

Handelsbanken Wealth

Responsible Investment Policy



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Document purpose

This document is not intended as an investment recommendation and should not be treated as such. Instead, it provides an overview of Handelsbanken Wealth's approach to assessing investments in the context of the responsible investment strategy for the Responsible Funds. It should be noted that this analysis forms only one element of Handelsbanken Wealth's wider investment research and selection process applied to the Responsible Funds.

This policy provides further information on the approach to responsible investing and the related responsible investing framework used by Handelsbanken Wealth. The approach and framework described in this document applies to the below funds managed by Handelsbanken Wealth (referred to as the 'Responsible Funds'):

- Handelsbanken Cautious Responsible Multi Asset Fund
- Handelsbanken Balanced Responsible Multi Asset Fund
- Handelsbanken Growth Responsible Multi Asset Fund

This document should be read in conjunction with the Handelsbanken Multi Asset Funds Prospectus, which sets out the investment objective, policy and strategy for each fund, and is available on the Handelsbanken Wealth website: wealthandasset.handelsbanken.co.uk/fund-information/fund-information/

Sustainable investment labels

UK investment products that have sustainability characteristics can choose to use a sustainable investment label as defined by the Financial Conduct Authority, if the product meets certain criteria. Sustainable investment labels help investors identify products that have a specific sustainability goal. **The Responsible Funds do not have a UK sustainable investment label.** This is because we do not invest the Responsible Fund's assets in accordance with a specific sustainability objective, which is a requirement for products where the manager has chosen to use a sustainable investment label.

Our approach to responsible investing

We believe that ESG (Environmental, Social, and Governance) factors can have a material impact on long-term investment outcomes. Our approach to responsible investing is to pursue investment in companies, sectors and countries that demonstrate a positive influence on environmental and/or social themes, whilst seeking to avoid investment in activities that we consider harmful to the environment and/or society.

The Responsible Funds aim to hold at least 70% of their assets (usually other funds managed by third-party managers) in investments that demonstrate positive environmental and/or social themes. Our criteria for classifying these investments are outlined in the responsible investment framework section below.

To help manage the risk, liquidity and diversification of assets in the Responsible Funds, we allow up to 30% of the funds' assets to invest in neutral holdings. These holdings do not meet our criteria for demonstrating positive environmental and/or social themes, but are still subject to our ESG integration assessment and negative screening.

The neutral holdings in the Responsible Funds are:

- Cash, and cash-like investments
- Some government bonds
- Some derivatives and hedge fund holdings

Exceptions to the 70%

Due to market movements or prevailing market conditions, or in times of significant market stress, the proportions of the Responsible Funds' assets allocated to investments that demonstrate positive environmental and/or social themes may temporarily fall below their minimum thresholds. In any such event we will restore the Responsible Funds' assets to their minimum thresholds as soon as reasonably practicable. In doing so we will consider investors' best interests as well as our broader mandate to manage the Responsible Funds to their risk and return objectives, which may result in the Responsible Funds continuing to have a higher proportion of assets invested in lower risk neutral holdings for a period of time. In any case we will endeavour to bring the Responsible Funds' assets back in line with their minimum thresholds within 6 months.

Investment types used in the Responsible Funds

The Responsible Funds have a multi-asset investment approach, meaning their portfolios have exposure to a range of asset classes. The Responsible Funds usually access asset classes ‘indirectly’ through investment in other funds. These funds are pooled investment vehicles, where one large portfolio is funded by numerous different investors and invested into different underlying assets, including funds managed by third-party fund managers.

We have listed the asset classes used in the Responsible Funds, and how we invest in each of them, below:

Asset class	How the Responsible Funds invest
Shares (equities)	<ul style="list-style-type: none"> ▪ We invest indirectly in shares (equities) through a selection of active and passive funds run by third-party managers. <ul style="list-style-type: none"> – In an active fund, the fund manager uses their expertise to pick investments to achieve the fund’s objectives rather than copy the investments in a market index. – A passive fund is invested according to the stock or sector weightings of an index. Passive management is also referred to as ‘indexing’ or ‘tracking’.
Bonds	<ul style="list-style-type: none"> ▪ We invest directly in government bonds, primarily issued by the UK government. ▪ We invest indirectly in bonds through a selection of active and passive government/corporate bond funds.
Alternative asset classes	<ul style="list-style-type: none"> ▪ We may invest in third-party managed hedge funds, infrastructure and property funds. ▪ We may invest in certain commodities, including carbon allowances and gold, indirectly through passive investments.
Derivatives	<ul style="list-style-type: none"> ▪ We may use derivatives as part of our overall management of risk within the Responsible 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.
Cash	<ul style="list-style-type: none"> ▪ We hold cash and cash-like instruments, such as money market funds, for general liquidity purposes.

Responsible investing framework

We use a responsible investing framework to assess, select and monitor the third-party managers and issuers of the investments that we select for the Responsible Funds. The framework comprises four underlying components:

- ESG integration
- Negative screening
- Pursuing positive environmental and/or social themes
- Engagement

All assets held in the Responsible Funds are subject to our ESG integration assessment and negative screening.

Our aim is that at least 70% of the assets within the Responsible Funds shall meet our criteria for demonstrating positive environmental and/or social themes.

As the Responsible Funds usually invest in funds managed by third-party managers, we assess the engagement processes of those third-party managers, and their engagement with investee companies or issuers.

ESG integration

ESG integration is the explicit inclusion of environmental, social and governance (ESG) factors into the investment process. We use a bespoke set of ESG integration criteria to score funds managed by third-party managers ('indirect' investments) and issuers of other investments such as company shares or government bonds. For indirect investments, we assess the ESG integration processes of third-party managers.

Indirect investments are scored across four overarching assessment areas:

1. Commitment and transparency
2. Capability and track record
3. Evidence
4. Materiality

The scores obtained enable us to (1) measure the degree of conviction that the third-party managers may be displaying in the integration of ESG factors into their investment decision-making, and (2) compare different approaches to ESG integration.

Commitment and transparency

For this assessment area we consider:

- Whether the third-party manager has publicly disclosed that they include ESG integration in their investment process for the fund in question;
- The quality and depth of the third-party manager's descriptions regarding how they include ESG integration; and
- The systems, processes and governance and oversight structure the third-party manager has in place in order to carry out ESG integration.

Capability and track record

For this assessment area we consider:

- How long the third-party manager has included ESG integration in the investment process for the fund in question;
- Whether the research and data sources, skills and expertise utilised by the third-party manager appropriately support their ESG integration process; and
- To what extent the third-party manager provides ESG related reporting relating to the fund in question, and the quality of such reporting; and
- Whether the ESG integration of the fund in question can be validated externally, for example if the fund is recognised under any relevant regulatory frameworks such as the UK Sustainability Disclosure Requirements and investment labels regime, or the European Union's Sustainable Finance Disclosure Regulation.

Evidence

For this assessment area we consider:

- Whether there are any examples of the third-party manager rejecting underlying investments for the fund in question on the basis of ESG factors; and
- Whether ESG integration is a binding component of the third-party manager's investment process for the fund, for example if it is included in the fund prospectus.

Materiality

For this assessment area we consider whether the overall ESG integration methodology and resources employed by the third-party manager are supportive of and consistent with the claim made about the investee fund in question; including the goals that the fund pursues and how the third party manager measures and reports progression.

Scoring methodology

The ESG integration criteria consists of a number of pre-defined questions against which we assign points to investments depending on the outcome of the assessment. The number of points achieved versus the total number of points available is used to calculate the overall score. Questions may change from time to time and may depend on the investment being considered. Indirect investments being considered for inclusion in the Responsible Funds must achieve a minimum aggregate score of 70% across all criteria in order to be taken forward for investment. Indirect investments must also achieve a minimum score in each of the overarching assessment areas as follows: commitment and transparency: 70%, capability and track record: 70%, evidence: 100%, materiality: 100%.

The 70% minimum score for the two assessment areas described above reflects that whilst the third-party manager being assessed demonstrates conviction in their approach to ESG integration, areas for improvement have been identified (for example in their frequency of reporting, or the research and data that they utilise).

We may adjust or change the scoring methodology from time to time in order to remain consistent with industry practice.

In some instances, we may not always be able to fully assess an investment against all the ESG integration criteria, for example due to insufficient data being available. In these instances, the responsible investment team will make an assessment using all available data across each of the criteria but may adjust the minimum scoring threshold as appropriate to reflect the limited data availability. Our Investment Oversight Committee is required to grant approval for any investment where the ESG integration minimum score is adjusted, or there is insufficient available data to produce a score.

To continually monitor the Responsible Funds' existing investments against our ESG integration criteria, we re-assess all third-party managers or issuers on at least an annual basis.

We assess various public documents and information including whether the underlying manager is a signatory to the UN PRI (United Nations Principles for Responsible Investment) and therefore submits a standardised Transparency Report (a public report on an entity’s responsible investment activities) and whether the fund manager has made mandatory disclosures under other regulatory regimes – which may be used to evidence their commitment to ESG integration. The documents reviewed are typically standardised regulatory documents such as fund

prospectuses or disclosures under EU law such as the Sustainable Finance Disclosure Regulation (SFDR) as opposed to a firm’s own marketing materials - because it is considered that these (standard regulatory documents) are more likely to provide a higher level of assurance.

In addition, we may analyse data from third-party data providers that assign ESG ratings in order to compare and validate the ESG characteristics of the sub-fund’s investments.

Negative screening

We employ a negative screening process within the Responsible Funds to help limit investments with exposure to certain sectors, companies or countries. Our negative screening process is based on two types of screening - ‘exclusionary’ screening and ‘norms-based’ screening.

The Responsible Funds seek to limit exposure¹ to the below activities.

Screening type	What activity is being screened?	Maximum tolerance level
Exclusionary screening	Controversial weapons e.g. nuclear, chemical or biological weapons	0%
	Tobacco	Growing tobacco plants or manufacturing tobacco products: 0% Indirect revenue from the distribution or promotion of retail of tobacco products: 15%
	Alcoholic beverages	Direct or indirect revenue from the manufacture of alcoholic beverages: 5% Direct revenue from the sale of alcohol: 30%
	Fur and luxury leather	Revenue exposure from the production of fur and luxury leathers (including products made from animals solely hunted or bred for their skin and fur), or the sale of fur products: 0%
	Gambling	Direct revenue from gambling e.g. casinos and betting shops: 10% Indirect revenue from gambling activities: 15%
	Adult entertainment	Revenue from business activities defined as adult entertainment: 50%
	Predatory lending	Direct or indirect revenue from predatory lending: 10%
	Palm oil	Direct revenue from palm oil production or extraction unless they are members of the ‘Roundtable on Sustainable Palm Oil’: 5%
	Fossil fuels	Direct or indirect revenue from coal mining and power generation: 5%
		Direct or indirect revenue from Arctic oil and gas production or exploration: 5%
Direct or indirect revenue from oil-sands-based fossil fuels: 5%		
Direct or indirect revenue from shale energy exploration: 5%		
	Direct revenue from equipment and services providers associated with coal extraction and power generation, arctic oil and gas production and exploration, oil sands and shale energy exploration: 50%	

¹Exposure is defined by the percentage of revenue from an issuer or underlying company. The percentages stated below refer to Handelsbanken Wealth’s maximum tolerance level for that activity.

Screening type	What activity is being screened?	Maximum tolerance level
Norms-based screening	UN Global Compact Principles regarding human rights, labour, the environment and anti-corruption ²	0% - We have a zero-tolerance approach for any sector, company or country found to be in violation of any of these principles

We use a two-step process to ensure we can effectively manage the Responsible Funds' exposure to the activities listed above.

1. Firstly, we use external data providers to screen the underlying holdings of all existing and potential investments on a quarterly basis, to ensure the companies held are not exceeding the tolerance level in any of the activities being screened.

In some instances, we may not be able to screen an investment using external data providers, for example, due to lack of publicly available data. In these circumstances, the responsible investment team will conduct additional research to form a view on whether there is potential exposure to the activities stated above.

2. Secondly, we apply an annual due diligence process to all our third-party managers, which includes assessing the managers' exclusionary processes and ensuring they align to, or are stricter than, Handelsbanken Wealth's tolerance levels for the categories stated above.

Negative screening exceptions

Occasionally, the Responsible Funds may have a temporary exposure that exceeds the tolerance levels in our negative screening criteria. This may be due to a variety of factors, for example, inaccurate/misclassified data, or an underlying company held in a fund may report annual revenues which exceed an exclusion tolerance for the first time.

Where this is highlighted through our negative screening process, our responsible investment team will analyse the exception and report this to the Investment Oversight Committee:

- If the exception is found to be a temporary exposure which is being addressed by the third-party fund manager, or upon closer analysis is confirmed to be inaccurate or misclassified data, an explanation will be documented and provided to the Investment Oversight Committee for challenge or approval.
- Where the exception is deemed to be in conflict with our negative screening criteria (for example, a third-party fund manager relaxes its own exclusions to invest in companies outside of our exclusion tolerance), we will initiate a review process and the responsible investment team will work with the relevant third-party manager to resolve this conflict within a six-month timeline.

- i. If this is unable to be resolved within six months, it will be escalated to the Investment Oversight Committee for a decision, which could result in divestment.
- ii. Where a third-party manager is required to make a change to their fund or investment process which may take longer than six months to implement, explicit approval is required from the Investment Oversight Committee.
- iii. We primarily invest in third-party managed funds, these third-party managers' exclusion policies may not align directly with the Responsible fund limits above, therefore we allow a residual exposure that may exceed the tolerance levels. The Responsible fund limit total exposure to companies that exceed the maximum tolerance levels, at 1% of the total portfolio. If the aggregate portfolio exposure to the exclusionary screening exceeds 1%, the responsible investment team will escalate to the Investment Oversight Committee and follow the engagement and potential divestment process.

² <https://unglobalcompact.org/what-is-gc/mission/principles>

Positive environmental and/or social themes

We will seek to invest in a variety of holdings that have a demonstrable influence on a defined environmental and/or social theme.

Examples (non-exhaustive) of themes that the Responsible Funds may pursue include:

- Climate change mitigation and adaptation
- Water and marine resources
- Biodiversity
- Sustainable energy
- Human rights
- Health and welfare
- Infrastructure investment
- Funding of socially and/or environmentally beneficial activities

The Responsible Funds invest across multiple asset classes and usually in other funds managed by third-party managers ('indirect' investments). We do not pursue specific goals or themes. The Responsible Funds may invest across multiple themes which may vary from time to time, and some investments may have a demonstrable influence on more than one theme.

Our criteria

To meet our criteria for demonstrating positive environmental and/or social themes, indirect investments must:

1. Have an explicit goal linked to an environmental and/or social theme
2. Have a clear investment philosophy to achieve this goal
3. Have evidence of progression towards this goal

To determine this we assess whether the environmental or social characteristics claimed by the proposed investment are supported by robust evidence, for example:

- Whether the third-party manager explicitly describes the goal or goals pursued by the fund in question
- Whether the goal or goals described are aligned with the third-party manager's measurement framework
- How often progress is measured and reported, for example by disclosing the fund's impact outcomes in areas such as the generation of green energy, water saved, jobs created and the quantity of greenhouse gas emissions avoided

In order to make this assessment we review the investment's regulatory disclosures (such as fund prospectuses), public disclosures (such as UN PRI Transparency Reports), and regulatory product disclosures under other regimes. We may also supplement this information with our own findings and research.

We continue to monitor each investment's progression towards its explicit goal as part of our ongoing due diligence process, which takes place at least annually.

Engagement

We believe that strong governance and stewardship approaches are a key component in ensuring companies and sectors operate responsibly, using engagement to drive positive change.

As the Responsible Funds usually invest in funds managed by third-party fund managers, in most instances, our engagement will be with those third-party fund managers. This means that we assess the extent to which the third-party fund manager seeks to influence the behaviour of issuers of investments in which their fund invests.

We re-assess third-party managers' engagement approaches on at least an annual basis as part of our due diligence processes.

When assessing third-party managers we consider whether:

1. The manager takes an active approach to voting and engagement
2. The manager has clearly expressed desired outcomes from its engagement approach
3. Voting records for the manager are available and aligned with their desired outcomes
4. The manager has appropriate resources and methodology to support their engagement approach

Document ownership

This policy is owned by the Handelsbanken Wealth Investment Oversight Committee. Changes to the policy must be approved by the same committee and the policy is formally reviewed at least annually, to ensure it remains fit for purpose.

The Authorised Corporate Director of the Responsible Funds, Handelsbanken ACD Limited, is responsible for ensuring the Responsible Funds operate within the applicable rules and regulations, and that the Responsible Funds achieve their objectives, provide value and meet customers' expectations.

Glossary of terms

We have provided a summary of the terms used in this policy below. There is also a full glossary of terms provided on the Handelsbanken Wealth & Asset Management website: <https://wealthandasset.handelsbanken.co.uk/glossary-of-terms/>

Term	Definition
Active investing	Where the fund manager uses their expertise to pick investments to achieve the fund's objectives rather than copy the investments in a market index.
Asset	Anything having commercial or exchange value that is owned by a business, institution or individual.
Asset class	A category of assets, such as cash, company shares, bonds, property and commodities.
Authorised Corporate Director	Authorised Corporate Directors (ACDs) are responsible for the running of an investment fund. They have a duty to act in the best interests of the fund's investors and ensure that the fund is well managed in line with regulations and with the investment objectives and policies set out in its prospectus.
Bonds	An investment in the debt of a government or corporation, where investors receive a fixed rate of interest over a specified time period, at the end of which the initial amount is repaid.
Carbon allowances	Allowances to emit carbon issued under mandatory compliance schemes, such as the European Union's Emissions Trading System. By buying and holding a physical allowance and removing it from circulation, investors can prevent polluters from using them, thereby putting upwards pressure on the price. A higher carbon price should help incentivise firms to invest in greener solutions.
Commodities	Raw materials that can be bought and sold.
Derivatives	Investments whose value is linked to another investment, or to the performance of a stock exchange or to some other variable factor, such as interest rates.
Engagement	Interaction with company management on various financial and non-financial issues, including ESG factors. Engagement allows investors to better understand how a company operates and how it interacts with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.
Equities	Also known as shares - portions representing part ownership of a company. The term can also apply to a stake in a fund.
ESG integration	The explicit inclusion of environmental, social and governance (ESG) factors into the investment process.
Exposure	The proportion of a fund invested in a particular asset class, bond, sector/region, usually expressed as a percentage of the overall portfolio.

Term	Definition
Green bond	Refers to a bond that is issued specifically to raise money for climate and/or environmental projects.
Green bond framework	A green bond framework is a document created by the (bond) issuer that clearly articulates the company's proposed use of proceeds for the bond.
Hedge funds	Pooled investment vehicles that make use of complex trading strategies, including short selling and the use of leverage.
Index-linked bonds	Bonds where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.
Money market instruments	Investments usually issued by banks or governments that are a short-term loan to the issuer by the buyer. The buyer receives interest and the return of the original amount at the end of a certain period.
Multi asset portfolio	A portfolio that is invested in different types of assets such as company shares, bonds, property or cash among others.
Negative screening	Applying filters to a universe of securities, issuers, investments, sectors, or other financial instruments to rule them out, based on poor performance on ESG factors relative to industry peers or specific environmental, social, or governance criteria.
Norms-based screening	Applying filters to a universe of securities, issuers, investments, sectors, or other financial instruments based on minimum standards of practice aligned with international norms. Widely recognised frameworks for minimum standards of practice include the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council Sanctions, and the UN Global Compact.
Passive investing	Investing according to the stock or sector weightings of an index. Passive management is also referred to as 'indexing' or 'tracking'.
Risk	The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.
Roundtable on Sustainable Palm Oil	The Roundtable on Sustainable Palm Oil (RSPO) is a global, non-profit organisation established to promote the sustainable production and use of palm oil. It is focused on bringing together stakeholders from across the palm oil supply chain to develop and implement global standards for sustainable palm oil.
Stewardship	The use of investor rights and influence to protect and enhance overall long-term value for clients and beneficiaries, including the common economic, social, and environmental assets on which their interests depend.
United Nations Global Compact	A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation.
Voting	As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company's annual general meeting. These resolutions include the re-election of directors, executive remuneration and business strategy, and may also include resolutions put forward by shareholders.

Risk warnings

This document is not intended as an investment recommendation and should not be treated as such. Instead, it provides an overview of Handelsbanken Wealth's approach to assessing investments for the Responsible Funds. It should be noted that this sustainability analysis forms only one element of Handelsbanken Wealth's wider investment research and selection process applied to the Responsible Funds.

The Handelsbanken Wealth Responsible Investment Policy restricts investment by the Responsible Funds in certain sectors, companies and investments. This may result in the Responsible Funds having a narrower range of eligible investments by comparison to other sub-funds in the Handelsbanken Multi Asset Funds umbrella investment company, which may in turn affect the Responsible Funds' performance.

If you wish to invest in a Responsible Fund, you must read the relevant Key Investor Information Document and the Prospectus. These are available at: <https://wealthandasset.handelsbanken.co.uk/fund-information/fund-information/>

Handelsbanken Wealth is a trading name of Handelsbanken Wealth & Asset Management Limited which is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment and protection business, and is a wholly owned subsidiary of Handelsbanken plc. Tax advice which does not contain any investment element is not regulated by the FCA.

Registered Head Office: 25 Basinghall Street, London EC2V 5HA. Registered in England No: 4132340

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April 2026