

Table 1

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant

Handelsbanken Fonder
Corporate identity number: 556418-8851
LEI: 549300RJTULO02U5ZG71

Summary

Handelsbanken Fonder AB (LEI 549300RJTULO02U5ZG71, and referred to below as the fund company) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of the fund company.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

The fund company regularly assesses potential adverse impacts on sustainability factors and has identified that these mainly consist of factors such as the climate, environment, human rights, anti-corruption and employee matters, as well as gender equality.

This summary of how the fund company considers adverse sustainability impacts on sustainability factors is available in the following languages: Swedish, English, Norwegian, Finnish and Danish.

In the event that the principal adverse impacts on sustainability factors are not taken into account for individual products or the integration of sustainability factors at the product level exceeds that which is specified in this statement, this will be disclosed in the specific fund's prospectus.

The fund company collects data for, and quantitatively reports on, all mandatory as well as two additional sustainability indicators, in accordance with the requirements of Article 6 of Delegated Regulation (EU) 2022/1288. The indicators are presented below, under the section "Description of the principal adverse impacts on sustainability factors". Analysis of these indicators leads to the fund company taking action in line with its strategies for inclusion, exclusion and engagement. An explanation of the development for each indicator is presented where historical data is available, and actions taken, actions planned and targets set for the next reference period are presented for all indicators.

The fund company uses indicators in the following areas to identify and prioritise principal adverse impacts: greenhouse gas emissions, energy efficiency, biodiversity, water, waste, social and employee matters, human rights, the environment, anti-corruption and anti-bribery.

With regard to greenhouse gas emissions, the fund company has taken several measures during 2022 linked to considering adverse impact, such as:

- Continuing to work towards the goal of reducing its carbon intensity by 50% by 2030.
- Continuing to pursue its commitment to the Net Zero Asset Managers Initiative, and in 2022 presented its second progress report.
- Voting for several shareholder proposals on the climate issue, for example to urge companies to set emission targets.
- Continuing to engage in dialogue with numerous companies that are high emitters and initiating further dialogue. The purpose of these dialogues is to encourage companies to clearly report and reduce their climate impact.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period		
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	1,510,808 tCO ₂ e	This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	The fund company has set a target to reduce its emission intensity measured in tCO ₂ e per EVIC (equivalent to PAI 2, "Carbon footprint") by 50% by 2030, based on the 2020 baseline. The target takes into account all emissions in the companies' value chains, i.e. scopes 1, 2 and 3, and is developed in accordance with the Net Zero Investment Framework (NZIF) as part of the fund company's commitment in the Net Zero Asset Managers (NZAM). During 2022, the fund company presented its second progress report to NZAM.		
		Scope 2 GHG emissions	570,665 tCO ₂ e				
		Scope 3 GHG emissions	36,216,924 tCO ₂ e				
		Total GHG emissions	38,298,396 tCO ₂ e				
	2. Carbon footprint	Carbon footprint	529.14 tCO ₂ e /mEUR EVIC (Enterprise Value Including Cash)				The fund company has seven index funds managed in line with Paris Aligned Benchmarks, with a total capital of 179 B SEK at the end of 2022. The funds and their index composition aim for a clear reduction in carbon dioxide and other GHG emissions.
	3. GHG intensity of investee companies	GHG intensity of investee companies	1,487.13 tCO ₂ e/mEUR Revenue				During 2022, the fund company has voted for several shareholder proposals on climate issues, for example to urge companies to set emission targets. The fund company has also conducted its own direct engagement dialogue with several high emitters. The purpose of these dialogues is to encourage companies to clearly report and reduce their emissions.
					The fund company, as part of the Handelsbanken Group, is in 2023 seeking validation of its science-based emission reduction targets by the Science Based Targets Initiative (SBTi).		

	<p>4. Exposure to companies active in the fossil fuel sector</p>	<p>Share of investments in companies active in the fossil fuel sector</p>	<p>0.65%</p>	<p>1.02%</p>	<p>Through its exclusion strategy, the fund company only has exposure to:</p> <p>(i) companies whose involvement in fossil fuels falls below our exclusion thresholds (5% production/distribution and 50% services).</p> <p>(ii) approved companies in transition.</p> <p>The exposure to companies operating in the fossil fuel sector has decreased during 2022. This is likely a result of market and fund flows, rather than active measures to exclude the companies that, according to the fund company's analysis, are approved as companies in transition and are thereby seen as positive drivers of change in the climate transition.</p>	<p>The fund company wants to do its part in the transition to a low-carbon world, with the word "transition" being central. Companies that transition their production from fossil fuels to renewable energy are key players in actually reducing the overall carbon dioxide emissions in the real economy.</p> <p>We have therefore decided to accept a certain amount of exposure to fossil fuels if the company meets our requirements to qualify as a company in transition. Investments in companies in transitions are expected to remain for the next reference period.</p>
	<p>5. Share of non-renewable energy consumption and production</p>	<p>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</p>	<p>Consumption: 61.33%</p> <p>Production: 19.22%</p>		<p>This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.</p>	<p>The fund company's proactive engagement activities address the issue of non-renewable energy consumption and production through ongoing dialogue with the companies, both from a climate perspective and a geopolitical perspective.</p> <p>The coverage of the indicators is low, and for the next reference period we have identified the need to work together with the data provider for an extended analysis of how the outcome should be interpreted.</p>
	<p>6. Energy consumption intensity per high impact climate sector</p>	<p>Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</p>	<p>Sector (NACE): A: 5.91 B: 22.67 C: 2.57 D: 1.84 E: 0.62 F: 0.09 G: 0.33 H: 1.60 L: 0.52 (GWh/mEUR)</p>		<p>This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.</p>	<p>The fund company's proactive engagement activities address the possibility of reducing energy consumption in the ongoing dialogue with the companies.</p>

Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	2.25%		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	During the year, the fund company specifically addressed biodiversity in 26 of its proactive direct dialogues. The issue remains a priority in the fund company's engagement efforts.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	4.31 tonnes/mEUR		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	Controversies in this area are included in the norm-based screening that the fund company purchases from ISS ESG. Cases that are extensive and considered particularly severe will be included in the ongoing efforts related to norms.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	5.66 tonnes/mEUR		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	Controversies in this area are included in the norm-based screening that the fund company purchases from ISS ESG. Cases that are extensive and considered particularly severe will be included in the ongoing efforts related to norms.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.00%	0.00%	The fund company does not invest in companies with verified violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. The source for this assessment is ISS ESG. During the year, there was a certain exposure that, rounded to two decimals, is not visible in the report. The exposure concerns holdings that for a short period of time were included in external fund exposure that was addressed during the year.	Continued screening and exclusion criteria linked to verified breaches. If a company is deemed not to have taken sufficient measures, the company's holdings will be sold off. The fund company regularly participates in dialogues together with other investors regarding companies with verified or alleged violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. The issue remains a priority in the fund company's engagement efforts.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or	45.98%		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference	This is an issue that the fund company, in relevant cases, addresses through engagement dialogue and voting at shareholders' meetings where proposals related to this area are on the agenda.

		OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises			to the actions taken during the reference period.	The issue remains a priority in the fund company's engagement efforts.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	16.61%		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	At shareholders' meetings where proposals related to this area are on the meeting agenda, the fund company analyses and votes on them.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34.19%		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	The fund company works actively to increase gender equality on company boards through our representation on nomination committees and our votes at shareholders' meetings. The issue remains a priority in the fund company's engagement efforts.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.07%	0.00%	The fund company does not invest in companies with exposure to controversial weapons. The source for this assessment is ISS ESG. The exposure identified in 2022 concerns holdings that for a short period of time were included in external fund exposure that was addressed during the year.	Continued screening and strict exclusion criteria.
Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	0.17ktCO ₂ /mEUR GDP		This is the first reporting period for the indicators. In subsequent reports,	The fund company continuously analyses countries based on several factors related to the environment and climate through a model developed internally at

					developments will be explained with reference to the actions taken during the reference period.	the fund company. In addition to the latest value for GHG emissions per GDP, the model also takes into account the trend of the indicator as well as the share of renewable energy, protection of natural carbon sinks, and more.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	The fund company continuously analyses countries based on several factors related to social issues through a model developed internally at the fund company. The analysis covers broad areas, such as human rights, based on underlying factors like conflicts, gender equality, freedom of religion and freedom of expression.
Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	Not applicable		There are no direct investments in real estate.	There are no direct investments in real estate.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Not applicable		There are no direct investments in real estate.	There are no direct investments in real estate.

Other indicators for principal adverse impacts on sustainability factors						
Table 2						
Additional climate and other environment-related indicators						
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	49.00%		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	This is an issue of priority in the scope of the fund company's proactive engagement dialogue. Climate aspects have been addressed in direct dialogues with 61 companies.
Table 3						
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Indicators applicable to investments in investee companies						
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	8.25%		This is the first reporting period for the indicators. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.	This is an issue of priority in the scope of the fund company's proactive engagement dialogue. Human rights have been addressed in direct dialogues with 34 companies.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The basis of the fund company's identification and prioritisation of principal adverse impacts on sustainability factors is provided in the Policy for Shareholder Engagement and Responsible Investment. The policy is updated and adopted at least annually by the fund company's Board of Directors. The current version of the Policy for Shareholder Engagement and Responsible Investment was approved on 29 May 2023 and is available at [Follow our work | Handelsbanken](#).

The CEO of the fund company is responsible for implementing the policies and principles of the fund company's strategies and processes. The CEO establishes guidelines for the ongoing sustainability efforts based on the Policy for Shareholder Engagement and Responsible Investment, as adopted by the Board. These guidelines are regularly updated in line with developments in the methodologies and processes of the sustainability efforts. In the regular investment operations, the chief investment officers are responsible for the ongoing identification and prioritisation of principal adverse impacts on sustainability factors. Some of the guidelines consist of the fund company's "Due diligence routines related to sustainability in investment decisions", available at [Follow our work | Handelsbanken](#).

The fund company is able to identify principal adverse impacts on sustainability factors by regularly following up on the companies' and issuers' compliance with international norms and conventions to ensure alignment with our commitments, as well as by monitoring the performance of the companies and issuers relative to a number of indicators.

The assessment made by the fund company is that the fund company's principal adverse impacts include the following sustainability factors: the climate, environment, human rights, anti-corruption and employee matters, as well as gender equality.

The selection of indicators for principal adverse sustainability impacts is based on the fund company's commitments and the international norms and conventions that the fund company respects. The selection also takes into consideration the fund company's global investment portfolios. In addition, the identification of the indicators intends to take into consideration the likelihood of adverse impacts, their degree of severity, as well as whether the consequences are irreversible.

The fund company's process and model for considering PAI indicators are based on analysis of how prioritised the various indicators are for each sector. The analysis is based on a comprehensive mapping at sub-sector level to ensure that the right PAI indicators are prioritised for each sector, and to establish what type of action signal any shortcomings should lead to in this consideration. Several indicators are considered to be prioritised regardless of sector, such as PAI 1.10, "Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises".

Based on the identification and prioritisation of principal adverse impacts on sustainability factors, the fund company takes action through the three main strategies of inclusion, exclusion and engagement. The fund company applies these continuously within its management through:

- Integrating sustainability risks into the investment decisions to avoid investments in companies with high sustainability risks and instead include companies that manage their sustainability risks in an acceptable manner.
- Screening and exclusion, in which the fund company excludes companies that violate international norms and conventions and/or are involved in controversial sectors through their products and services.
- Conducting dialogues and asset stewardship to influence companies to manage their sustainability risks and potential adverse impacts on sustainability factors.

The documents "Inclusion strategy", "Exclusion strategy" and "Engagement strategy" are available at [Follow our work | Handelsbanken](#).

Data collection and analysis is based on information from external providers of sustainability data. For this statement, the fund company uses data primarily from ISS ESG and Sustainalytics. The fund company has made the assessment that collecting data from companies directly is not manageable and has instead chosen to engage the services of external providers of sustainability data for this. This data is based on the companies' public disclosure of information and reporting. In cases where companies do not report, estimates will be made for certain data points. Sustainability data for different areas can be estimated if this can be done reliably or if there is no reported data available. It cannot be ruled out that the estimated values can underestimate as well as overestimate the adverse impacts on sustainability factors.

In addition, the fund company conducts scenario analyses and stress tests on the fund company's investment portfolios to identify climate risks.

Engagement policies

The starting points for our engagement activities are Handelsbanken's core values, our commitments and the international norms and conventions that the fund company respects. As a significant investor, the fund company has a responsibility and an opportunity to influence companies to act responsibly and conduct their operations in a sustainable manner, as well as to promote the development of the asset management industry's sustainability efforts. The fund company engages through company dialogues, asset stewardship and investor networks, as described in our "Engagement strategy" which is available at [Follow our work | Handelsbanken](#). The fund company primarily manages adverse impacts through engagement dialogues and active asset stewardship, and uses both internal and external analysis as the basis for determining how the fund company will vote at shareholders' meetings.

The fund company uses the identification and prioritisation of principal adverse impacts on sustainability factors (as described above), as well as the sector and geographic exposure of the investments, in order to determine and prioritise the direction of our engagement efforts. Our commitments to international frameworks and principles such as the UN Global Compact and the UN Guiding Principles on Business and Human Rights also provide guidance.

Engagement activities with the potential to make an impact are prioritised, and the fund company's management of adverse impacts on sustainability factors through engagement includes reactive dialogue when companies are accused of being, or found to be, in violation international norms, as well as proactive dialogue to encourage the improvement of companies' sustainability efforts, thereby preventing the risk of adverse impacts. During the year, proactive engagement focused primarily on the areas of reduced climate impact, biodiversity and human rights, including employee rights. Within each area, selected companies in sectors with a high risk of causing adverse impacts have been prioritised.

As part of our asset stewardship, we influence companies by participating in nomination committees and voting at shareholders' meetings. Ahead of annual general meetings, the fund company monitors specific shareholder proposals related to sustainability, such as those regarding the climate issue, gender equality and employee rights.

The fund company intends to more systematically develop clearer processes and routines for ensuring that appropriate actions are taken if the objective of reducing the principal adverse impacts on sustainability factors for the investments with the greatest risk of adverse impacts is not achieved.

References to international standards

The fund company supports international initiatives and guidelines that have the common objective of encouraging and facilitating corporate sustainability. Through Handelsbanken, the fund company is a signatory of the UN Principles for Responsible Investment (UN PRI), and Handelsbanken and the fund company also support the voluntary UN Global Compact initiative. Further, the fund company has signed the Net Zero Asset Managers initiative and set targets to invest in line with the Paris Agreement and reach net-zero greenhouse gas emissions from investment portfolios by 2040. The fund company's operations are guided by these initiatives and guidelines which, together with the values expressed in our corporate culture, form a clear and common foundation for our asset management.

The following indicators for principal adverse impacts on sustainability factors provide support in measuring the degree of alignment with the Paris Agreement:

- 1. GHG emissions
- 2. Carbon footprint
- 3. GHG intensity of investee companies
- 4. Exposure to companies active in the fossil fuel sector
- 5. Share of non-renewable energy consumption and production
- 6. Energy consumption intensity per high impact climate sector

- 15. GHG intensity
- Table 2, indicator 4. Investments in companies without carbon emission reduction initiatives

Furthermore, the following indicators provide support in measuring the degree of compliance with the UN Global Compact (UNGC):

- UNGC principles 1 and 2:
 - Table 3, indicator 9. Lack of a human rights policy
- UNGC principles 7 and 8:
 - 1. GHG emissions
 - 2. Carbon footprint
 - 3. GHG intensity of investee companies
 - 4. Exposure to companies active in the fossil fuel sector
 - 5. Share of non-renewable energy consumption and production
 - 6. Energy consumption intensity per high impact climate sector
 - 7. Activities negatively affecting biodiversity-sensitive areas
 - 8. Emissions to water
 - 9. Hazardous waste and radioactive waste ratio
- UNGC principles 1-10:
 - 10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises
 - 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

With regard to climate scenario analysis, the fund company has during 2022 used tools from ISS ESG for analysis of both transition risks and physical risks. In both cases, the main scenarios that are used come from the International Energy Agency (IEA). The results of the climate scenario analysis are presented in Handelsbanken Fonder's annual climate report, which is produced in accordance with the TCFD's recommendations and is available at [Follow our work | Handelsbanken](#).

Historical comparison

This is the first reporting period for many of the principal adverse impacts on sustainability factors. In subsequent reports, developments will be explained with reference to the actions taken during the reference period.

For the three indicators for which comparative data is available from the previous reference period, the change is reported under each point in the section "Description of the principal adverse impacts on sustainability factors".

Stockholm, 30 June 2023

Magdalena Wahlqvist Alveskog

Chief Executive Officer