Handelsbanken
Asset Management

# The Handelsbanken Wealth & Asset Management Sustainable Investment Policy

Handelsbanken Multi Asset Funds (”the Company”) is an umbrella investment company with eleven Sub-funds. The Company includes four Sub-funds which invest in accordance with the Sustainable Investment Policy of the Company's Portfolio Manager, Handelsbanken Wealth & Asset Management Limited ("HWAM").

These Sub-funds are as follows, referred to collectively as the '"Sustainable Sub-funds"':

- Handelsbanken Defensive Sustainable Multi Asset Fund
- Handelsbanken Cautious Sustainable Multi Asset Fund
- Handelsbanken Balanced Sustainable Multi Asset Fund
- Handelsbanken Growth Sustainable Multi Asset Fund

This document is HWAM's Sustainable Investment Policy, which outlines the Portfolio Manager's definition of sustainable investing and details on what basis underlying instruments held in the Sustainable Sub-funds are assessed and selected. Investors should note that this document sets out HWAM's Sustainable Investment Policy as it currently stands, however, as the process of investing on a sustainable basis is constantly evolving, the Sustainable Investment Policy will be kept under regular review and may be amended in future. Investors will be notified of any material changes made.

## HWAM's definition of sustainable investing

Sustainable investing to HWAM means delivering financial returns whilst simultaneously seeking to achieve positive environmental, social and governance outcomes. Sustainable investing extends across a broad range of industry sectors and causes including, but not limited to, renewable energy and climate change, health and safety, education, infrastructure and community development.

Sustainable investments held by the Sustainable Sub-funds may include third party funds managed by other portfolio managers ("indirect investments") which in turn invest in a portfolio of underlying investments, or securities issued by companies and governments ("direct investments").

HWAM designates investments as sustainable investments if they meet any of the following approaches:

- **ESG integration:** For investments under this approach HWAM integrates information on Environmental, Social and/or Governance ("ESG") factors into the investment decision making process, seeking to allocate to investments that demonstrate positive ESG factors.
    - Environmental factors could include climate change, managing waste, water usage and pollution
    - Social factors could include impact on communities, labour practices, social care and human rights
    - Governance factors could include corporate accountability, board diversity, fair pay structures and business ethics

  An example ESG integration investment would be a fund which only invests in companies that are involved in activities that benefit society and the environment.

  HWAM may assess investments against additional ESG factors which are not listed as examples above. The relevance of Environmental, Social and Governance factors differs depending on the nature of the investment.
- **Impact:** investing in theme-based investments which offer solutions to and/or relate to specific themes linked to sustainability.
    - HWAM seeks impact investments that are aligned with one of more of the United Nations Sustainable Development Goals ("UN SDGs"), a collection of 17 global goals set by the United Nations General Assembly in 2015. The UN SDGs can be found here: https://www.un.org/sustainabledevelopment/sustainable-development-goals/
    - An example impact investment would be a fund that invests in a portfolio of social housing, or a fund that invests in a range of bonds that provide financing for environmentally friendly projects.
- **Exclusion:** excluding investments that have negative ESG factors.

- HWAM uses the following industry sector revenue exposures as exclusion *guidelines*: investments may be excluded if they derive more than 5% or $500m of their revenue from alcohol, gambling, adult entertainment and defence and weapons, or more than 15% revenue from, and all manufacturers of, tobacco.
- Under the exclusion approach HWAM considers whether potential investments demonstrate negative ESG factors as a whole, as opposed to excluding or selecting investments based purely on HWAM's exclusion guidelines.
- The exclusion approach is an area of evolving market practice and HWAM may select third party funds for the Sustainable Sub-funds which have similar but less restrictive industry sector revenue exposure guidelines or limits.
- The relevance of the exclusion guidelines will vary depending on the type of investment being assessed, and HWAM may also assess investments against additional negative ESG factors. For example, HWAM would deem a fund that invests in commodities that are for industrial use as having negative ESG factors, and would therefore exclude that investment.

## Instrument assessment and selection

The sustainable investment strategies are multi asset strategies, meaning that they have exposure to the following asset classes: equities, bonds, property, hedge funds, commodities, loans, cash, deposits, money market instruments and derivatives. Exposure to the asset classes may be taken through indirect or direct investments.

When assessing potential direct investments HWAM analyses the company or government to determine whether the investment is suitable for the sustainable investment strategies.

The portfolio managers of third party funds analyse companies, governments and other funds in which they invest using their own framework and approach to sustainable investing. HWAM performs a holistic assessment of the investment objectives and policies, methodologies, processes and underlying exposures of third party funds to ensure that their approach is aligned in principle with HWAM's Sustainable Investment Policy.

Investments held in the sustainable investment strategies are assessed and designated by HWAM as sustainable investments or portfolio management investments. Cash, deposits, money market instruments and some derivative investments are classified as portfolio management investments.

Investors should note that in some instances individual sustainable investments will satisfy two or all three of the approaches, whereas in other instances only one of the approaches will be satisfied. This is because the relevance of each approach and the positive and/or negative factors considered may vary by asset class.

The approaches applicable to the different asset classes are detailed in the following table.

**Sustainable Investments**

| Asset type: | Sustainable investment approach applied: |
|---|---|
| Equities<br>Hedge Funds<br>Corporate bonds<br>Loans | Investments are designated as sustainable investments if they meet one or more of the three approaches:<br>- ESG integration (investments demonstrate positive ESG factors)<br>- Impact (investments relate to theme/s linked to sustainability)<br>- Exclusion (investments do not demonstrate any negative ESG factors) |
| Government bonds | Investments are designated as sustainable investments if they meet the ESG integration approach (investments demonstrate positive ESG factors). |
| Property<br>Private Equity | Investments are designated as sustainable investments if they meet the impact approach (investments relate to theme/s linked to sustainability). |
| Commodities | Investments are designated as sustainable investments if they meet the exclusion approach (investments do not demonstrate any negative ESG factors). Some investments may also meet the ESG integration approach (investments demonstrate positive ESG factors). |

**Portfolio management investments**

The Portfolio Manager may utilise cash, deposits, money market instruments and some derivatives as portfolio management investments in order to help manage the risk of the Sustainable Sub-funds.

Derivatives are investments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable, such as interest rates. The Portfolio Manager will only select derivative investments for the Sustainable Sub-funds where that instrument is assessed as not giving rise to any negative ESG factors.

Whilst these portfolio management investments utilised are not classified as sustainable investments, the Portfolio Manager deems them to be appropriate on the basis that they do not compromise the sustainable mandate of the Sustainable Sub-funds.

## Initial and ongoing assessment of investments

The Portfolio Manager performs its own qualitative research and analysis of potential investments for inclusion within the Sustainable Sub-funds, in accordance with the HWAM Sustainable Investment Policy. To aid the Portfolio Manager's research and analysis of investments, the Portfolio Manager uses the services of the following external data providers:

- Morningstar: produces a report showing investments' revenue exposures to the following sectors: alcohol, gambling, adult entertainment, defence and weapons and tobacco. The Portfolio Manager may also use this tool to assess exposures to other controversial sectors.
- Sustainalytics: researches the ESG performance of countries and produces a country ESG rating. The Portfolio Manager uses this information to help form an assessment of potential government bond investments.
- Style Analytics: provides data showing the high level ESG tilts of the Sustainable Sub-funds' underlying equity investments versus standard equity market indices. The Portfolio Manager uses this information to help evidence the ESG credentials of the Sustainable Sub-funds' overall equity exposure.

External data providers may change at the discretion of the Portfolio Manager. The Portfolio Manager does not rely solely on quantitative data provided by external data providers to analyse investments, and such data are not used as hard criteria or constraints on HWAM's active management of the Sustainable Sub-funds.

The Portfolio Manager operates a Sustainable Committee that meets on a quarterly basis and is responsible for independently reviewing the HWAM Sustainable Investment Policy and the underlying investments held in the Sustainable Sub-funds to ensure continued appropriateness. The Authorised Corporate Director of the Sustainable Sub-funds, Handelsbanken ACD Limited, also has oversight of this review process.

Where an investment is identified as no longer being in accordance with HWAM's Sustainable Investment Policy the Portfolio Manager will seek to sell the investment as soon as reasonably possible, which will be within the following 90 days subject to the redemption period of an underlying investment, or where it is not in the investor's best interest to sell within this period The prices at which such an investment can be sold in these circumstances may be less than realised for the investment if such a sale was not required.

The Portfolio Manager produces reports regarding the impact of the Sustainable Sub-funds' investments, which are available at www.wealthandasset.handelsbanken.co.uk

## Risk warnings

This document is not intended as an investment recommendation and should not be treated as such. Instead, it provides an overview of the Portfolio Manager's approach to assessing investments for the Sustainable Sub-funds against HWAM's Sustainable Investment Policy. It should be noted that this sustainability analysis forms only one element of HWAM's wider investment research and selection process applied to the Sustainable Sub-funds.

The Sustainable Sub-funds have restrictions on investing in certain sectors, companies and investments that conflict with the HWAM Sustainable Investment Policy. This may result in the Sustainable Sub-funds having a narrower range of eligible investments, which may in-turn affect the Sustainable Sub-funds' performance.

If you wish to invest in a Sustainable Sub-fund you must read the relevant Key Investor Information Document and the Prospectus. These are available at www.wealthandasset.handelsbanken.co.uk