Handelsbanken
Wealth & Asset Management

Introducing the Handelsbanken Sustainable Fund range

Fund facts

Who are the funds designed for?

Our sustainable fund range is aimed at investors who would like to target long-term financial returns in excess of inflation, using a sustainable investment approach.

The lower risk sustainable funds (Defensive and Cautious) cater to investors who would prefer less risk, alongside a more limited target for financial returns. The higher risk sustainable funds – Balanced and Growth – are designed for investors willing to take on more risk in exchange for higher targeted returns.

When were the funds launched?

The funds were launched in July 2019, though we have managed sustainable strategies via 'model portfolios' since 2016.

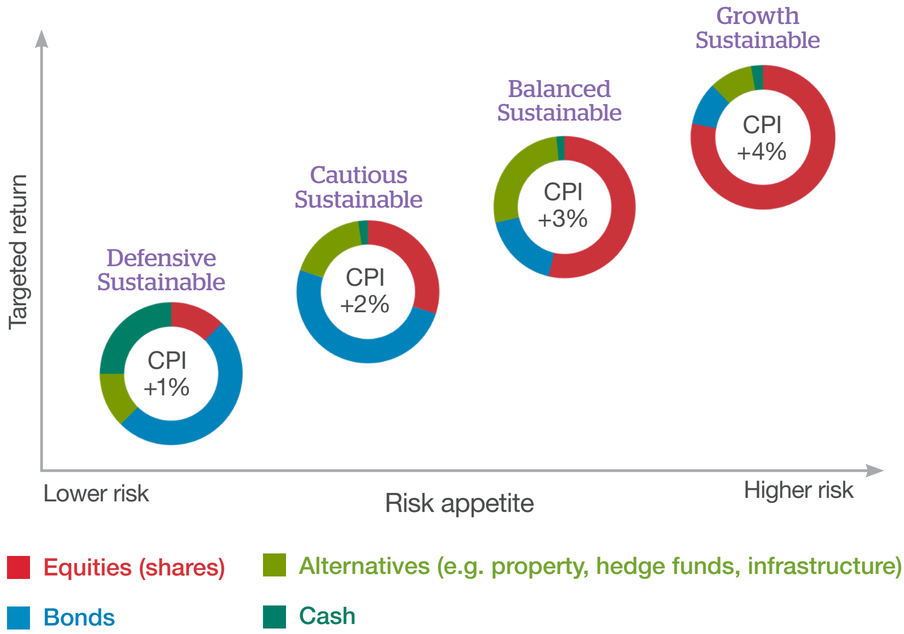
What are the funds' objectives?

The funds aim to offer financial returns in excess of the consumer price index ('CPI') over any given five-year period. These return targets range from CPI+1% for our lowest risk fund (Defensive Sustainable), up to CPI+4% for our higher risk fund (Growth Sustainable), reflecting the need to take on greater risk in order to create the potential for higher returns.

Four sustainable multi asset funds

Our sustainable funds are actively managed and follow the same investment process as our core funds. The sustainable credentials of all investments are assessed by our Sustainable Investment Committee against our Sustainable Investment Policy, which you can read in full on our website **here**.

We offer four global sustainable multi asset funds catering to a spectrum of different risk preferences and financial return targets. These inflation-linked benchmarks have been selected as the funds aim to achieve a return that is either 1%, 2%, 3% or 4% above the rate of UK inflation, and the Consumer Price Index is used to measure the rate of UK inflation. The funds will achieve their inflation-linked benchmarks if they deliver a total return that at the end of any five-year period is equivalent to achieving a total return of CPI plus their specified percent each year over that period, after all costs and charges have been taken.



There is no guarantee that the objective will be met or that a positive return will be delivered over any time period and capital is at risk.

Source: Handelsbanken Wealth & Asset Management.

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How do we approach sustainable investing?

Our sustainable investment process combines a number of recognised sustainable investment techniques[1] with a long-term approach to investment risk and return. Investments are made in accordance with our Sustainable Investment Policy, which you can read in full on our website **here**.

Below are the sustainable investment criteria we look for when building our sustainable funds. All of our investments must fulfil the 'compulsory' criteria, while some of our investments will also meet the 'additional' criteria.

Compulsory - investments must demonstrate

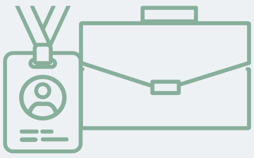
1.
ESG integration

2.
Limited exposure to harmful products

3.
Limited exposure to harmful practices

4.
Best in class

Additional - investments may demonstrate



1.
Corporate engagement

2.
Sustainability themed

3.
Impact investing

A closer look at our sustainable investment criteria

On the following pages, we provide more detail on both the compulsory and additional sustainable investment criteria within our funds. Environmental, social and governance factors, typically referred to as ESG, are often used to evaluate sustainability in investments. 'Environmental' refers to natural resources and pollution; 'social' refers to effects on people and communities, and governance refers to how organisations (corporate, local or national) are run.

[1]The definitions that we use to describe these Sustainable investment techniques are aligned with those used by the Global Sustainable Investment Alliance (GSIA). The GSIA is a group of the world's largest regional and national sustainable investment representative organisations, which collaborate to deepen and expand the practice of sustainable, responsible and impact investment through intentional international cooperation. https://www.gsi-alliance.org/wp-content/uploads/2023/10/ESG-Terminology-Report_Online.pdf

Compulsory criteria - **must** be fulfilled

ESG factors integrated into financial analysis

1. Integration of environmental, social and governance considerations (ESG)

We believe that the integration of ESG factors can have a material effect on the valuations of the investments we make. The extent of that effect though will vary across asset classes and security types, meaning we do not take a ‘one-size fits all’ approach to ESG integration. This applies as much to our investment decisions, as it does to the third-party managers in whose funds we may invest.

We test ESG integration within our investment decision-making using a points-based scoring framework. The scores obtained enable our Sustainable Investment Committee to measure the degree of conviction that a manager may be displaying in the integration of ESG factors into their investment decision-making, as well as a comparison across different approaches to ESG integration.

Core and non-core exclusions reflect our strongest convictions

2. Limited exposure to products that are harmful to our society and our planet

We recognise that many investors wish to align their values with their investment decisions and we observe increasing levels of consensus around the products that are harmful to our society and our planet. We reflect these consensus values in our investment process by screening out our exposure to harmful products, using the amount of revenue these products generate as our measure.

We categorise the exclusions as core and non-core: core exclusions reflect our strongest convictions, and represent areas where society appears to demonstrate its greatest consensus through laws and conventions. These are controversial weapons and tobacco. Non-core exclusions are areas where society has typically chosen to regulate and mitigate rather than prohibit potential harms and potentially drive them underground. These are alcoholic beverages, fur & leather, gambling, adult entertainment, predatory lending, palm oil, and fossil fuels.

Investments may be excluded if they derive revenue from these categories over a defined tolerance threshold. These tolerance levels are described fully in the Sustainable Investment Policy here on pages 10-11.

Controversial behaviours are tested against the ten principles of the UN Global Compact

3. Limited exposure to practices that are harmful to our society and our planet

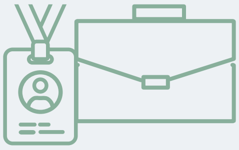
Identifying harmful behaviours requires a more nuanced approach than for harmful products, and we therefore screen potential investments for controversial behaviours using a matrix derived from internationally-recognised standards,[2] which relates to Human Rights, Labour, Environment and Anti-corruption. We will not intentionally invest where we identify a breach of these standards.

Managing ESG risks well versus industry or sector peers

4. Actively seeking out ‘best in class’ management of ESG risks

To identify these opportunities we implement ‘best-in-class’ screening to find which intended investments are managing their ESG risks better than their sector, asset class, or industry peers. We use multiple ESG risk scores in our analysis. When considering new investments, we expect their ESG risk scores to demonstrate better management of ESG risks when compared to their peers. On at least a quarterly basis, ESG risk scores are monitored across our funds and any directional change prompts further scrutiny from the Sustainable Investment Committee.

[2] The United Nations Global Compact has been adopted by 22,356 participants across 162 countries. It is fast becoming the go-to set of principles which underpins Corporate Sustainability and can be viewed as a baseline for Responsible Business Conduct.
The Ten Principles | UN Global Compact



Harnessing the power of shareholders to influence corporate behaviour

Contributing to sustainable environmental and social solutions

Investing to achieve positive social and environmental impacts

Additional criteria - **may** be fulfilled

1. Corporate engagement

As we typically invest in third-party funds, our engagement is with the managers of those funds rather than with the corporates and debt issuers they are invested in. Our intention is therefore to improve the quality of the underlying engagement through our relationship with the managers of those third-party funds. We support Active Ownership 2.0,[3] the United Nations framework for more effective stewardship, and use the three central elements of its approach to assess the level of engagement employed by the third-party managers.

2. Sustainable themes, such as sustainable agriculture, green buildings, gender equity, diversity

Beyond limiting harm through our key criteria of ESG integration and avoiding exposure to harmful products and behaviours, identifying the positive contribution that an investment may be making to an environmental or social objective is the critical determinant of whether we would consider an investment to be a Sustainable themed investment. We identify this positive contribution using a series of frameworks including amongst others, the EU Taxonomy for Sustainable Activities[4] and the UN Sustainable Development Goals.[5]

3. Impact investing – the intention to generate social or environmental impact alongside a financial return

Our view is that there is significant overlap between ‘sustainable investments’ and ‘impact investments’. Impact investments are almost certainly also sustainable investments, but the same isn’t necessarily true in reverse. We believe that impact investments are held to a slightly higher standard in two ways:

- Impact investments typically come with a higher expectation that the environmental or social impact of the investment will be measured and reported upon.
- Impact investments demonstrate intentionality: the investment is made with the intention to drive change, and so it will often be identified as such by its objective.

We believe that impact investing is still developing as a concept and that demonstrating a change might not have taken place without investor contribution is one of the most difficult tests to apply. For any impact investment, there needs to be a clear roadmap of the change that can be measured and managed like any other outcome-based objective.

[3] Active Ownership 2.0: the evolution stewardship urgently needs | Discussion paper | PRI (unpri.org)

[4] EU taxonomy for sustainable activities (europa.eu)

[5] Sustainable Development Goals | United Nations Development Programme (undp.org)

How to invest

To find out more about investing in our sustainable funds, please speak to your branch contact or Handelsbanken Wealth & Asset Management client director, who would be happy to discuss the suitability of these products for your income and risk preferences.

The funds are also available through our Self Select service for Handelsbanken customers.

Find out more about our sustainable funds

wealthandasset.handelsbanken.co.uk/investing-for-your-future/sustainable/

Important Information

Handelsbanken Wealth & Asset Management Limited 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. Professional advice should be taken before any course of action is pursued.

- Find out more about our services by contacting us on 01892 701803 or visiting our website: wealthandasset.handelsbanken.co.uk
- Read about what FCA regulation means for our investment services, and other important information: wealthandasset.handelsbanken.co.uk/important-information
- Learn more about wealth and investment concepts in our Learning Zone: wealthandasset.handelsbanken.co.uk/learning-zone/
- Understand more about the language and terminology used in the financial services industry and our own publications through our Glossary of Terms: wealthandasset.handelsbanken.co.uk/glossary-of-terms/

We manage our investment strategies in accordance with pre-defined risk and reward targets, which vary from strategy to strategy to suit a range of customer needs. Portfolios may include individual investments in structured products, foreign currencies and funds (including funds not regulated by the FCA) which may individually have a relatively high risk profile. The portfolios may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity. Changes in exchange rates between currencies can cause investments of income to go down or up.

For Handelsbanken Multi Asset Funds: The Authorised Corporate Director is Handelsbanken ACD Limited, which is authorised and regulated by the Financial Conduct Authority (FCA). The Registrar and Depositary is The Bank of New York Mellon (International) Limited, which is authorised by the Prudential Regulation Authority and regulated by the FCA. The Investment Manager is Handelsbanken Wealth & Asset Management Limited, which is authorised and regulated by the FCA.

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02/2024