relationships with Russia, including the companies on Ukraine's list in which we own shares.



Collaborative dialogue - Human Rights

Sustainalytics Modern Slavery

Today, an estimated 40 million people are exposed to modern slavery and several studies indicate that there is much left for companies to do in this area. Together with other investors, Handelsbanken Fonder engages in thematic dialogues against contemporary slavery. The collaboration is run by the sustainability company Sustainalytics. The engagement focuses on 20 companies in the construction and clothing industry, and through this engagement we try to influence the companies to adopt policies that pay living wages, the right to union affiliation and fair procurement, and make sure that they have robust due-diligence processes to identify risks throughout the supply chain. The dialogues have, for example, resulted in some companies strengthening their processes relative to their suppliers, and one company has strengthened its human rights policy.

[Sustainalytics](#)

Investor networks/collaborations - Human rights and labour rights

Advance

Advance is a collaborative initiative launched by PRI, where institutional investors come together to take action on human rights and social issues. The initiative offers a strategy, support and concrete opportunities for investors to conduct joint targeted dialogues with companies.

During 2023, we collaborated with other investors to initiate dialogues focused on human rights and working conditions with companies in the mining and renewable energy industry.

[Advance](#)

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“Within allocation management, the dialogues aim to influence other fund companies to further develop their sustainability efforts and for these efforts to be in line with Handelsbanken Fonder's criteria for excluding companies, which provides a broader range of investable funds.”

Dialogues - sustainability strategy, corporate governance and business ethics

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FOR US, IT IS IMPORTANT TO CONDUCT

our business responsibly and sustainably from an economic, environmental and social perspective.

In the companies in which we are relatively large owners, we have a significant responsibility to ensure that the companies' efforts concerning sustainability and corporate governance are at an adequate level. Many proactive dialogues therefore deal with the

companies' overall sustainability strategy, corporate governance and business ethics, or specific sustainability issues of relevance to the company concerned.

We have prioritised conducting dialogue with companies in which we are relatively large owners, as well as smaller companies that have not come very far on their sustainability journey yet, where we see a responsibility and an opportunity from our side to support

the company's development. We are also happy to engage in dialogue when companies turn to us to ask for our feedback on their sustainability performance and reporting, for example as part of their stakeholder dialogue within the framework of the companies preparing reports according to the new EU reporting requirements, CSRD.

We expect companies to have policies, strategies and systems in place to manage their

sustainability risks and opportunities, to have sound corporate governance and to report transparently to their stakeholders.

During 2023, Handelsbanken Fonder held direct dialogues with 65 companies on overall sustainability strategy and with 63 companies on corporate governance and business ethics.



Collaborative dialogue - corruption and business ethics

Dialogues on fraud and work-related crime in construction and real estate

During the year, we have focused on the Swedish construction industry through Transparency International Sweden and its Investor Integrity Forum (IIF). The industry has widespread problems related to fraud and crime, for example regarding wages, taxes, social contributions and working hours. These problems entail risks of unfair competition, corruption, poor working conditions, accidents and violations of human rights. Therefore, together with other investors in the group, we have engaged in dialogue with real estate and construction companies during the year to understand how they perceive and manage these issues and the risks they entails. The dialogues indicate that there is an increased awareness of the significance of qualified and in-depth background checks, limiting the number of subcontractors, governance, as well as regular monitoring and follow-up. At the same time, it is clear that despite awareness of the problems, it is difficult to fully prevent and manage the risks of fraud and crime. We also note a clear difference between the clients and the implementers of construction contracts, including in how responsibility issues are viewed. Further collaboration is needed at all levels to counteract these problems, and we will therefore continue to conduct company dialogues and partake in other forms of collaboration within the IIF in 2024, with a focus on this theme.

Companies' positive impact on sustainable development

We also engage in dialogue with companies on impact on sustainable development, i.e. how companies through their range of products, services and business model can contribute to sustainability solutions, which is closely linked to our goal of increasing our contributions to Agenda 2030. Dialogue is particularly important in the context of the fund company's impact investments. Our opportunity for additionality, i.e. to contribute as an investor to a positive change that would not otherwise have taken place, consists largely of us as active owners being able to encourage the companies to improve their governance and sustainability efforts, and to increase or deepen the positive effects of their products/services and business model. In our dialogues with impact companies, we therefore focus on issues such as financial and digital inclusion, access to productive employment and health, and on the companies' overall sustainability strategy. We have prioritised impact funds and funds with investments in emerging markets in which we see opportunities for the company to contribute with a positive impact on people and the environment. In December 2023, Handelsbanken Fonder launched a new impact fund, Global Impact, and the development of an engagement plan for the companies in the fund has been initiated.

We expect companies to utilise opportunities to design their operations, products and services in a way that contributes to a positive impact on sustainable development, in line with Agenda 2030. What this concerns depends on the context, industry and company.

During 2023, the fund company conducted its own direct dialogues with 48 companies that are part of several of our funds on various impact-related issues.

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Asset stewardship

For a limited company, the ultimate objective is to generate returns for its shareholders. These returns are then often used for investments, either directly in the company or via dividends for further investments in the company or other companies and activities that can benefit the development of society at large. In order for a company to sustainably generate the best possible returns in the long term, the company must be managed in the best possible way under the prevailing conditions.

Against this background, the overall purpose of the fund company's asset stewardship is to promote conditions for a sustainable and sound development of the companies in which the fund capital is invested. The ownership role must be exercised in such a way that the value of the companies and thus the share value of the funds develop in the long term in the best possible way, in the common interest of the unit holders. The fund company considers conscious, active and responsible asset stewardship to be a crucial part of the assignment from the fund unit holders.

As a shareholder, Handelsbanken Fonder can influence companies by carrying out active asset stewardship for both actively and passively managed funds. Some of the most direct ways to use our influence are through representation on nomination committees and voting at shareholders' meetings. The basis

for this consists of the fund company's Policy for Shareholder Engagement and Responsible Investment, Guidelines for Nomination Committees, Voting Policy and relevant industry regulations from the Swedish Investment Fund Association, the Swedish Code of Conduct for Fund Management Companies and the Guidelines for Fund 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 shareholders. Handelsbanken Fonder believes that the nomination committee has a key role in corporate governance and provides the opportunity to, among other things, influence the composition of the boards. The fund company's guidelines for nomination committees are sent to the companies in which a seat on the nomination committee has been offered. The guidelines describe our focus, namely:

- the competence of the board and understanding of the company's operations
- the importance of sustainability expertise relevant to the company's operations
- diversity and gender equality on boards

For several years, Handelsbanken Fonder has worked determinedly to achieve an even gender distribution in the nomination committee group, which has yielded results. Ahead of the 2023 AGM season, we appointed women to 75 per cent of the 68 nomination committees in which we participated. Our aim is to contribute to creating more equal boards over time. On the boards proposed by these nomination committees, the proportion of women increased from – on average – 37 per cent in 2022, to 38.5 per cent in 2023. Handelsbanken Fonder qualifies for 62 nomination committees for 2024 and our focal point will continue to be on achieving more gender equal boards through our actions on nomination committees.

Nomination committees and shareholders' meetings

Active stewardship	2023	2022	2021	2020	2019
Nomination committees	68	70	47	41	34
Number of nomination committee places where we have appointed women, %	75	73	79	71	65
Shareholders' meetings¹	977	1,163	1,019	647	813
Of which Swedish companies	311	302	338	238	224
Of which non-Swedish companies	666	861	681	409	589

¹ On 1 April 2020, the mutual funds previously managed by Xact Kapitalförvaltning were transferred to Handelsbanken Fonder AB.

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Shareholders' meetings

Handelsbanken Fonder invests in a large number of companies across a wide variety of geographical 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 shareholders' meetings in the companies where ownership exceeds 0.5 per cent, or if an issue of particular importance is raised.

The basis for the fund company's voting is our Policy for Shareholder Engagement and Responsible Investment and our Voting Policy. We also base our voting on relevant industry guidelines from the Swedish Investment Fund Association, the Swedish Code of Conduct for Fund Management Companies and Guidelines for Fund Management Companies' Shareholder Engagement.

Our voting principles

Our funds invest globally in a large number of companies in a variety of markets. For the past several years, we have focused on the following crucial issues:

- transparency and company disclosure
- board competency and composition
- fees and remuneration to board members
- remuneration systems and incentive programmes in the companies
- sustainability efforts and related goals.

During 2023, we voted on 16,189 proposals at 977 shareholders' meetings in 44 countries. Voting has taken place both through attendance at the meetings and through electronic voting via proxy. Proxy voting allows the fund company to increase its outreach to a larger number of companies and geographical markets.

Voting on sustainability issues

Handelsbanken Fonder supports shareholder motions that promote sustainable business and greater transparency in disclosure and reporting of companies' climate impact, efforts related to human rights and labour rights.

During 2023, Handelsbanken Fonder voted at 164 shareholders' meetings with sustainability on the agenda.

In total, the fund company has voted on 471 shareholder motions. We voted in favour of 142 of these, and in 319 of the cases, we voted against company management's recommendations.

For more information about how we have voted, read more in our voting disclosure [here](#).



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Engagement in favour of our shareholders

In the autumn of 2023, the majority owner of the Danish company Bröderna Hartmann AS wanted to delist the company and buy out the minority shareholders for 300 Danish kroner per share, which was in line with the price on the Danish stock exchange. Handelsbanken Fonder assessed that the offered price was too low and, after negotiations with the majority owner, together with a couple of other minority shareholders, managed to raise the price to 360 Danish kroner. The result of the negotiations shows the importance of acting actively in favor of the shareholders in our funds.



Key positions during 2023

1. Truecaller - corporate governance

At Truecaller's AGM, the election of the board of directors and the election of the chairman of the board were proposed under one and the same item. Handelsbanken Fonder and a number of other institutional owners requested that election of board members and election of the chairman of the board be separated.

The background was as follows. The two founders are employed by the company as CEO and Chief Strategy Officer (CSO) respectively. One of the CEO's tasks is to evaluate other managers and set their salaries – including for the CSO. A chairman of the board leads and plans the work of the board and is in close contact with the CEO. According to the Swedish Companies Act, one of the most important tasks for a board of directors is to appoint, evaluate and dismiss the CEO. Handelsbanken Fonder could not accept that the CSO, as chairman of the board, should participate in the evaluation of the CEO – the same CEO who is the CSO's manager in the day-to-day operations. We did not consider such a procedure to be in line with good corporate governance. The AGM resolved to divide the items in accordance with Handelsbanken Fonder's proposal. The fund company then voted in favour of the proposed board of directors, including the CSO as a member of the board, but against the same person as chairman of the board.

2. Westlake Corporation - alignment with the Paris Agreement

Shareholders are calling on this company to enhance its greenhouse gas emissions reduction target by 2030 and set long-term targets to align its operations with net-zero emissions by 2050, in line with the Paris Agreement. The proponents refer to the fact that the company, an international manufacturer and supplier of petrochemicals, polymers and construction products, causes significant greenhouse gas emissions via its operations and value chain, which means that the company is exposed to significant financial risks. The company also appears to lack board-level oversight of its climate-related risks, nor does it report its scope 3 emissions or set targets for these as recommended by the TCFD. The company opposes the proposal despite the fact that they are behind their peers.

For these reasons, Handelsbanken Fonder voted against the proposal.

3. Sysco Corporation - animal welfare

The company should establish a revised policy to gradually phase out the use of gestation crates, and this should take place within a set timeframe. In the past, the company had a policy on the topic, but according to the proponent, The Humane Society of the United States, the company now only requires suppliers to comply with applicable laws. The company opposes the proposal, claiming that they already have an animal welfare policy and comply with existing laws. However, the company has not made public whether they actually use gestation crates for pigs or not. We believe it is vital that the company takes a stand. In accordance with the five freedoms of animals, in which space for natural movement is a central part, the company should either reinstate a plan with a set timeframe to phase out gestation crates or clearly confirm that their policy does not allow these crates.

For these reasons, Handelsbanken Fonder voted in favour of the proposal.

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4. Amazon.com - social issues

This is a call for Amazon to produce a report on the risks associated with government use of its facial recognition software. The proponent refers to human rights organisations and civil rights organisations concerned that facial surveillance technology may violate civil liberties. To date, there is no evidence that the board of directors of Amazon has assessed the risks to the company's financial performance, reputation, and shareholder value associated with privacy and human rights concerns. Despite this, Amazon opposes the proposal. However, given potential reputational and regulatory risks, we believe it is reasonable for the company to expand its reporting. The reporting should include a full disclosure of the risks associated with the facial recognition programme, including any human and civil rights violations.

For these reasons, Handelsbanken Fonder voted in favour of the proposal.

5. Caterpillar- transparency

Shareholders have requested that Caterpillar commission an independent third-party report to assess the effectiveness of the company's due diligence process. The purpose is to evaluate whether Caterpillar's operations or customers' use of its products result in violations of the company's code of conduct or its human rights policy. The proponent emphasises that Caterpillar risks being involved in Russia's mobilisation through its subsidiaries and distributors, such as Caterpillar Eurasia, Caterpillar Tosno and Caterpillar Distribution. In addition, one of Caterpillar's designer clothing wholesalers has used suppliers from Chinese companies that have been involved in China's forced labour programme in Xinjiang. Caterpillar and its authorised dealers have been reported to be in violation of international law in Myanmar, occupied Palestinian territory and Western Sahara. We believe that an independent third-party report would be beneficial to shareholders. The report can either prove that the various accusations are not true, or help develop a clearer strategy to avoid human rights violations and reduce reputational and legal risks.

Handelsbanken Fonder also relies on the work of the Investor Alliance for Human Rights on these issues. The initiative is focused on investors' responsibility to respect human rights, engagement with companies to drive their accountability, and standard-setting activities that promote robust policies on business and human rights. Handelsbanken Fonder joined the initiative in 2020.

For these reasons, Handelsbanken Fonder voted in favour of the proposal.

6. CVS Health Corporation - right of association

This is a call for the company to commission a third-party assessment of its compliance with freedom of association and collective bargaining rights, as described in the ILO and in the company's HR policy.

The proponent notes that the company includes these principles in its policy, but that there are shortcomings in it. In addition, the company does not prohibit company management from undermining the right to form or join trade unions. The company has also been involved in controversy over labour rights, particularly in New York and California. The company's human rights impact assessment has also not been made public. CVS opposes the proposal, stating that they are committed to respecting freedom of association in their policies and processes.

We believe that the company is transparent in part; however, they are also involved in controversy, and this proposal is drafted in a reasonable way. The requested assessment can help shareholders oversee how the company manages and mitigates risks related to its human capital.

For these reasons, Handelsbanken Fonder voted in favour of the proposal.

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Impact - investments aimed at contributing to positive change

IMPACT INVESTMENTS AIM partly to create positive change for society, the environment and climate, and partly to generate long-term financial returns. For our impact funds, this means investments in companies whose operations, products or services have, or can be expected to have, a measurable positive impact on one or more of the SDGs. This can, for example, concern environment and climate, better health and education, or increased gender equality.

What is an impact company?

An impact company is assessed as contributing to measurable improvements in line with the SDGs in one or several of the following ways:

- The company's sale of products and services contribute clearly to one or more of the goals
- A growing proportion of the company's sale of products and services contributes to the goals
- The company's operations are conducted in a manner which has a clear positive impact on one or more of the goals.

Analysis of a company's positive impact

Every company is analysed based on a framework where we evaluate the following questions:

- What do the company's products and services intend to contribute with?
- Who is reached by the company's positive impact?
- How large of an impact does the company have?
- What kind of contribution does the investment make from an investor, company and societal perspective?
- Impact risk – which risks arise if the expected positive impact does not occur?

We analyse investment opportunities in sectors such as education, financial services, healthcare, housing, electricity, infrastructure, green energy, water and sanitation, as well as sustainable agriculture.

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GIIN

Handelsbanken Fonder is a part of the Global Impact Investing Network (GIIN). GIIN is a global network that assembles impact investors to facilitate the exchange of knowledge, methods and to develop tools for impact investing.

Our impact funds

As of now, Handelsbanken Fonder has two impact funds:

Handelsbanken Latinamerika Impact Tema

The fund only invests in companies that we believe have, or can be expected to have, a measurable positive impact on one or more of the SDGs. We see this as a major theme for growth moving forward. Through the fund's investments, we intend to positively impact companies. This is accomplished partly through dialogues with company management and, if necessary, by providing capital for investments that contribute to companies' impact. Sometimes, though, just encouraging companies in the existing business is enough, rather than conducting an engagement dialogue to try to bring about a change.

Handelsbanken Global Impact

Global Impact is our newest addition, launched at the end of 2023. The fund is an actively managed global equity fund. The goal is, in addition to generating financial returns, to invest in companies that the fund company believes have, or can be expected to have, a measurable positive impact on one or more of the SDGs.

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Our focus moving forward

Moving forward, the fund company will direct particular attention to the following sustainability themes:

- Climate – climate dialogue is a crucial tool for our commitment to achieve investments portfolios in line with the Paris Agreement's climate targets.
- Biodiversity – the conservation of biodiversity is essential for maintaining the ecosystems on which humanity and our prosperity depend.
- Human rights – we are convinced that all persons are born free and equal in dignity and rights. As investors, we have a responsibility to respect human rights.

Read more in the fund company's Engagement Strategy, available [here](#).

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Other reports and publications are available to read [here](#).

Reports

- Climate and Nature report
- Direct dialogues
- Collaborative dialogues
- Investor initiatives and collaborations
- Statement on principal adverse impacts on sustainability factors
- Sustainability reports Nordic Swan Ecolabelled funds
- Actively managed funds' annual reports 2023
- Passively managed funds' annual reports 2023
- Handelsbanken Annual and Sustainability Report 2023

Read more about our work at handelsbankenfonder.se and [Handelsbanken Fonder LinkedIn](#)

Other publications

- Inclusion strategy
- Exclusion strategy
- Engagement strategy
- Inclusion of companies in transition
- SFDR – Sustainability definitions and methodologies

Policies

- Policy for Shareholder Engagement and Responsible Investment
- Voting Policy
- Fund Management Policy

Guidelines and routines

- Guidelines for nomination committees
- Due diligence routines

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Handelsbanken