Svenska Handelsbanken Luxembourg Branch Sustainability-Related Pre-Contractual Information

Discretionary Portfolio Management

Integration of Sustainability Risks

In accordance with EU Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR”), Svenska Handelsbanken AB (publ), Luxembourg Branch (hereafter “the Branch”) is required to disclose how Sustainability Risks are integrated into investment decisions related to their clients’ portfolios, and the results of assessing the likely impacts of these risks on investment returns.

Sustainability risk, as defined by the SFDR, is “an environmental, social, or governance-related event or circumstance which, if it occurs, could have a significant negative impact on the value of the investment.”

Within the Luxembourg Branch’s operations, the consideration of sustainability risks is an integrated and ongoing part of the investment process. The Branch incorporates these risks into its discretionary investment decision-making process. However, the discretionary portfolio management products are not classified as Article 8 or 9 products under the SFDR.

Various sustainability risks can threaten investments at both the individual asset and portfolio levels. Despite the Branch’s efforts, the uncertainties surrounding many of these risks make their quantification and potential impact complex to ascertain. The impacts of sustainability risks can vary depending on the specific risk, region, and asset class. Key sustainability risks include, but are not limited to:

- **Climate Change Risks**: These include global warming driven by greenhouse gas emissions and resulting large-scale shifts in weather patterns. Risks associated with climate change include transition risks (policy changes, reputational impacts, and shifts in market preferences, norms, and technology) and physical risks (such as droughts, floods, or thawing ground).
- **Natural Resource Risks**: These include rising costs from resource scarcity or resource usage taxes and systemic risks from biodiversity loss.
- **Pollution and Waste Risks**: These include liabilities associated with contamination and waste management costs.
- **Human Capital Risks**: These include declining employee productivity, attrition and turnover costs, pandemics, and supply chain reputational risks or disruptions.
- **Community Risks**: These include loss of license to operate, operational disruptions caused by protests or boycotts, and systemic inequality and instability.
- **Security and Safety Risks**: These include consumer security, data privacy, and security.

The Luxembourg Branch, in collaboration with its group-level teams, incorporates relevant material sustainability risks into due diligence, research, asset selection, portfolio management, and ongoing investment monitoring alongside other material risk factors. To achieve this, the Branch leverages the following information and resources:

A) Disclosed information from target companies or mutual funds (including quarterly financials, general company reporting, and sustainability-related disclosures);

B) Publicly available information from non-target companies or mutual funds (such as news reports or industry data); and

C) Third-party research and data.

Sustainability Risks and Consequences

Sustainability risks, like other types of risks, can impact an asset or the entirety of a client's portfolio, potentially leading to a decrease or total loss of value. These risks may result in the loss of assets and/or physical damage, including to real estate and infrastructure, affecting both private banking client investments and the Bank itself. The Luxembourg Branch emphasizes that a decrease in the value of an asset may occur for a company or mutual fund in which it invests due to reputational damage, resulting in decreased demand for its products or services, loss of key personnel, exclusion from business opportunities, increased costs of doing business, and/or increased cost of capital.

Service

In addition to investment services (execution only as presented under the MiFID Regulation), the Bank offers its flagship discretionary portfolio management service, spanning several profiles and mandates.

The discretionary portfolio management is built on a carefully selected range of investments nurtured by the Group's management company, Handelsbanken Fonder. Each discretionary managed portfolio is constructed based on different strategic allocations from the Risk Model portfolios proposed by Handelsbanken's financial macro and asset strategists.

This approach allows Private Banking clients to adapt their investment strategies according to their risk/reward profiles. To ensure the highest degree of diversification, each portfolio is primarily composed of mutual funds.

The Luxembourg Private Banking Branch may adapt individual portfolios in terms of currency and/or geographical distribution, focusing on SEK, EUR, and potentially USD currencies, to meet clients' specific expectations.

Principal Adverse Impact

In relation to Article 7 of the SFDR, which requires disclosure of whether and how principal adverse impacts are considered at the product level, the Branch does not consider the adverse impacts of investment decisions on sustainability factors. This is because its portfolio management product does not commit to promoting environmental or social characteristics, nor does it have a sustainable investment objective.