

# Statement on principal adverse impacts of investment decisions on sustainability factors

**Financial market participant:** Handelsbanken (Business organisation number: 502007-7862) (LEI-number: NHBDILHZTYCNBV5UYZ31)

## Summary:

Handelsbanken (Business organisation number: 502007-7862) (LEI-number: NHBDILHZTYCNBV5UYZ31) considers the principal adverse impacts of its investment decisions on sustainability factors. This statement on principal adverse sustainability impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

In its portfolio management, Handelsbanken assesses potential adverse impacts on sustainability factors, and has identified these as principally covering factors such as climate, environment, human rights, anti-corruption, labour law and gender equality.

Handelsbanken's portfolio management obtains data, and monitors all mandatory and many optional sustainability indicators, in compliance with the requirements of Article 6 in Delegated Regulation 2022/1288. The indicators are presented below, under the section Description of principal adverse impacts on sustainability factors. Analysis of these indicators will lead to actions being taken in line with the strategies for inclusion, exclusion and engagement. An explanation of the progress of each indicator will be given when past results are available, and implemented actions as well as planned actions and goals for the upcoming reference period will be reported.

Portfolio management uses indicators within the following areas (among others): greenhouse gas emissions, energy efficiency, biodiversity, water, waste, social and employee-related matters, human rights, the environment, anti-corruption and anti-bribery matters, to identify and prioritise principal adverse impacts.

This statement for the 2023 financial year is the second of its kind published by Handelsbanken, and it will be updated on a yearly basis. The statement is based on the Swedish operations' portfolio management, where the majority of assets are managed. It is available in the following languages: Swedish and English. In the event that principal adverse impacts on sustainability factors have not been taken into account for a particular portfolio, or the integration of the sustainability factors on the portfolio level deviates from what has been set out in this statement, this will be presented in the respective portfolio's pre-purchase information. Discretionary portfolio management may consist

of either mutual funds or other financial instruments. Handelsbanken Sweden has assigned the management of discretionary portfolios to Handelsbanken Fonder.

## Description of principal adverse impacts on sustainability factors

**Table 1:  
Indicators applicable to investments in investee companies**

	Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
GHG emissions	1. GHG emissions				The Bank notes a decrease in the indicators measuring emissions related to Scopes 1 and 2, and an increase in Scope 3. The analysis indicates that the main reason for the increase in Scope 3 is that several Swedish portfolio companies, which are significant for the Bank, have moved from estimated to reported data. In several cases, this change has resulted in companies disclosing substantially higher emissions than previously estimated.	<p>Handelsbanken has implemented a number of measures linked to the adverse impact from greenhouse gases, such as:</p> <ul style="list-style-type: none"> <li>• Handelsbanken has, through its investing activities, set a goal of reducing carbon intensity by 50% by 2030.</li> <li>• Handelsbanken supports the Net Zero Asset Managers Initiative and the Net Zero Banking Alliance.</li> <li>• Handelsbanken requires that fund management companies and companies where we have outsourced operations carry out systematic sustainability work in line with the climate goals of the Paris Agreement.</li> <li>• Handelsbanken reports climate-related information for banking, mutual funds and insurance in accordance with the TCFD recommendations.</li> </ul>
		Scope 1 GHG emissions	133,121 tCO <sub>2</sub> e	141,769 tCO <sub>2</sub> e		
		Scope 2 GHG emissions	47,122 tCO <sub>2</sub> e	52,360 tCO <sub>2</sub> e		
		Scope 3 GHG emissions	4,166,210 tCO <sub>2</sub> e	3,163,011 tCO <sub>2</sub> e		
		Total GHG emissions	4,346,457 tCO <sub>2</sub> e	3,357,190 tCO <sub>2</sub> e		
	2. Carbon footprint		638.68 tonnes CO <sub>2</sub> e/EUR m EVIC (Enterprise Value Including Cash)	470.82 tonnes CO <sub>2</sub> e/EUR m EVIC (Enterprise Value Including Cash)		
	3. GHG intensity of investee company	GHG intensity of investee company	1680.14 tCO <sub>2</sub> e/EUR m Revenue	1,089.24 tCO <sub>2</sub> e/EUR m Revenue		
	4. Exposure to companies active in the fossil fuel sector	Share of investments active in the fossil fuel sector	0.49%	0.55%	<p>Exposure to companies active in the fossil fuel sector in 2023 has remained essentially unchanged at the aggregate level.</p> <p>Portfolio management only has exposure to:</p> <p>(i) companies involved in fossil fuels below our exclusion thresholds (5%</p>	<p>Handelsbanken aims to be a part of this transition, and the goal for the Bank's climate work is net zero greenhouse gas emissions as soon as possible, and by 2040 at the latest. Companies that make the transition from fossil energy production to renewable energy production are key players when it comes to the actual reduction of total carbon dioxide emissions. For this reason, Handelsbanken's portfolio management has some exposure to fossil fuels where companies fulfil the</p>

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					production/distribution, 50% services)  (ii) approved companies in transition	requirements on companies in transition defined by Handelsbanken Fonder. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
	5. Share of non-renewable energy consumption and production	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	Consumption: 57.44% Production: 16.23%	Consumption: 59.45% Production: 19.94%	Coverage for the indicators improved in 2023, but remains low. The expectation is that the result will change as coverage increases, and that the outcome will then better reflect actual impact. For this year's outcome, both the share of non-renewable energy consumption and the share of non-renewable energy production have decreased.	Coverage of the indicators remains low, although it did increase in 2023. We will continue to focus on exploring the possibilities for expanded coverage together with the data provider.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	(NACE Sector) A: 0.44 B 3.52 C: 2.19 D: 1.79 E: 1.01 F: 0.77 G: 0.085 H: 1.34 L: 0.49 (GWh/EUR m)	(NACE Sector) A: 0.50 B 5.43 C: 58.91 D: 1.60 E: 0.66 F: 2.57 G: 1.81 H: 2.20 L: 0.49 (GWh/EUR m)	The Bank's analysis points to marginal changes for the majority of sectors, but notes that the three most significant changes are in sectors C, F and G. The main explanation is the change in exposure to the sectors and the change in reporting of companies with high energy consumption intensity.	In the fund management company's proactive influence work, the issue of increased energy efficiency is addressed in the regular work with norms.
Biological diversity	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	1.35%	1.30%	The Bank notes a marginal worsening in the outcome for 2023 and a slight improvement in coverage.	Biodiversity is an area that is closely linked to environmental and climate change, and sustainable development in the community. Through its portfolio management, Handelsbanken aims to encourage sustainable business models, and thus environmental aspects are taken into account when investment decisions are made. In order to deepen our knowledge and have influence in this area, Handelsbanken Fonder is participating in the investor collaboration FAIRR Biodiversity Loss from Waste Pollution Engagement.

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						<p>On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.</p> <p>During the year, Handelsbanken Fonder joined the investor initiative Nature Action 100, where investors jointly address the 100 companies in the world deemed most systemically important to reverse the trend of nature and biodiversity loss by 2030.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	1.54 tonnes/EUR m	0.21 tonnes/EUR m	Coverage for this indicator is low and the Bank notes a marginal increase in coverage in 2023, though it remains under 10%. The expectation is that the result will change as coverage increases, and that the outcome will then better reflect actual impact. An increase in emissions to water is noted for this year's outcome.	This area is included in the norm screening that is carried out via ISS ESG, and major cases which are deemed to be particularly serious will be included in the regular work with norms. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
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	1.13 tonnes/EUR m	2.72 tonnes/EUR m	The Bank notes an improvement in the outcome for 2023, as well as a higher coverage rate, which for 2023 is above 75%.	This area is included in the norm screening that is carried out via ISS ESG, and major cases which are deemed to be particularly serious will be included in the regular work with norms. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and 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	<p>The portfolios do not invest in companies that have verified violations of UNGC principles or OECD Guidelines for Multinational Enterprises. The source of this evaluation is ISS ESG.</p> <p>In exceptional cases, the analysis for an existing holding may change, after which the holding will be disposed of as soon as possible,</p>	In portfolio management there is continued regular screening and exclusion criteria linked to verified breaches of norms. In the event that a company is deemed not to have taken adequate measures, the stock will be divested from the management portfolio. The fund management company participates in regular work with norms together with other investors regarding companies with verified or alleged violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises. On behalf of Handelsbanken, Handelsbanken Fonder manages discretionary management portfolios in Sweden.

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					although exposure may be present during the brief period between the change of signal and the disposal.	
	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 OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	41.62%	45.00%	Banken notes an improvement in the outcome for 2023.	This is a matter that Handelsbanken Fonder, which manages the discretionary portfolios on behalf of Handelsbanken, brings up in relevant cases in the dialogue for engagement, as well as in its work with voting at shareholders' meetings where proposals in this area are included on the agenda.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	4.62%	5.33%	Coverage for this indicator is low and the Bank notes a marginal increase in coverage in 2023, though it remains under 5%. The expectation is that the result will change as coverage increases, and that the outcome will then better reflect actual impact.	Management of the discretionary portfolios is assigned to Handelsbanken Fonder. When proposals in this area are on the agenda of shareholders' meetings, the Fund Management 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	Women: 34.70% Men: 65.30%	Women: 30.82% Men: 69.18%	The Bank notes an improvement in the outcome for 2023, as the share of female Board members has increased. In addition, an improvement has also been noted in coverage, which was over 80% in 2023.	Management of the discretionary portfolios is assigned to Handelsbanken Fonder. The fund management company actively works to increase gender diversity in company boards through representation in nomination committees, and through voting at shareholders' meetings.
	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	0.00	0.00	The Bank does not invest in companies with exposure to controversial weapons. The source of this evaluation is ISS ESG. In exceptional cases, the analysis for an existing holding may change, after which the holding will be disposed of as soon as possible, although exposure may be present during the brief period between the	Continued regular screening and strict exclusion criteria.

					change of signal and the disposal.	
<b>Indicators applicable to investments in sovereigns and supranationals</b>						
	<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
Environment	15. GHG intensity	GHG intensity of investee countries	0.15ktCO2/EUR m GDP	0.07ktCO2/EUR m GDP	An increase in GHG intensity is noted for the outcome for 2023.  One explanation for this outcome is an increase in investments with global exposure.	Management of the discretionary portfolios is assigned to Handelsbanken Fonder. The fund management company continuously analyses countries based on several factors related to the environment and climate, through a model developed in-house by the fund management company that, in addition to the most recent value for GHG per GDP, also takes into account the indicator's trend, as well as the share of renewable energy, protection of natural carbon sinks, etc.
Social aspects	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	0.00	0.00	The Bank continues to have no investments in assets where there is deemed to be a lack of corporate social responsibility. The source of this evaluation is Sustainalytics.	Management of the discretionary portfolios is assigned to Handelsbanken Fonder. The fund management company continuously analyses countries based on several factors related to social issues, through a model developed in-house by the fund management company. The analysis covers overarching areas such as human rights, based on underlying factors such as conflict, gender equality, religious freedom and freedom of expression.
<b>Indicators applicable to investments in real estate assets</b>						
	<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact 2023</b>	<b>Impact 2022</b>	<b>Explanation</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
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	Not applicable	No direct investments in real estate assets in the portfolios.	No direct investments in real estate assets in the portfolios.
Energy efficiency	18. Exposure to energy-efficient real estate assets	Share of investments in energy-efficient real estate assets	Not applicable	Not applicable	No direct investments in real estate assets in the portfolios.	No direct investments in real estate assets in the portfolios.
<b>Other indicators for principal adverse impacts on sustainability factors Tables 2 and 3</b>						

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	Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	2.4 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.	35.04%	50.00%	The Bank notes that a larger share of investments have implemented carbon reduction initiatives in 2023. At the same time, portfolio management increased the number of proactive dialogues in 2023 focusing on companies' climate work.	The discretionary portfolios are managed by Handelsbanken Fonder; this is a prioritised matter within the framework of the fund management company's proactive dialogue for engagement, and climate aspects are addressed in direct dialogues with companies.
Social	3.9 Lack of a human rights policy	Share of investments in entities without a human rights policy	6.06%	6.00%	The Banken notes that the outcome for 2023 is essentially unchanged. In addition, an improvement has also been noted in coverage, which was over 80% in 2023.	The discretionary portfolios are managed by Handelsbanken Fonder; this is a prioritised matter within the framework of the fund management company's proactive dialogue for engagement, and human rights are addressed in direct dialogues with companies.

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

The starting-point for Handelsbanken's portfolio management work of identifying and prioritising the principal adverse impacts of investment decisions for sustainability factors is Handelsbanken's Policy for sustainability. This policy is updated and adopted annually by the Handelsbanken Board. The current version was adopted on 20 March 2024. Indicators that we are committed to, and which we use to evaluate compliance with international standards in our investments, are set out in the Chief Executive Officer's guidelines for environment and climate change, human rights and working conditions, the tobacco industry, the armaments and defence industry, and anti-corruption.

To identify and prioritise principal adverse impacts linked to Handelsbanken's portfolio management, control measures are carried out at the time of investment and on a regular basis. The selection of indicators for principal adverse sustainability impacts is based on Handelsbanken's commitments and the international norms and conventions that the fund company respects. 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 selection and evaluation work in portfolio management is guided by international norms and conventions, laws and agreements, such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises, which address issues relating to the environment,

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human rights, working conditions, and business ethics. Decisions to invest or exclude investments are taken on a regular basis by the portfolio manager within Handelsbanken Fonder, based on the mandates permitted within the discretionary portfolio management.

In portfolio management, principal adverse impacts on sustainability factors can be considered in three main ways. By:

- Including investments in the portfolios that carry out systematic sustainability work and integrate sustainability into their investment processes.
- Excluding investments in companies, mutual funds and states that do not fulfil Handelsbanken's sustainability requirements as expressed in its sustainability policy and related guidelines issued by the CEO, as well as the Bank's voluntary commitments.
- Influencing asset managers and producers to take similar positions as Handelsbanken.

Exclusion criteria that are applied within portfolio management ensure that investments in prohibited weapons, nuclear weapons, the armaments industry, tobacco, alcohol, commercial gambling, pornography and the extraction and refinement of fossil fuels are excluded. Mutual funds that invest in companies that carry out the extraction of Arctic oil, coal mining, or the extraction of oil sands, are excluded entirely. The portfolio holdings are subsequently reviewed on a regular basis, based on compliance with international norms and conventions and sustainability criteria, such as mutual funds' and fund management companies' compliance with international conventions, as well as whether they carry out systematic sustainability activities. The purpose of such reviews is to identify and provide data for decisions as to whether to commence a dialogue for engagement, or to exclude the investment.

Data retrieval and analysis is based on information from an external supplier of sustainability data. This statement has data from ISS ESG and Sustainalytics – these two are the primary data sources. The portfolio management does not obtain information directly from the companies. Instead, it uses a supplier of sustainability data for the retrieval. This data is based on the companies' public information and reporting. In cases where companies do not report, estimates are made for certain data points. Sustainability data for various areas can be estimated if it is possible to do this reliably or when there is no reported data. It cannot be ruled out that estimated values may either underestimate or overestimate the principal adverse impacts on sustainability factors. In addition, to identify climate risks, Handelsbanken Fonder, which manages the discretionary portfolios on behalf of Handelsbanken, carries out scenario analyses and stress tests on the investment portfolios.

## Engagement policies

### Principles for shareholder engagement

Handelsbanken integrates shareholder engagement in portfolio management by outsourcing the Bank's portfolio management to Handelsbanken Fonder AB. The objective of the portfolios is to generate a healthy return on assets under management and to strive for a sustainable development and future. Responsible ownership is a fundamental element of long-term value creation in a company. Thus, responsible investment is a vital condition for achieving our goal of generating healthy long-term returns. Before an investment is made, and regularly thereafter, the portfolio stocks are evaluated on the basis of the companies' strategies, financial and non-financial performance and



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risks, capital structure, social and environmental impact, and corporate governance. This is done by the fund management company through internal research, including regular dialogues with the portfolio companies, as well as access to external research.

## **Exercising of voting rights and other rights linked to shares**

In the case of investments in equities, the Bank will not, as manager of the customer's portfolio, exercise voting rights for the customer's shares. Within asset management, the Bank shall, on its own initiative and without consulting the customer, make investments and reinvestments, and shall take decisions on whether to participate in share issues, takeover bids or other similar offers concerning the assets, and in other respects take all management measures regarding the assets. Management of the assets is performed within the framework that has been agreed with the customer.

- Policy for shareholder engagement in portfolio management (June 2024) [32-119049 \(handelsbanken.se\)](#)
- Influence work in Handelsbanken Fonder [Följ vårt arbete | Handelsbanken](#)

## **References to international standards**

Handelsbanken supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability. Handelsbanken is a signatory of the United Nations Principles for Responsible Banking (PRB), the United Nations Principles for Responsible Investment (UN PRI), the Net Zero Asset Managers Initiative and the Net Zero Banking Alliance; it also supports the voluntary UN Global Compact initiative and its underlying conventions. In order to align the portfolios with the Paris agreement the goal for the Handelsbanken's climate work is net zero greenhouse gas emissions as soon as possible, and by 2040 at the latest.

In addition, Handelsbanken has adopted several policies in the sustainability area, where we commit to international standards and conventions relating to the tobacco industry, the armaments industry, climate, the environment, etc. Handelsbanken also reports climate-related information for banking, mutual funds and life insurance in accordance with the TCFD recommendations. For 2023, tools from ISS ESG were used for the analysis of transition risks and physical climate risks where the main scenarios used come from the International Energy Council (IEA). These initiatives and guidelines provide guidance for Handelsbanken's work. Together with the values expressed in our corporate culture, they form a clear, common basis for the investments.

## **The following indicators are used to evaluate principal adverse impacts in relation to international standards**

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

- 1. GHG emissions
- 2. Carbon footprint
- 3. GHG intensity of investee countries
- 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

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Furthermore, the following indicators provide support in measuring the degree of compliance with the 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 countries
  - 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

## **Historical comparison**

The historical comparison shows that data coverage has generally improved in 2023 compared to 2022, though a number of indicators only showed a marginal increase. The degree of data coverage for the different indicators affects the conclusions that can be drawn from the historical comparison. For the data points where historical data is available this year, the Bank notes a decrease in 2023 compared to 2022 for PAI indicators that include scope 1 and 2 emissions, while an increase was noted in 2023 compared to 2022 for indicators for scope 3 or that include scope 3. Analysis of the outcome shows that more companies switched from estimated scope 3 data to reported scope 3 data in 2023, which partly explains the increase in reported emissions. It is positive that more companies are reporting data as this better reflects their climate impact.

Several indicators describing corporate governance show marginal differences between the 2023 outcome and the 2022 outcome; for exact outcomes for both 2023 and 2022, please see comments for each indicator.