CLIMATE TRANSPARENCY REPORT 2020

Svenska Handelsbanken AB (Publ)

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-4D32B24C-2AEC-40E6-A1CB-A399D54074A6/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Svenska Handelsbanken AB (Publ)
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2009
Region	Europe
Country	Sweden
Disclosure of Voluntary Indicators	77% from 38 Voluntary indicators

Svenska Handelsbanken AB (Publ)

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

For this year's scenario analysis and stress test we have used the Paris Agreement Capital Transition Assessment tool developed by 2° Investing Initiative (2°II), the stress test tool developed by 2°II together with Bank of England and ISS ESG's climate analysis.

For our equity portfolios the highest climate related risks is our exposure to food logistics and agriculture on the equity side. We also see climate related risks in our exposure towards non-electric vehicles and fossil fuel-based materials. The closer we are moving towards no transition at all, we see the physical risks being elevated in our real estate exposure as well as our exposure towards the sectors classified as "all other sectors".

In our fixed income portfolios, we have only analysed our exposure to corporate bonds (not government bonds). Among our corporate bond exposure we have a high exposure towards real estate, reflecting the fact that we see the greatest risks in our corporate bond portfolios in a scenario moving closer to no transition and the physical risks being elevated for real estate and sectors not included in our stress test.

It is important to note however, that the sector exposures mentioned above is where we have identified our most important climate risks on the subsector level. The discrepancies between companies within these groups will be larger, and it will therefore be important for us to continue breaking down the analysis to our actual holdings within these exposures.

Given the discrepancies between companies with the same subsector exposure, some of our biggest opportunities is also found in our exposure towards food logistics and agriculture. But less so in non-electric vehicles and fossil fuel-based materials, which are more homogenous in their risk profile.The other opportunities we see is in low carbon power and electric vehicles. On the total level, we have limited exposure to these sectors today. On the product level however, we see some funds well positioned to capitalise on these opportunities.

With almost all of our funds excluding fossil fuels, it is comforting to see that the climate risks at the aggregate level from exposure to fossil fuels are close to zero in our modelling exercise. The continued work with our identified high-risk subsector exposures will move forward in the respective business areas, guided by the sustainability group. Our resilience lies in our possibility to choose what we are investing in in active management and asset allocation, here, more than anything it is key that we have portfolio managers with the competence to understand climate-related risks and opportunities. We will continue our focus on educating our portfolio managers and other key personnel. In passive management, we must be more strategic in the construction of our products, and therefore we will continually evaluate the products themselves to a larger extent. We will also, in all our business areas, continue to evaluate the need for more niched products focusing specifically on capitalising on the transition to a net-zero carbon economy.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

Short to medium time horizon (1-10 years) We have seen material transition risk in the fossil fuel sector building up for many years, especially within the coal industry. Several reports show that a large share of fossil fuel company reserves would have to remain in the ground if the world is to fulfil the Paris Agreement.
In order to be aligned with the International Energy Agency's (IEA) Sustainable Development Scenario, global oil production should decrease slightly over the next five years. The results from our analysis performed with the tool Paris Agreement Capital Transition Assessment (PACTA) show that the buildout plans of many fossil fuel companies within oil production are not aligned with the Paris Agreement. Whether or not these production plans will materialise is uncertain, but the analysis gives an indication of the fossil fuel sectors misalignment with the Paris Agreement and the IEA:s best estimate of fulfilling it.

Medium time horizon (3-10 years) We expect the power and automotive sectors to see significant change in this time period. The power sector represents a large part of global emissions, and efforts to curb emission from energy are being pursued in many parts of the world. Renewable energy alternatives are becoming cost competitive in more and more geographies. Power production from fossil fuels is also linked to issues of smog and air pollution, a significant problem in many densely populated areas in the world. Fossil fuel dependent power companies are exposed to transition related risk, depending on their energy production mix and geographical location. Technological development, increased pricing of GHG-emissions and the sharp fall of costs of renewable energy are significant drivers of increased transition risk.
The transport sector also represents a significant share of global emissions, especially in high income regions such as Europe and the USA. Low emission alternatives exist and are quickly becoming cost competitive, especially in the automotive sector. The use of internal combustion engines is also a significant contributor to smog and poor air quality. Several cities are moving towards limiting the use of fossil fuel driven vehicles in the future. Legislative developments such as tougher emission rules and more accurate emission tests are also being implemented in many parts of the world putting pressure on car producers to decrease harmful emissions. Consumer demand is also shifting and low carbon alternatives are gaining market shares in many parts of the world. Companies within the automotive sector face transition related risks depending on their ability to meet these changes and their capability to absorb t he increased costs in research and development needed for low carbon development.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

Our strategy to identify and manage material climate related risks and opportunities starts with the commitments and ambitions set out in our policy:

Stable, productive and resilient ecosystems are fundamental to achieving secure, sustainable development. Today, these systems are under pressure caused by pollution, acidification, depletion of natural resources and eutrophication, which affect land use and freshwater supply. Climate change also poses a serious threat, with extreme weather events, rising sea levels and the loss of biodiversity that already impact our world today. This has consequences for both the regional and the global economy. Agenda 2030 and the UN's Sustainable Development Goals provide a clear direction and mission in terms of environment and climate. In addition, the Paris Agreement constitutes a global agreement for managing, halting and counteracting climate change. Handelsbanken Fonder's goal is to create healthy returns on managed capital and to promote a sustainable development and future. As a significant investor, the Management Company has an important role to play in the realisation of the Paris Agreement: to drive capital into investments that contribute to achievement of the global goals and the transition to sustainable development. The Management Company therefore strives to increase investments in companies that offer solutions to global sustainability challenges and contribute to achieving the global goals. At the same time, the Management Company strives to minimise the negative environmental and climate impacts of our investments.

In our climate report we describe how we identify and manage material climate related risks and opportunities. Handelsbanken Asset Management are longterm investors with the goal of creating good returns on our customers' savings, while at the same time contributing to a sustainable future. To achieve this we need to continuously develop our processes for identifying, managing and reporting risks and opportunities related to climate change. In order to do so we need relevant climate-related information from companies.
This is why we support the recommendations of the TCFD.
We want to encourage a transition to a greenhouse gas-neutral economy in line with the Paris Agreement and expect companies with which we are invested to pursue their operations in line with such a transition. We want to contribute to increased transparency and the development of tools and methods to better measure and manage climate-related risks and opportunities, such as climate-related scenario analysis. We want to lead by example, which is why we this year produce our second Climate report in line with the recommendations of the TCFD. In this report we describe our ongoing work related to climate change in our role as asset managers. This report will evolve over time to mirror our work related to climate change, building on the progress of best practices within our industry.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☐ Annual financial filings

☐ Regular client reporting

☐ Member communications

☑ Other

	specify

In March 2020 we published our second (first one published Dec 2018) climate report prepared in accordance with the TCFD recommendations.

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other Chief-level staff or heads of departments

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Portfolio managers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	External managers or service providers

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other role, specify (1)

Head of Corporate Governance

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other role, specify (2)

Head of Risk Control

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

Board's oversight of climate-related risks and opportunities

Each fund company has its own board of directors in charge of overseeing the implementation of their respective sustainability strategies, which incorporates climate change. Climate change is part of decisions relating to overall strategic direction, the formulations of annual business plans and the adoption of policies. The boards´ are continually informed by business operations concerning strategy implementation and business progress, such as share of asset under management in fossil free funds and carbon footprint. The boards also review and approve policy development, including the Policies for responsible investment which governs all our assets under management. The Policies include specific criteria relating to climate change, such as the ambition to align portfolios with the Paris Agreement. For the active management the Policy also includes our Corporate Governance Policy which gives strategic direction for our voting and work in nominating committees. For the passive management, the board also review and approves the separate Corporate Governance Policy which share the strategic direction with the active management for our voting.

How Management assesses and manages climate-related risk and opportunities

Management is in charge of monitoring and developing work around climate change, which includes governance and strategy development. Dedicated Heads of Responsible Investments are members of the management teams and report directly to the respective Chief Executive Officer (CEO). The Heads are responsible for developing and coordinating work around climate change and keeping the organisation informed about global and industry development relating to the issue of climate change in order to manage it. The responsibility for the implementation of strategies and policies is with the Chief Investment Officers (CIOs) in active and passive management as well as asset allocation. Within active management and asset allocation, the CIOs are also responsible for integrating risks and opportunities relating to climate change into all investment analysis and decision-making.

The Council for Responsible Investments reviews and evaluates the effectiveness of climate-related work and approves and coordinates such work in the different parts of Handelsbanken Asset Management. Members of the Council are the CEOs, the Heads of Responsible Investments, and CIOs for active and passive management and asset allocation.

Within active management the Committee for Sustainability Risks is tasked with analysing and evaluating the sustainability risks and performance, including climate change, of each fund. The Committee consists of CEO, CIO, investment management group directors, Head of Risk, and Head of Responsible Investments.

In 2019, we established the Sustainability Committee with the purpose of having a forum to discuss and inform the CEO's decision on methodology developments and other sustainability related issues. The Committee consists of CEO, CIO, investment management group directors, and Head of Responsible Investments.

We use external service providers for ESG research and in these cases we expect them to integrate and assess climate in their analysis.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

Management is in charge of monitoring and developing work around climate change, which includes governance and strategy development. Dedicated Heads of Responsible Investments are members of the management teams and report directly to the respective Chief Executive Officer (CEO). The Heads are responsible for developing and coordinating work around climate change and keeping the organisation informed about global and industry development relating to the issue of climate change in order to manage it. The responsibility for the implementation of strategies and policies is with the Chief Investment Officers (CIOs) in active and passive management as well as asset allocation. Within active management and asset allocation, the CIOs are also responsible for integrating risks and opportunities relating to climate change into all investment analysis and decision-making.

The Council for Responsible Investments reviews and evaluates the effectiveness of climate-related work and approves and coordinates such work in the different parts of Handelsbanken Asset Management. Members of the Council are the CEOs, the Heads of Responsible Investments, and CIOs for active and passive management and asset allocation.

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SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☐ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☑ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☐ Yes, in order to assess future ESG factors

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

During 2019, we analysed all our portfolios with the help of a stress test tool developed by 2 degree investing initiative and Bank of England . We also used complementing resources to help understand and substantiate the results.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☑ Allocation between asset classes

☐ Determining fixed income duration

☑ Allocation of assets between geographic markets

☐ Sector weightings

☐ Other, specify

☐ We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☑ Initial assessment

	Describe

During 2019, we analysed all our portfolios with the help of a stress test tool developed by 2 degree investing initiative and Bank of England. We also used complementing resources to help understand and substantiate the results.

Given our current portfolio holdings, our highest climate related risks is our exposure to food logistics and agriculture on the equity side. This holds for three different scenarios we have stress tested, ranging from a sudden and disorderly transition (high transition risks and lower physical risks) to no transition at all (low transition risks and high physical risks).

We also see climate related risks in our exposure towards non-electric vehicles and fossil fuel-based materials. The closer we are moving towards no transition at all, we see the physical risks being elevated in our real estate exposure as well as our exposure towards the sectors classified as "all other sectors".

In our fixed income portfolios, we have only analysed our exposure to corporate bonds (not government bonds). Among our corporate bond exposure we have a high exposure towards real estate, reflecting the fact that we see the greatest risks in our corporate bond portfolios in a scenario moving closer to no transition and the physical risks being elevated for real estate and sectors not included in our stress test.

Given the discrepancies between companies with the same subsector exposure, some of our biggest opportunities is also found in our exposure towards food logistics and agriculture. But less so in non-electric vehicles and fossil fuel-based materials, which are more homogenous in their risk profile. The other opportunities we see is in low carbon power and electric vehicles. On the total level, we have limited exposure to these sectors today. On the product level however, we see some funds well positioned to capitalise on these opportunities. Handelsbanken Hållbar Energi is the leading example, with an exposure to low carbon power that would give a positive repricing of around five to seven percent if a transition do occur given the assumptions of this modelling exercise.

☑ Incorporation into investment analysis

	Describe

With almost all of our funds excluding fossil fuels, it is comforting to see that the climate risks at the aggregate level from exposure to fossil fuels are close to zero in our modelling exercise. In comparison, if we look at a global index without any exclusion criteria, that benchmark would face the greatest climate risks in exposure to oil extraction and coal power in the two scenarios where a transition does occur. In the scenario where a transition does not occur, all other sectors is the most impactful risk also for a global benchmark.

We see no need to widen or exclusion strategy to more sectors on the basis of climate-related risks. We believe our current strategy is capable of handling the risks we see going forward. Therefore, the continued work with our identified high-risk subsector exposures will move forward in the respective business areas, guided by the sustainability group, but not in the short term give rise to any strategic changes like our decision to exclude fossil fuels.

Our resilience lies in our possibility to choose what we are investing in in active management and asset allocation, here, more than anything it is key that we have portfolio managers with the competence to understand climate-related risks and opportunities. We will continue our focus on educating our portfolio managers and other key personnel. In passive management, we must be more strategic in the construction of our products, and therefore we will continually evaluate the products themselves to a larger extent. We will also, in all our business areas, continue to evaluate the need for more niched products focusing specifically on capitalising on the transition to a net-zero carbon economy.

Targets

We believe we have taken important steps over the recent years integrating climate-change issues in our asset management. We have done a lot of work towards aligning our portfolio with the Paris Agreement as well as towards managing climate-related risks and capitalise on climate-related opportunities.

The reason, despite our work, for us not having adopted specific and well defined targets yet, is that we have not been comfortable in what has been possible to measure. Several of the metrics used to inform our actions and explained in this report is not ready to be used directly to guide decisions yet, only in the case of guiding further analysis. With that said, we acknowledge that we cannot wait for the perfect metric, and given our thorough work in 2019 reviewing alternative metrics and engaging in industry-networks on this topic - we are ready to set specific targets during 2020.

Beyond defining and setting targets for our climate strategy, we will work to incorporate also government bonds in our climate analysis.

☐ Inform active ownership

☐ Other

SG 13.5 CC	Indicate who uses this analysis.

☐ Board members, trustees, C-level roles, Investment Committee

☑ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☑ Other

	specify

Clients to understand how we are managing climate risks in the investments we manage for them.

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

◉ Yes

	Describe

Our investment horizon is 3-10 years.

In our scenario analysis we have also looked at the medium to long term perspective which is 3-30 years.

Medium to long time horizon (3-30 years)
For this time period we see transition risks in high emitting sectors such as cement and steel. Increased pricing of greenhouse gas emissions and emission trading systems such as the EU ETS will escalate pressure on companies within these sectors to decrease emissions. In order to keep costs down companies will be forced to increase investments in order to decrease emissions. Trying to pass the increased cost onto consumers will likely stimulate the development of low emission alternatives, such as wood for construction applications, which might lead to lower demand. Moreover the trend towards circular economy, leading to a potential decrease in the use of virgin materials, is likely to amplify the transition risks. In the medium to long time horizon we will likely see physical risks start to have material impact on companies. Businesses are already being affected by changes in weather patterns and rising costs due to extreme weather events. In this time period, it is also possible that the global climate will pass tipping points, in other words thresholds for abrupt and irreversible change. The likelihood of such events is higher with increased temperatures, however it is hard to estimate the probability, timing and impact of such events today. Additionally, the specific effects on a sector or a company are hard to estimate and more analysis is needed.

○ No

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☑ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☑ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	☑ Beyond 2 Degrees Scenario (B2DS)
IEA	☐ Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	☑ Sustainable Development Scenario (SDS)
IEA	☑ New Policy Scenario (NPS)
IEA	☑ Current Policy Scenario (CPS)
IRENA	☐ RE Map
Greenpeace	☐ Advanced Energy [R]evolution
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	☐ BNEF reference scenario
IPCC	☐ Representative Concentration Pathway (RCP) 8.5
IPCC	☐ RPC 6
IPCC	☐ RPC 4.5
IPCC	☐ RPC 2.6
Other	☐ Other (1)
Other	☐ Other (2)
Other	☐ Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☐ Resource scarcity

☑ Technological developments

☐ Other, specify(1)

☑ Other, specify(2)

	other description (2)

Changing lifestyles

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

	Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		6	695	149	664
Currency	SEK				
Assets in USD			699	582	042

	Specify the framework or taxonomy used.

AUM 2019-12-31

Hållbar Global obligation 2,173,426,680 SEK

Hållbar Energi 4,521,722,984 SEK

☑ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☐ Sought climate supportive policy from governments

☐ Other, specify

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☑ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☑ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☑ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	☐ All assets ☐ Majority of assets ☑ Minority of assets	To follow which of the companies we invest in that have set climate-related targets, specifically we follow science based targets.		
Weighted average carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	To follow carbon footprint over time for our funds + identify high carbon emitters in the portfolios, a basis for engagement and investment decisions.	carbon footprint, tonnes CO2e/SEK million revenue	
Carbon footprint (scope 1 and 2)	☐ All assets ☑ Majority of assets ☐ Minority of assets	To follow carbon footprint over time for our funds + identify high carbon emitters in the portfolios, a basis for engagement and investment decisions. The weighted average carbon intensity is our main metrics for following the carbon emissions from our holdings, but we also use these metrics as complements.		
Portfolio carbon footprint	☐ All assets ☑ Majority of assets ☐ Minority of assets	To follow carbon footprint over time for our funds + identify high carbon emitters in the portfolios, a basis for engagement and investment decisions. The weighted average carbon intensity is our main metrics for following the carbon emissions from our holdings, but we also use these metrics as complements.	tonnes CO2e/SEK million invested	
Total carbon emissions	☐ All assets ☑ Majority of assets ☐ Minority of assets	To follow carbon footprint over time for our funds + identify high carbon emitters in the portfolios, a basis for engagement and investment decisions. The weighted average carbon intensity is our main metrics for following the carbon emissions from our holdings, but we also use these metrics as complements.	tonnes CO2e	
Carbon intensity	☐ All assets ☑ Majority of assets ☐ Minority of assets	To follow carbon footprint over time for our funds + identify high carbon emitters in the portfolios, a basis for engagement and investment decisions. The weighted average carbon intensity is our main metrics for following the carbon emissions from our holdings, but we also use these metrics as complements.	tonnes CO2e/SEK million revenue	
Exposure to carbon-related assets	☐ All assets ☑ Majority of assets ☐ Minority of assets	A basis for our scenario analysis is measuring our exposure to different sectors with elevated risks and opportunities related to climate change. Beyond being used in scenario analysis, this data in itself is also used to better inform our investment decisions.	% of revenue exposure in a portfolio	

SG 14.7 CC	Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

This year's scenario analysis and stress test endeavour have been of exploratory nature, and for the first time it has included also our asset allocation. Going forward, a similar process will be formalised and carried out in a yearly fashion. The purpose is to establish a process which will help guide strategic decisions providing information at the aggregated level, as well as informing portfolio management decisions at the fund level via providing detailed information about each fund.

The formalised process will be incorporated into our Sustainability Risk Committee, which up to today have included actively managed funds and have had a focus on sustainability risks more broadly. The primary resources have been ESG ratings from MSCI and Arabesque and the carbon footprint (with the help of ISS ESG). On a semi-annual basis, the carbon footprint has been analysed for each fund and presented in the committee, whereas the ESG ratings have been reviewed quarterly.

Going forward, the broader focus on sustainability related risks will stay, but be complemented with a section on climate-related risks and opportunities. The committee will going forward also include funds within passive management and asset allocation.

Which metrics will be included in this is something we will decide during the year. For this year's scenario analysis and stress test which have been carried out outside the scope of the Sustainability Risk Committee, the resources used have been the Paris Agreement Capital Transition Assessment tool developed by 2° Investing Initiative (2°II), the stress test tool developed by 2°II together with Bank of England and ISS ESG's climate analysis. This analysis will work as the foundation for our continued work in 2020, where we start from the identified high-risk subsector exposures and break down the analysis further to the company level. The overall structure is similar to how the process in the Committee will inform continued work in each business area going in to next year (2021).

Company-wide Exclusion
Sector exclusion forms the first line of defence against climate risk in our risk management process. We use exclusion primarily when a sector has high sustainability risks, is not aligned with our vision of long-term sustainable asset management and when we believe our ability to influence companies within the sector to align their operations with a sustainable development is limited. [[Again, see discussion paper for further elaboration]]. As previously mentioned, the majority of our funds are today fossil free, and the few funds in which this strategy is not deployed exclude involvement in coal mining and significant involvement in coal power generation.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

In our active management we have engaged with companies in sectors with high emissions to adopt the recommendation from TCFD and start measure and report how climate change will affect their businesses.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

22

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Hedge funds

Brief description and measures of investment

Handelsbanken's Sustainable Energy fund invests in shares issued by companies globally, which develop or use technologies and methods to limit global warming. The fund also invests in companies with assets which may contribute to more efficient use of energy.

☐ Renewable energy

☑ Green buildings

Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☑ Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

1

☐ Fixed income - Securitised

☐ Hedge funds

Brief description and measures of investment

We invest in certified green bonds where most of the proceeds from the bonds finances green buildings.

☐ Sustainable forestry

☐ Sustainable agriculture

☐ Microfinance

☐ SME financing

☐ Social enterprise / community investing

☐ Affordable housing

☑ Education

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

20

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Hedge funds

Brief description and measures of investment

Our group of thematic invested funds have investments in several sustainable themes.

Around 20% of our AUM is thematic funds. Many of those themes are social or environmental.

☑ Global health

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

20

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Hedge funds

Brief description and measures of investment

Our group of thematic invested funds have investments in several sustainable themes.

Around 20% of our AUM is thematic funds. Many of those themes are social or environmental.

☑ Water

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

20

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Hedge funds

Brief description and measures of investment

Within the framework of our thematically managed funds, an extensive global water supply theme has existed for a long time.

Around 20% of our AUM is thematic funds. Many of those themes are social or environmental.

☑ Other area, specify

In our thematic fundgroup we have several investments in sustainable themes.

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

20

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Hedge funds

	Brief description and measures of investment

Healthy lifestyle. Investments into companies supporting a healthy lifestyle. For example companies involved in healthy food or sports equipment.

Womenomics. Companies striving for a more equality between women and men in business.

Cybersecurity. Companies providing solutions for better cyber security and handling of personal information.

Around 20% of our AUM is thematic funds. Many of those themes are social or environmental.

○ No