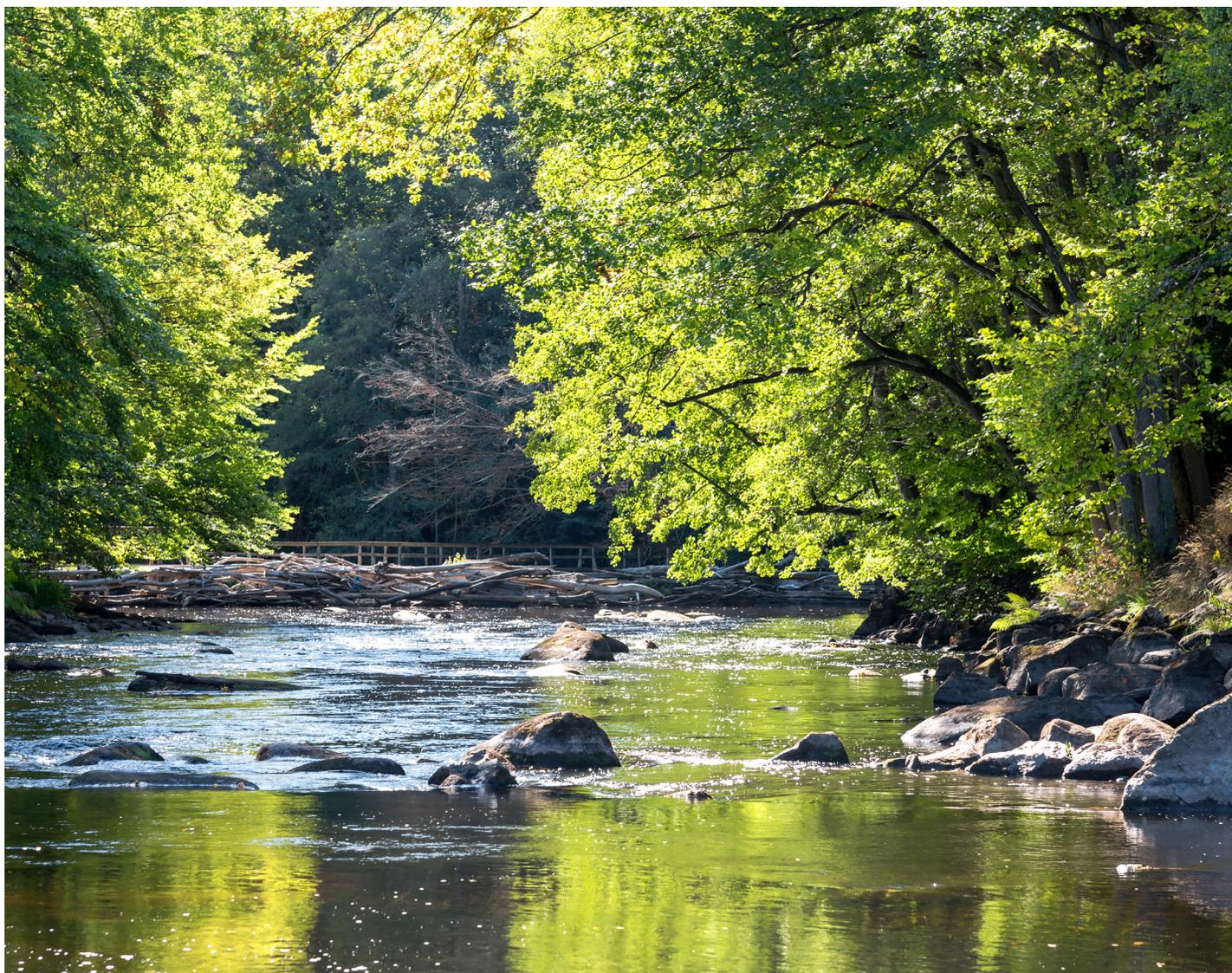


Carbon footprint in our mutual funds



Background

Our world is facing major challenges related to the climate. Greenhouse gas emissions are a major contributing factor to global warming. Higher levels of emissions run the risk of raising the average global warming in excess of two degrees, which increases the potential for weather-related natural catastrophes and conflicts. This could lead to serious consequences for human health and safety, biological diversity, the ecosystem, ocean acidification, food production and water access. The primary reason for the increase to the greenhouse effect is carbon dioxide emissions. In order to facilitate our savers' ability to take the climate into account in their investment decisions, we disclose the carbon footprint of our mutual funds twice per year.

The carbon footprint provides us the information necessary to determine certain climate-related financial risks, such as a cost for CO₂. This facilitates the identification of companies within the scope of our engagement activities that we can influence to produce lower emission rates by requiring, for example, targets for emission reduction, risk management, business strategies and transparency. This metric should be viewed in context of the Management Company's integrated sustainability efforts.

As a fund manager, it is paramount that we identify those companies that are the most carbon intensive and have the greatest impact on the funds' carbon footprint. As a fund saver, the report can give you an indication of how the fund's composition can impact the carbon footprint.

Methodology

We calculate the carbon footprint in accordance with the guidelines of the Swedish Investment Fund Association, which are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures. The data includes Scope 1 (the company's direct emissions) and Scope 2 (the company's indirect emissions generated by the consumption of electricity, heat or steam).

The carbon intensity is measured as a portfolio company's carbon dioxide equivalent relative to the portfolio company's earnings. The carbon intensity of a fund is calculated as the weighted average of the carbon intensity at each portfolio company in the fund, pursuant to the formula below.

$$\sum_n^i \left(\frac{\text{Value of holdings}}{\text{Total value of portfolio}} * \frac{\text{Portfolio company's turnover of CO}_2\text{e (Scope 1 and 2)}}{\text{Portfolio company's turnover (in the fund's currency)}} \right)$$

The key figure shows the fund portfolio's exposure to carbon dioxide intensive companies expressed as the portfolio company's annual CO₂ equivalent (CO₂ e) in tons/the company's annual earnings in the fund's currency, divided by the portfolio weighting, i.e., the value of the holdings/the total value of the portfolio.

We only report the carbon footprint for the funds in which a minimum of 75% of the fund's market value consists of either the fund's own emissions data or alternatively, qualified estimates.

We have contracted the services of ISS ESG to calculate the emissions of greenhouse gases generated by the companies invested by our funds.

The carbon footprint shows an historical "snapshot" of the emissions from the companies included in the fund's portfolio. The values will fluctuate in line with the changes to the companies' emissions, as well as a result of changes to the composition of the portfolio. Changes in exchange rates will also impact the metric.

Scope 3, i.e., the indirect carbon dioxide emissions of a company's services and products in the value chain, is not included in this measurement due to the guidelines that this report follows. However, it should be noted that, in many cases, the largest proportion of a company's carbon footprint is found in Scope 3. Scope 3 is, however, included in the funds' Sustainability and Corporate Governance Report.

Please note that the carbon footprint does not show the total climate impact of the investments due to the following:

- Only certain emissions are included. Indirect emissions from external providers are not always included in the calculations, nor are the major emissions normally resulting from the use of the company's products.
- Emissions data from companies are not complete.
- Emissions savings through products and services are not factored into the calculation.
- Information about fossil reserves is not included.
- The metric does not reflect how well a portfolio is positioned against, or its contribution to, the transition to a low-carbon society.

Risk information

Historical yields are not a guarantee of future returns. A fund can both increase and decrease in value and it is not guaranteed that you will recover the entire invested amount. Note that a fund with risk level 6-7, as stated in the fund's fact sheet (KIID), can vary greatly in value due to the fund's composition and management methodology. Summary of investors' rights, prospectus, fund rules and KIID are available under each fund at handelsbanken.se/funds.

Results for actively-managed funds

Since we began the measurement and follow-up in 2015, we have seen a reduction in the carbon footprint for the majority of our funds. In addition, we have been able to increase the proportion of the funds that measure their carbon footprint since the methodology has improved and a greater number of companies are reporting their emissions than in the past. 79% of the companies in our Global Tema fund report their emissions. We have found that larger companies are better at reporting emissions than smaller companies. 73% of the companies in the Amerika Tema fund report their emissions, in comparison to our Amerika Småbolag Tema fund where only 33% of the companies report their emissions.

As of 31 December 2021, the average carbon footprint for the actively-managed equity funds was 10.78 ton CO₂e/MSEK, which is an increase (albeit minimal) from mid-2021 when the carbon footprint was 10.51 ton CO₂e/MSEK. The portfolio's weighted average carbon footprint for all benchmark indices was 10.65 ton CO₂e/MSEK as of 31 December 2021. The reason why the funds' carbon footprint exceeds that of the benchmark index and that the footprint has increased since mid-year is primarily due to the high carbon footprint of the Hållbar Energi fund. This fund has the highest carbon footprint among the funds, largely due to the fund's investments in transition companies, which are described in greater detail below.

The majority of our funds have a better carbon footprint than their benchmark index, given that all of our funds exclude investments in companies with exposure to fossil fuels.* The exclusion of companies involved in fossil fuels results in a lower carbon footprint for the fund since many heavy carbon sectors have significant exposure to fossil fuels. All of our funds also integrate sustainability in their investment decisions, in which the climate is a key factor. Since 2019, we have been able to invest in transition companies. A transition company is a company that has fossil exposure but is transitioning its business operations in a more sustainable direction, such as a company transitioning from fossil fuel production to renewable energy.

Investments in transition companies are one way in which we can accelerate the transition to a more climate-neutral society. However, these companies can have a negative impact on the carbon footprint. Thus, the carbon footprint is only one part of the climate analysis for the fund as a whole. The average carbon footprint for our approved transition companies was 136.5 ton CO₂/MSEK (94% coverage of emissions data).

* Production and distribution of fossil fuels: maximum of 5% of turnover; service: maximum of 50% of turnover; tar sands: maximum of 0% of turnover. Exceptions apply to a number of the exchange-traded funds (ETFs). Work is underway to determine how these funds can also be adapted to meet the same requirements of our other funds. An exception to the principle of excluding fossil fuels can be made over a period of time for many of our funds if the company meets our requirements to qualify as a transition company. Refer to each fund's prospectus for additional information.

[Read more about our requirements for transition companies here](#)

As of 31 December 2021, we are reporting the carbon footprint for all of our actively-managed equity funds, with the exception of Microcap Norden and Microcap Sverige where the coverage is lower than the 75% minimum. Eighteen funds have a lower footprint than their benchmark index, while six funds have a higher footprint. Twelve funds have increased their footprint since the previous measurement and 11 funds have reduced their footprint. The lowest absolute carbon footprint was reported for the AstraZeneca Allemansfond and Sverige Tema funds. Both of these funds invest in sectors with low energy usage, such as pharmaceuticals and IT. Hållbar Energi and Norge Tema reported the highest footprint. A few companies can have a major impact on the total footprint. Hållbar Energi's high footprint was largely due to the fact that only the carbon footprint is measured and the usage phase of products and the resulting positive effects are not taken into account. Two of the most carbon-intensive companies, Chinese Xinyi Solar and JinkoSolar, produce solar panels that have a carbon-intensive production but their products contribute to a climate-neutral society, which is not reflected in the carbon footprint. The fund also has several investments in transition companies that have a high carbon footprint since a substantial portion of their electricity generation continues to be derived from fossil fuels. The high carbon footprint in Norge Tema is due to the fund's holdings in several carbon-intensive industrial companies, such as Yara, Norsk Hydro and Elkem. The fund also has holdings in Norwegian, which is member of the carbon-intensive transport sector.

The Latinamerika Tema, Brasilien Tema and Tillväxtmarknad Tema funds have the lowest footprints relative to their benchmark indices. A common factor among these funds is a low exposure to energy-intensive basic material companies such as steel and cement, which are among the most carbon-intensive companies.

The carbon footprints for many of our allocation funds exceed their benchmark index when including exclusion criteria, primarily given that these funds invest in sustainability-themed funds, such as Hållbar Energi. As noted previously, Hållbar Energi has a relatively high carbon footprint but is also a fund that invests in climate solutions that we view as essential in the transition to sustainable development. When making a comparison to the benchmark index without exclusion criteria, all of our allocation funds are well below the index.

Risk information

Historical yields are not a guarantee of future returns. A fund can both increase and decrease in value and it is not guaranteed that you will recover the entire invested amount. Note that a fund with risk level 6-7, as stated in the fund's fact sheet (KIID), can vary greatly in value due to the fund's composition and management methodology. Summary of investors' rights, prospectus, fund rules and KIID are available under each fund at handelsbanken.se/funds.

Handelsbanken Fonder's participation in initiatives



Signatory of:



NZAM – Net Zero Asset Managers Initiative was launched in December 2020 and Handelsbanken was among the first participants. The aim of the initiative is to support the target of zero greenhouse gas emissions by 2050 or earlier in alignment with the global efforts to limit global warming to 1.5°C.

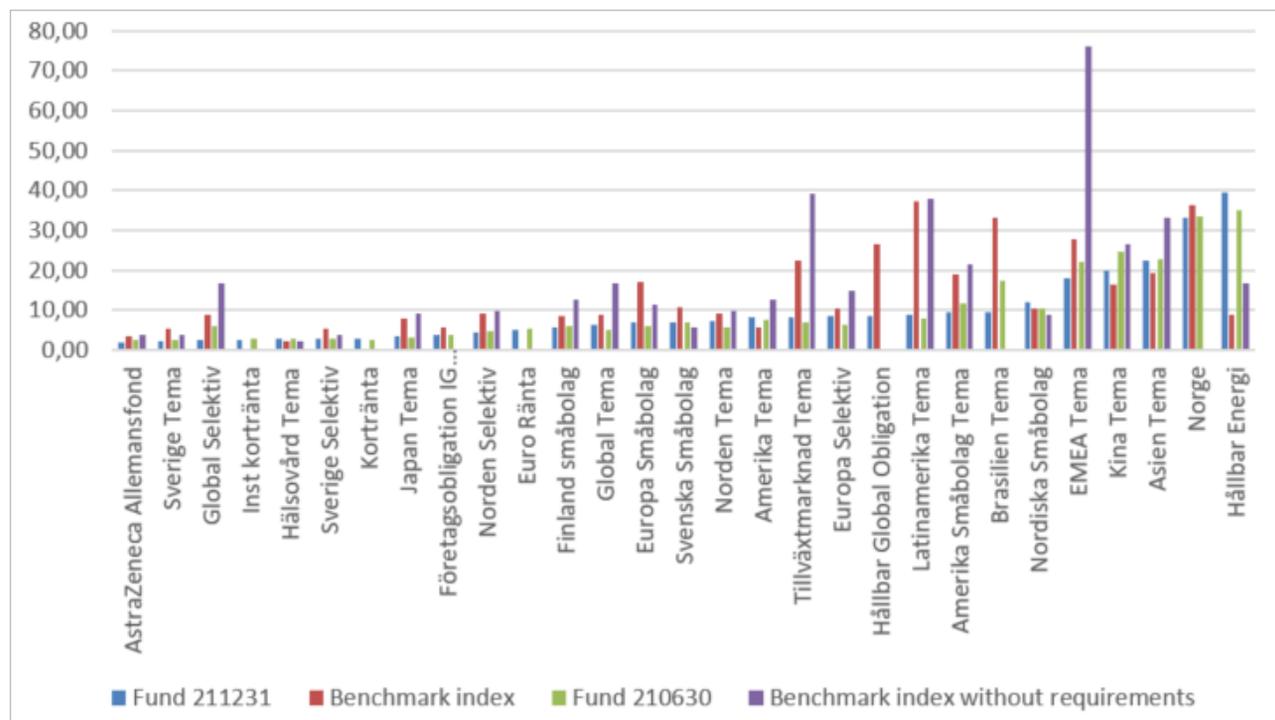
We are also a signatory of the **Montréal Carbon Pledge**, a UN initiative resulting in a commitment to measure and disclose the carbon footprint of our funds.

Read more at: [Montrealpledge.org](https://montrealpledge.org)

Handelsbanken also participates in **CDP – Disclosure Insight Action** – to which thousands of companies worldwide report data regarding their greenhouse gas emissions. [Cdp.net](https://www.cdp.net)

The **Sustainable Development Goals and Agenda 2030** aim to eradicate poverty and hunger, achieve human rights for everyone, attain gender equality and the empowerment of all women and girls, as well as ensure the lasting protection of the planet and its natural resources. The Sustainable Development Goals are integrated, indivisible and balance the three dimensions of sustainable development: the economic, the social and the environment. Working to combat climate change is one of the Agenda's 17 goals.

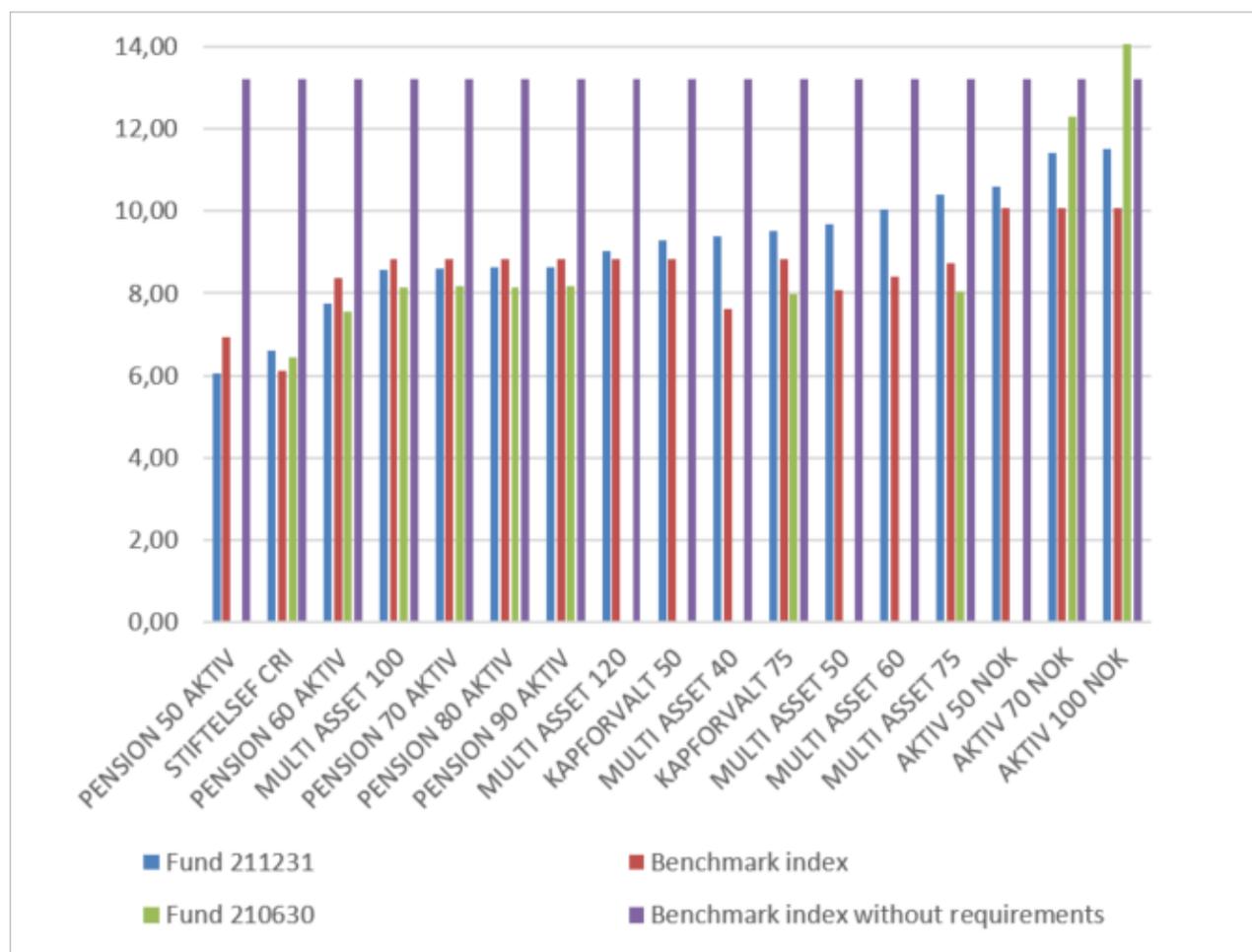
Carbon footprint as 2021-12-31 for actively- managed equity and fixed income funds



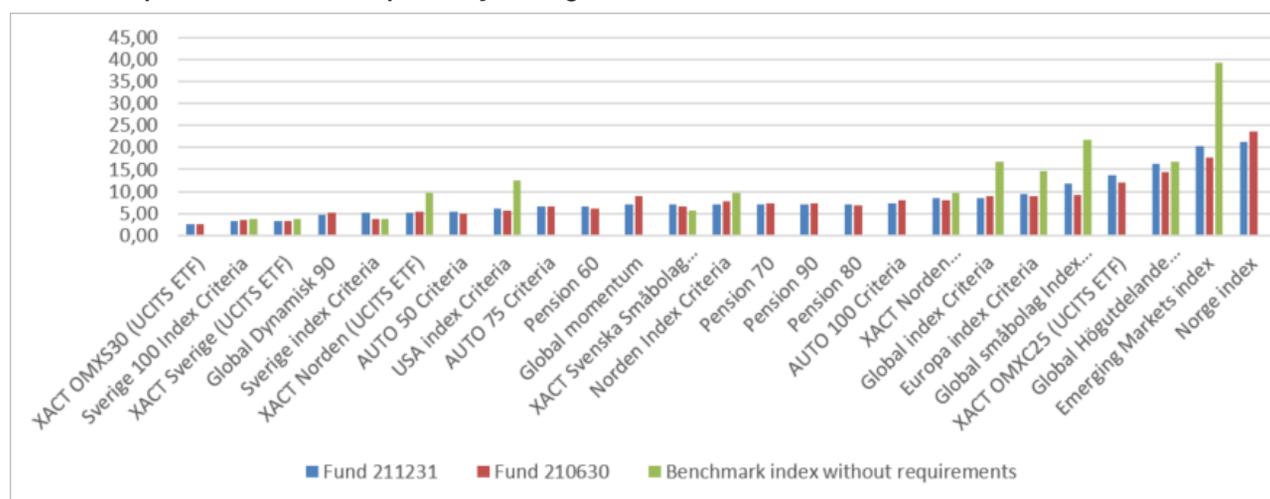
Risk information

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Carbon footprint 2021-12-31 for allocation funds



Carbon footprint 2021-12-31 – for passively-managed funds



Risk information

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