

Inclusion of companies in transition



Phasing out fossil fuels and replacing them with renewable energy sources is key in counter-acting the effects of climate change. The principal rule our funds follow is to exclude companies that derive more than five per cent of their revenue from fossil fuels - oil, gas and coal. To further accelerate the transition to a climate-neutral society, Handelsbanken Fonder has decided that the funds may invest in companies in transition.

What are companies in transition and why do we invest in them?

Handelsbanken Fonder wants to be part of the transition to a low-carbon world, with the word “transition” being central. Companies that are shifting production from fossil fuel energy to renewable energy are key players in reducing total carbon dioxide emissions. Therefore, we have decided that we can accept a certain exposure to fossil fuels if the company meets the requirements listed below. These apply to companies in electrical power generation, transmission and distribution.

Our requirements for companies in transition:

- The company’s business development follows a clear, defined plan in which the goal is to reduce the company’s carbon dioxide emissions in line with the Paris Agreement.
- The company’s current operations must not consist mainly of fossil fuel energy.
- The company’s current pace of investment supports the transition to reduce carbon dioxide emissions in line with the Paris Agreement.

We regularly evaluate our requirements for deciding if and how the companies need to develop over time seeing as the area of sustainability is constantly evolving, and the view of transition and measurability is changing.

The requirements apply to our actively managed equity and fixed income funds, our actively managed allocation funds, as well as some of our passively managed funds.

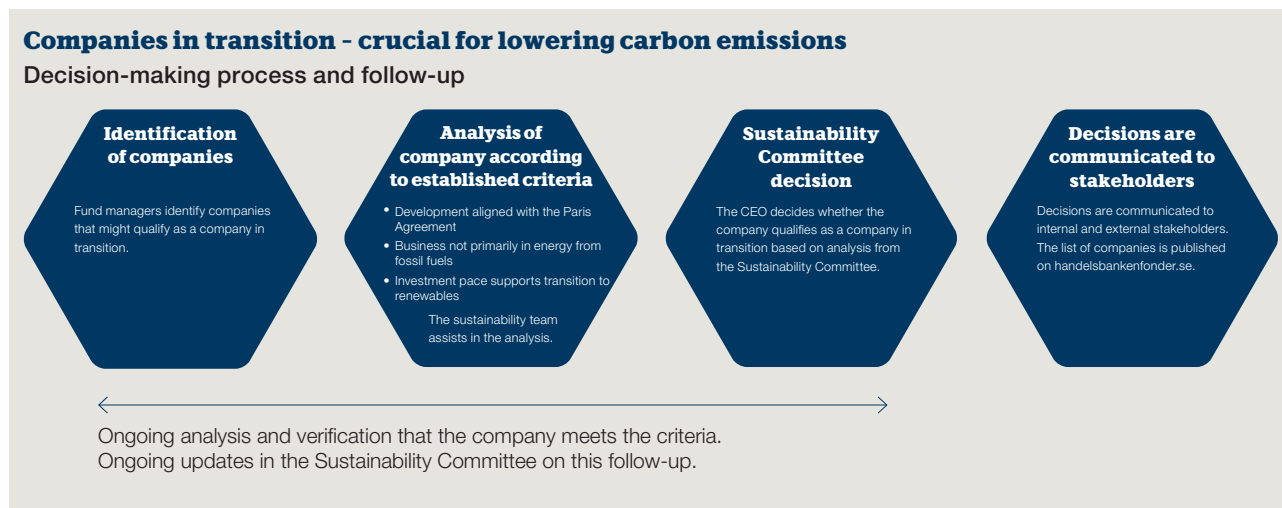
Our index funds that track Paris-aligned benchmarks are also able to invest in companies in transition – learn more about this on the following page.

Decision-making process and follow-up

Handelsbanken Fonder's Sustainability Committee provides the basis for decisions by the fund company's CEO on whether a company meets the requirements to qualify as a company in transition.

Currently, 21 companies are approved as companies in transition, which means that the fund company's actively managed equity and fixed income funds, actively managed allocation funds, and certain passively managed funds can invest in these companies.

We regularly follow up on the approved companies to ensure that our requirements for qualifying as a company in transition continue to be met.



Companies in transition in our PAB funds

Our index funds that follow Paris-aligned benchmarks (PAB) can also invest in companies in transition. Since these indices are regulated under the Benchmark Regulation¹ and the UCITS Directive², they are governed by clear quantitative rules within the framework of the index methodology. According to the methodology, exceptions to the five per cent fossil fuel criterion are made if all of the following criteria are met:

- The company has established and published targets in accordance with the requirements of the Science Based Targets Initiative³ to transform its operations in line with the Paris Agreement.
- The company's current operations must not consist primarily of fossil fuel energy (maximum 50 per cent of revenue).
- The company has a maximum of 10 per cent revenue from coal power.

- The company has a minimum of 10 per cent revenue from renewable energy.
- The company must not cause significant harm to one or more of the Sustainable Development Goals linked to climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, prevention and mitigation of environmental pollution, and protection and restoration of biodiversity and ecosystems.

However, exceptions can never be made to the minimum criteria in the Paris Aligned Benchmarks regulatory framework (see Articles 2-12 of the Delegated EU Regulation 2020/1818 to the Benchmarks Regulation).

At the moment, nine companies are approved as companies in transition for our index funds that follow Paris-aligned benchmarks.

¹ On 1 January 2018, new rules for benchmarks came into force in the EU through the EU Benchmarks Regulation (BMR). The new rules apply to all companies providing indices used as benchmarks and to the companies that report to such indices.

² UCITS (Undertakings for Collective Investment in Transferable Securities) is a collection of EU directives that concern fund operations and form the basis for legislation applicable to mutual funds in Sweden and the rest of the EU/EEA.

³ The Science Based Target Initiative is a collaboration between CDP, WRI, WWF, We Mean Business and the UN Global Compact. The initiative provides support to companies that set climate goals in line with what climate science deems necessary within each sector and business for the world to meet the target of limiting global warming to 1.5 degrees.

Learn more:

[Environment and climate change – Handelsbanken's guidelines](#)
[Policy for Shareholder Engagement and Responsible Investment](#)

Approved companies in transition

Company	ISIN	Development in line with the Paris Agreement	Approved in PAB index	Operations not primarily in fossil fuels	Pace of investment supports transition to renewable energy	Company summary
ERG Spa	IT0001157020	✓	✓	✓	✓	ERG is a leader in wind power in Italy and one of the larger wind power operators in Europe. The company is also active in solar energy, hydropower and natural gas.
NextEra Energy, Inc.	US65339F1012	✓		✓	✓	NextEra Energy is one of the world's largest wind power operators. The company also produces electricity from solar, natural gas and uranium.
Ørsted A/S	DK0060094928	✓	✓	✓	✓	Ørsted is a leader in offshore wind power and is the largest electricity producer in Denmark. The company continues to distribute natural gas.
Vattenfall AB	Ej listat	✓		✓	✓	Vattenfall is a Swedish energy company that in 2019 established its plan to reduce carbon emissions in line with what is necessary to limit global warming to 2 degrees Celsius. The company currently has exposure to coal power but has a clear plan to eliminate this, while making significant investments in renewable energy, primarily wind and solar power. The company currently has a major base of hydropower already installed.
Enel Spa	IT0003128367	✓	✓	✓	✓	Enel Spa is one of the world's largest producers of renewable electricity, primarily from hydro and wind power. The company still has substantial exposure to natural gas but has invested in renewable forms of energy since 2015 and is currently investing in new capacity entirely from renewable forms of energy.
EDP-Energias de Portugal	PTEDP0AM0009	✓	✓	✓	✓	Portuguese power company EDP is the world's fourth largest wind power company. The company is active in 19 countries on four continents and was one of the first power companies to set science-based climate targets.
SSE Plc	GB0007908733	✓		✓		SSE is one of the largest producers of renewable electricity in Great Britain. The company also plays an important role in our increasingly electrified society through the construction and operation of infrastructure related to the transmission and distribution of electricity. The company adopted science-based climate targets during the summer of 2020.
E.ON SE	DE000ENAG999	✓		✓	✓	E.ON has chosen to focus entirely on the construction and operation of infrastructure for an electrified society. As a result, unlike other companies in transition, E.ON does not make significant investments in enhanced renewable power production, but instead invests in the development of a more energy-efficient electricity grid and related infrastructure solutions.
AB Ignitis Grupe	LT0000115768	✓		✓	✓	Ignitis is a leading power company in the Baltics. The company invests in renewable energy sources to meet energy needs in Lithuania and the rest of the Baltic countries.
NextEra Energy Partners LP	US65341B1061	✓		✓	✓	NextEra Energy Partners is a subsidiary of NextEra Energy focused entirely on renewable energy. However, the company still has a slight exposure to the distribution of natural gas.
Iberdrola, S.A.	ES0144580Y14	✓	✓	✓	✓	Iberdrola is one of the world's largest producers of wind power and is one of the world's largest power companies measured in market value. The company adopted science-based climate targets in March 2019.
Longyuan Power	CNE100000HD4	✓		✓	✓	Longyuan Power is the largest wind power producer in Asia. The company still has a small share of coal power in its business operations but has only invested in new capacity from renewable sources during the past five years.
OCI Company	KR7010060002	✓		✓	✓	OCI Company is a South Korean green energy and chemical company. The company has a limited exposure to power production in which coal production remains as a smaller share.
Polenergia	PLPLSEP00013	✓		✓	✓	Polenergia is a Polish power company that produces energy primarily from wind power and biomass.

About risk

Past performance does not predict future returns. The value of the money invested in the fund can increase or decrease and there is no guarantee that all of your invested capital can be redeemed. Note that a fund with risk level 5-7 as stated in the fund's key information investment document (KIID) can vary greatly in value due to the fund's composition and management methodology. A summary of investors' rights as well as a prospectus, fund rules and KIID are available for each fund in the unit price list at handelsbanken.se/fonder.

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AES Corp	US00130H1059	✓		✓	✓	AES Corp is an American corporation that is crucial to the electrification and transition to renewable energy production in the United States. The company has a tradition of coal and natural gas but is now investing in solar and wind power, while working to optimise power grids to manage the new requirements placed on electricity grids that have a higher proportion of intermittent energy.
Endesa	ES0130670112	✓	✓	✓	✓	Endesa is a Spanish power company with a historically high exposure to nuclear power, hydro power and natural gas. The company is currently making major investments in renewable energy as a part of its commitment to becoming entirely carbon neutral. The company is also an important player in the electrification of substantial portions of the economy.
Contact Energy	NZCENE0001S6	✓	✓	✓	✓	Contact Energy is one of the larger providers of energy in New Zealand and is leading the country's transition to renewable energy production through investments in solar and wind power. The company has previously had significant exposure to geothermal energy as well as natural gas power, which is currently being phased out.
Engie SA	FR0010208488	✓	✓	✓	✓	Engie is a global energy company based in France. The company's business is focused on the following main segments: renewable energy, networks, flexible generation & retail, and energy solutions. The company has set a target to achieve net zero CO2 emissions by 2045, including the phase out of coal by 2025 in Europe and by 2027 globally. The majority of the company's investments are made into renewable energy.
Atlantica Sustainable Infrastructure	GB00BLP5YB54	✓	✓	✓	✓	Atlantica Sustainable Infrastructure Plc is a global infrastructure company based in the UK. The company has the majority of its business within renewable energy. The company's assets are organized within four main segments; renewable energy (primarily solar and wind), natural gas and heating, transmission infrastructure and water assets. The company has set Science Based Targets with the goal to achieve net zero emissions already by 2040.
Algonquin Power & Utilities	CA0158571053	✓		✓	✓	Algonquin Power & Utilities Corp is an international energy and utility company based in Canada. The company has renewable energy and water solutions and their investments are mainly in renewable energy production, transmission and distribution. The company has set net zero target by 2050 as well a goal of 75% renewable generation capacity by the end of 2023.
Fortum	FI0009007132	✓		✓	✓	Fortum is an energy and electricity provider which due to updated strategic priorities and organizational changes in 2023 delivers primarily CO2-free energy (based primarily on hydro and nuclear power). The company aims to reach carbon neutrality by 2030 across its value chain (scope 1, 2, 3) in line with a global warming of 1,5 °C and to exit coal by the end of 2027.

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