Sustainability Report 2019

This is **Handelsbanken**

Handelsbanken was founded in 1871. The Bank has a nationwide branch network in Sweden, the UK, Norway, Denmark, Finland and the Netherlands. We have a decentralised way of working with a strong local presence and a long-term approach to our customer relations. Our goal is to have better profitability than the average of peer competitors in our home markets. We mainly achieve this goal by having more satisfied customers and lower costs.

Handelsbanken was founded in
1871

Over
750
branches in our six home markets.

More satisfied customers
than the sector average in all six of our home markets.*

* According to EPSI Rating/SKI (Swedish Quality Index). Since SKI's surveys began in 1989, Handelsbanken has had the most satisfied private customers of the four major Swedish banks: Handelsbanken, Nordea, SEB and Swedbank.

40%
of managers in the Group are women.

90%
of mutual fund volumes are managed with enhanced sustainability criteria.

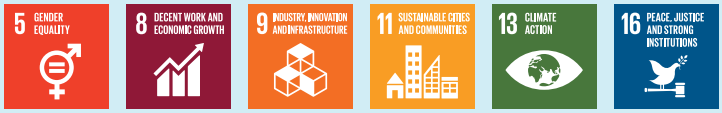
UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

WE SUPPORT UN GLOBAL COMPACT

Handelsbanken arranged green bonds for SEK 16.3 billion in 2019.

The Sustainable Development Goals

We work with the 2030 Agenda and the Sustainable Development Goals. The following goals are in focus at Handelsbanken.



Contents

Conversation between the CEO and the Head of Sustainability	2
Sustainability at Handelsbanken	4
The Sustainable Development Goals	6
The Bank's concept and working methods	8
Material sustainability topics	10
The Bank and its customers	12
The Bank's role in the community	16
Responsible financing	26
Responsible investment	29
The Bank as an employer	36
The Bank's business culture	40
The Bank as an investment	44
Initiatives, collaborations, awards, surveys and sustainability indexes	48
In-depth sustainability information	53
Summary of corporate governance	53
Organisational structure for sustainability	54
Handelsbanken and the Sustainable Development Goals	54
Stakeholder dialogue	54
Sustainability risk	56
Key figures for sustainability	57
Facts: The Bank and its customers	59
Facts: The Bank's role in the community	59
Facts: Responsible financing	62
Facts: Responsible investment	63
Facts: The Bank as an employer	65
Facts: The Bank's business culture	68
Facts: The Bank as an investment	69
Global Reporting Initiative indexes	70
Definitions and explanations	73
Contact details	75
Offprint Auditor's Report from Handelsbanken's Annual Report 2019	

Svenska Handelsbanken AB (publ)
Corporate identity no.: 502007-7862
Registered office: Stockholm
handelsbanken.com

This report is also available in Swedish.

About this report

This report describes how Handelsbanken works on its most important sustainability topics. The Sustainability Report covers activities and results in 2019. The first part of the Report follows the structure of Handelsbanken's work on its material sustainability topics. Supplementary information and data are provided in the part titled In-depth sustainability information.

This is Handelsbanken's 10th Sustainability Report in accordance with the Global Reporting Initiative (GRI) guidelines for reporting. This report has been prepared in accordance with the GRI Standards: Core option and has been reviewed by the Bank's external main auditors. See the auditor's report on page 241 of the Annual Report.

A comprehensive GRI index can be found on pages 70–72. The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact. Handelsbanken's statutory sustainability report can be found on pages 43–61 of the Group's Annual Report.

Look forward and see **the opportunities**

In 2019, we implemented even stricter sustainability criteria for how our mutual funds invest. We also made it possible for people who live in an environmentally certified building to take out a green mortgage at Handelsbanken. These are a couple of examples of achievements we are particularly proud to have implemented in the past year. In 2020, we will strive to become even better, as our customer expectations rise and employee ambition levels continue to grow.

"There is an expectation that the financial sector should contribute to the solutions."

This is how Handelsbanken's President and Group Chief Executive, Carina Åkerström, and Acting Head of Sustainability, Camilla Johansson, view some of the opportunities and challenges ahead and what they mean for Handelsbanken.

Carina: I'll start with the foundation of our business culture, in other words, our long-term approach, taking responsibility and our local presence. They mean that sustainability has long been a natural part of the Bank's operations. The fact that we have a long-term approach to all our relationships means, for example, that we can keep a steady course, regardless of the state of the business cycle or the world around us. This gives us a stable foundation on which to build our sustainability work.

Camilla: Sustainability is a very broad topic, though the main focus today is on the environment and climate. Alongside the climate, the main challenges range from human rights and corporate governance to the importance of preventing corruption and money laundering.

This means that, just like other industries, we need to look at sustainability from several perspectives. But one of our most important tasks is also to help our customers, as it may not be easy for them to know how to act in a sustainable way. At least that's how I feel, and I think it's a feeling I share with a lot of other people. That's why we've developed green loans, not just for companies, but also for private individuals who have invested in climate-smart housing.

Carina: If Handelsbanken can help its customers to make sustainable choices, then we can benefit both the customer and society. Our customers know that we always take a long-term approach and have their best interests in mind, so it's only natural that we also help them in this respect. In addition to mortgages, many customers would like their savings to contribute to a more sustainable society. This is why we have chosen to make the requirements stricter for all our funds, rather than creating individual funds with a sustainability focus.

Camilla: This is the result of determined efforts that led to us implementing a common baseline of sustainability criteria for our funds in 2019. We exclude controversial sectors and aim to find companies that work to resolve the sustainability challenges. Not only is this good for sustainability, it also makes financial sense, because the winners of the future will be companies with sustainability embedded in their business models.

Carina: We've made great progress with our savings business, and we are increasingly talking to corporate customers about how we can also help them to be more sustainable. For example, during advisory services for new investments, operational changes or credits where the interest rate is linked to specific sustainability goals.

"Irrespective of whether we meet our customers at our branches or digitally, we must make it easy for them to make sustainable choices."

Camilla: The success of our sustainability work also affects our reputation and customer satisfaction levels.

Carina: I'm proud of the fact that independent surveys show that the Bank has satisfied customers and a good reputation in all our home markets. I hear this when talking to customers – they appreciate personal meetings. As usual, colleagues at our branches are important because they know both the customers and the local market, and can see potential opportunities. The fact that we have chosen to retain a widespread branch network in all our home markets was also one of the reasons we received the award of Sweden's most sustainable listed company in banking and finance. By talking to customers, branches can identify their needs and engage with them in a way that wouldn't be possible if our sustainability work was only run from head office.

Camilla: Our branches are an important part of the community in the towns where they are located, and they become involved in many different ways. Often it's a matter of sharing knowledge, such as visiting schools and talking about day-to-day finances, but also about spreading engagement and getting involved.

Carina: Looking ahead, I think we'll see continued focus on the environment and climate, particularly when implementing the Paris Agreement. There is an expectation that the financial sector should contribute to the solutions. This is why Handelsbanken, together with our customers, is working for a transition to a climate-friendly and circular economy – in other words, an economy where society's resources are reused wisely. As we have discussed, there are many business opportunities for us here, for example, for our fund managers to find companies that are the future winners.

Camilla: But we must also make sure that we identify, analyse and manage the sustainability risks around us. We've made good progress with this work, particularly in our asset management. But there is more to be done. We aim to expand our reporting of the climate risks and opportunities in our operations in accordance with the Task Force on Climate-related Financial Disclosure's recommendations. I'm convinced that we're in a good starting position.

Carina: I believe that without international agreements, it will be difficult to move forward with the major sustainability challenges. One important event during the autumn was Handelsbanken becoming one of 130 banks to sign the UN Principles for Responsible Banking (PRB). Our endorsement of the PRB is just as natural as our continued support and work with international initiatives such as the Sustainable Development Goals (SDGs) in the 2030 Agenda, the United Nations Global Compact and the Principles for Responsible Investment (PRI). It is also completely in line with our way of working.

Camilla: The fact that so many banks chose to become signatories shows that our sector is prepared to take responsibility and be part of the solution to the sustainability challenges.

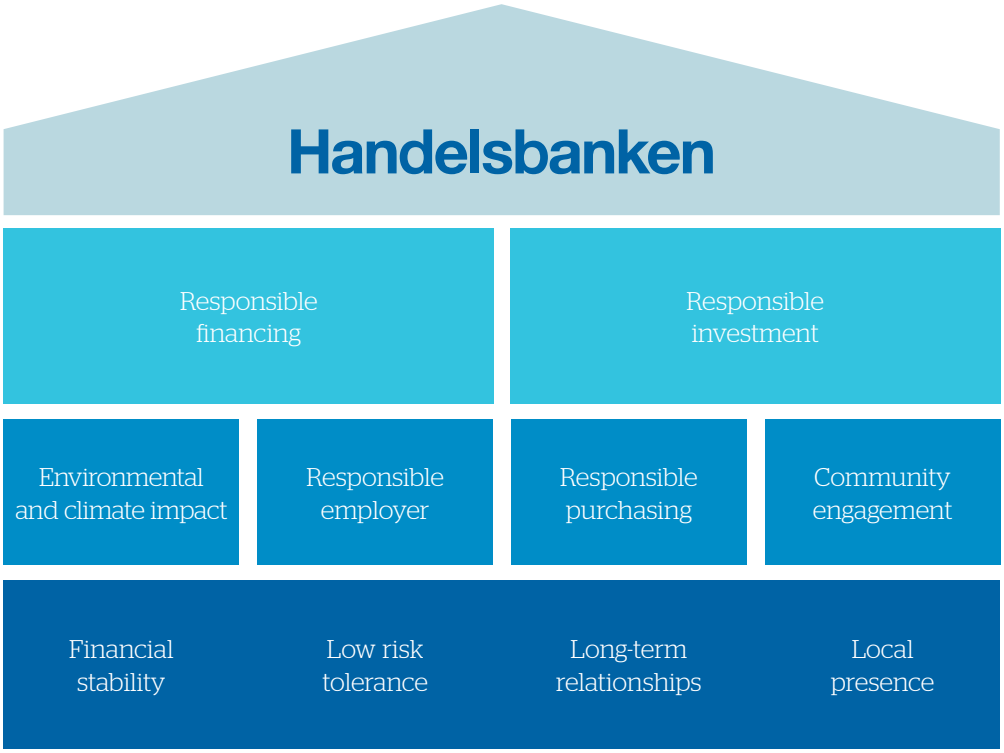
Carina: Having said this, it is not through grand declarations and big words that we will drive change. It is through our products and services that we can contribute in the best possible way. This is our sustainability promise. Our funds will continue to invest in companies that can develop solutions, and we will finance green projects and buildings. Irrespective of whether we meet our customers at our branches or digitally, we must make it easy for them to make sustainable choices. My goal is for Handelsbanken to focus on the areas where we really excel and become even better – in a sustainable way, of course.

"We have chosen to make the requirements stricter for all our funds, rather than creating individual funds with a sustainability focus."

Sustainability at **Handelsbanken**

Sustainability is completely integrated into Handelsbanken's corporate culture and working methods, and encompasses the Group's operations in all markets.

As a bank, we aim to contribute to sustainable development, chiefly through our business operations, and our products and services.



Handelsbanken's sustainability work can be described as a building with vital foundations such as financial stability, a long-term approach, low risk tolerance, strong local presence and decentralised working methods. Important building blocks are our continuous work on our environmental and climate impact, both directly and indirectly, that we have demands regarding sustainability when buying goods and services, that we take responsibility for our work environment being characterised by respect, and that we engage with the local communities to which our branches belong. Our main impact on sustainability is in our business operations – when we finance our customers' projects and businesses and are entrusted to invest their assets.

The foundation of our sustainability work

Long-term business relations and low risk-taking are cornerstones of Handelsbanken's business culture. Consequently, sustainability has long been a natural part of Handelsbanken's business operations. Stable finances are fundamental to the Bank's sustainability efforts. Thanks to our strict approach to risk, over time we have successfully kept our credit losses at a low level. Our financial strength helps us to avoid becoming a burden on society when times get tough. Instead, we can positively contribute by being financially stable and a responsible taxpayer.

We always want to be close to the community where we operate, so we believe in a decentralised business model where the local branch is the hub of the customer relationship, based on personal meetings coupled with digital services and solutions.

Our role as a responsible employer is based on our fundamental belief in the willingness and ability of individuals to make the right decisions. Managers and employees are together responsible for seeing the opportunities in one another's differences and treating each other with respect. Gender equality, diversity and an inclusive corporate culture are therefore part of Handelsbanken's core values.

Business operations that promote sustainability
Handelsbanken's greatest opportunity to assist and influence sustainable development is in our business operations – when we finance our customers' projects and businesses and are entrusted to manage customers' assets.

When we lend to companies, we factor in the different types of risk that could influence their repayment capacity. These include sustainability risk, such as environmental and climate-related risk, and the company's stance on human rights. Handelsbanken also develops new products, for example, green loans to finance projects that promote more sustainable communities. We also have a responsibility when we lend money to private individuals. We do not want our customers to run into financial difficulties due to excessive debt. This benefits the customer, Handelsbanken and society at large.

We have great influence when we invest the funds that our customers have entrusted to us, such as in mutual funds. To deliver the best possible return to our customers, it is vital that we invest in companies with sustainable business models and avoid companies that have a negative impact on sustainable development. Sustainable investment is one way for the Bank and our customers to act responsibly.

The climate and the environment
Climate change is one of the main challenges for our society. The effects of global warming impact the world economy, with consequences for companies in many sectors. Some will need to make major investments, while others are negatively impacted as a result of climate change, stricter climate policies and changed consumer demand. The 2030 Agenda and the Sustainable Development Goals provide a clear direction and objectives for the environment and the climate. In addition, the Paris Agreement, signed in 2015, is a global accord for managing, preventing and counteracting climate change.

Banking operations in themselves have a relatively small direct impact on the environment and climate. Nonetheless, striving to constantly reduce our own impact is important – for both our employees and our customers. Reducing paper use and cutting back on travel by air and car, instead focusing on solutions for remote meetings are good ways to reduce our negative impact. Digital solutions also help us and our customers to reduce our climate footprint.

Emissions linked to our own operations must be reduced over time, in line with the Paris Agreement. Although our direct impact is small, as a provider of financial services, we have an important role to play in the transition to a sustainable economy. This is why we must identify both the business opportunities and risks as well as the main positive and negative environmental consequences of the Bank's operations, products and services. We must also become more transparent by reporting climate-related risks in line with international frameworks and emerging standards. We expect that companies with which we have business relations pursue their operations in line with the long-term goals of the Paris Agreement, by transitioning to renewable energy production, for example.

Collaborations and initiatives
It is important for us to be receptive and open, and to adapt to the expectations of our customers, our employees, investors and society in general. Through dialogue, we are constantly learning and can prioritise our sustainability efforts. Individual players cannot resolve all the challenges associated with sustainability. Instead, international co-operation, shared responsibility and global efforts will be required.

Handelsbanken has endorsed the Principles for Responsible Banking (PRB) which were launched in conjunction with the UN Climate Action Summit in September 2019. These are six principles which will increase and highlight the global banking sector's contribution to sustainable development and also reinforce the need for the financial sector to be governed in line with the Paris Agreement and the 17 Sustainable Development Goals.

The Sustainable Development Goals
In September 2015, the UN General Assembly adopted the 2030 Agenda for Sustainable Development. It contains 17 Sustainable Development Goals and 169 targets aimed at achieving long-term sustainable economic, social and environmental development in order to eradicate extreme poverty, to reduce inequality and injustice in the world, and to combat climate change. The Sustainable Development Goals are not only a matter for governments. On the contrary, it is vital that all parts of society get involved if we are to achieve these goals. Thus, the business community also has a crucial role to play in the long-term fulfilment of the goals, as stated in the implementation plan produced by the UN.

As a bank, we are an important part of society, with our strong local presence and the various ways that we contribute to the community. Through the Bank's operations, we can contribute long term to fulfilment of these goals.

How we work with the **Sustainable Development Goals**

Handelsbanken's operations must contribute to fulfilment of the Sustainable Development Goals. We have opted to focus on six goals and their associated targets that can be linked to our operations. Here we present some examples of how we have worked during the year, both through our own operations and through our business relations.

5 GENDER EQUALITY

- To spread knowledge of how choices in personal finances affect economic equality, Handelsbanken Liv has participated in several episodes of the EFN podcast 'Fattig eller rik' (Poor or rich) which provides tips about personal finances and the latest news on savings and money. This promotes target 5.B, Promote empowerment of women through technology.
- Handelsbanken's Diversity Council, comprising members from the management teams in all the Bank's home markets, Handelsbanken Capital Markets, Group IT and Group HR, has created a Group-wide guideline for gender equality, diversity and inclusion. This promotes target 5.5, Ensure full participation in leadership and decision-making.
- Gender equality, diversity and inclusion are necessary for a good work climate. To raise awareness of and foster constructive dialogue about how we behave towards one another, a video with associated discussion questions has been produced. The video highlights various situations that may be perceived as victimisation or exclusion and has been launched throughout the Group.
- A number of workshops, management courses and seminars have been arranged by Handelsbanken Capital Markets together with an external party, in order to work with gender-equality matters related to the work environment. The conclusions of these initiatives aim to strengthen our work with gender equality and contribute to target 5.1, End discrimination against women and girls.

8 DECENT WORK AND ECONOMIC GROWTH

- Our app service 'My finances' offers our customers a complete overview of their day-to-day finances and promotes target 8.2, Diversify, innovate and upgrade for economic productivity.
- Impact investing is an investment strategy that combines returns with social benefits. Financial inclusion and microfinance that can help reduce global poverty are included in this strategy and are intended to increase access to financial services. A leading asset manager in impact investing is BlueOrchard, which manages one of the first commercial funds in this area. This fund's investments provide an opportunity for microfinance institutions to lend money to people mainly in developing countries. Our evaluation process found that they are thorough in managing their funds, where customers have good potential for returns with a sound risk-return balance. Through BlueOrchard's fund, Handelsbanken has invested significant amounts in microfinance during the past few years.
- Handelsbanken Fonder continuously tracks its investments and engages with companies regarding decent working conditions. The fund management company received signals that workers' rights were not being respected in a company where we have holdings. We initiated a dialogue with the company, which responded to the accusations regarding one of the countries where it operates. After this dialogue, we adhere to our analysis that the company works in a structured and serious way, showing great respect for workers' rights in line with target 8.8, Protect labour rights and promote safe work environments.
- In Norway, a representative from Handelsbanken participates in the sustainability committee of Finance Norway, the Norwegian Banking Association. This committee aims to promote the Banking Association's objective to contribute to the 2030 Agenda and produce a roadmap for green competitiveness in the financial sector.
- Local branches participate in various initiatives to promote development towards more sustainable economic growth. For example, Handelsbanken Herlev in Denmark is a member of the municipality's green strategy and transition committee.
- The Bank considers it paramount to promote a secure and safe work environment for all employees. During the year, we have launched a video called 'Brain balance' in the Group, showing how together we can create better conditions for well-being and a good, inclusive work environment.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Handelsbanken's emerging market funds have holdings in financial institutions that promote access to financial services for small and medium-sized companies. This contributes to target 9.3, Increase access to financial services and markets, in particular in developing countries.
- Handelsbanken funds a professorial chair in accounting at the Stockholm School of Economics and provides financial support to the Swedish House of Finance (SHoF), a national research centre, the purpose of which is to boost financial research in Sweden and promote a dialogue between the private and public sectors.
- In Finland, Handelsbanken offers online advisory services which together with digital signing of agreements make advisory services and financial services more accessible for our customers.

11 SUSTAINABLE CITIES AND COMMUNITIES

- Handelsbanken has financed several green loans for multi-family dwellings which promotes target 11.3, Inclusive and sustainable urbanisation.
- Handelsbanken has launched green mortgage loans for private individuals in Sweden. We hope to raise the level of interest in living in environmentally certified housing, and to contribute to more properties improving their energy efficiency over time. In this way, we contribute to target 11.6, Reduce the environmental impact of cities.
- Handelsbanken has acted as advisor in drawing up terms and frameworks for sustainable bonds which, in addition to environmental and energy aspects, include social sustainability.
- The Handelsbanken Tillväxtmarknad Tema fund (Emerging Markets Theme) has investments in companies that work to increase access to affordable housing, thus contributing to target 11.1, Safe and affordable housing.

13 CLIMATE ACTION

- Handelsbanken has granted its first green loan for sustainable forest management and its first green loan for renovating old buildings.
- We have further developed green loan products to companies that produce renewable energy such as wind and solar power.
- By excluding investments in companies involved in fossil fuels, Xact Kapitalförvaltning and Handelsbanken Fonder have reduced our negative climate impact. By investing in companies that are moving away from fossil-based to renewable energy production, our actively managed funds have also contributed to target 13.1, Strengthen resilience and adaptive capacity to climate-related disasters.
- In 2019, Handelsbanken Liv increased the proportion of funds that exclude fossil fuels from 38 to 86 per cent, thus reducing our negative climate impact.
- One of the principal ways of influencing companies is by means of corporate governance. At shareholders' meetings, Xact Kapitalförvaltning has voted in favour of a number of shareholder proposals calling on companies to adopt quantitative emission targets, thus contributing to target 13.2, Integrate climate change measures into policies and planning.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Handelsbanken contributes to the wider community by paying taxes and government fees. This also benefits the work for target 16.6, Develop effective, accountable and transparent institutions. Handelsbanken's total taxes and government fees are estimated at almost SEK 12 billion for 2019.
- Knowledge is important if we are to be able to combat corruption and bribery. 96 per cent of the Bank's employees and managers have completed the annual mandatory training programme on combating money laundering, corruption and terrorist financing. This promotes target 16.5, Substantially reduce corruption and bribery and target 16.4, Combat organised crime and illicit financial and arms flows.
- During the year, there were media reports on how various banks are suspected of having been used for money laundering. As a result of this, Handelsbanken Fonder contacted a number of banks enquiring about their procedures and management of money-laundering questions. This is a material sustainability topic for the banking sector, which will need to continue investing large resources to prevent this type of crime in order to contribute to target 16.4, Combat organised crime and illicit financial and arms flows.

The 17 Sustainable Development Goals and the 169 related targets represent the agenda for achieving a sustainable future by 2030. Handelsbanken can contribute to all 17 in the long term, but our operations have the greatest impact on the six goals that are marked.

Our concept and working methods

Our goal is to have better profitability than the average of peer competitors in our home markets through lower costs and more satisfied customers. Our long-term approach and local presence make sustainability a natural part of our core values. As a result, we are a bank that contributes to sustainable development.

A long-term approach

Long-term business relations, low risk-taking and cost-awareness are fundamental to successful banking operations run in a responsible, sustainable manner that earns customer trust.

Our goal is to have better profitability than the average of peer competitors in our home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

Decentralised working method

Our idea of how we should run our bank is based on trust and respect for individuals. This is why we are decentralised. This approach leads to better, quicker decisions close to the customer and encourages commitment and opportunities for our employees to make an impact and do an even better job.

Organic growth

For Handelsbanken to maintain high profitability in the long term, growth is necessary. Handelsbanken is growing mainly because our branches are doing more business – with new customers and with all the customers with whom we have had a relationship for years. We also grow by opening new branches in locations where the Bank has not previously had operations. This organic model enables Handelsbanken to achieve growth coupled with low risk and good cost control.

Low risk tolerance

Handelsbanken's strict approach to risk means that it deliberately avoids high-risk transactions, even if the remuneration is high at the time. This low risk tolerance applies to all areas of the Group and is maintained through a strong risk culture that is sustainable in the long term.

Satisfied customers

Practically all important business decisions are made close to our customers. This contributes to better decisions and more satisfied customers. Our customers meet the person who will make the decision, not a messenger. And that provides a sound basis for successful customer meetings – at branches and our other meeting places.

Availability, simplicity and care

It must be simple to be a customer of Handelsbanken. Our meeting places must be useful and based on our customers' requirements, regardless of whether the meeting is local at a branch or in a digital channel. That is why we are constantly working to develop and improve our availability and our digital meeting places.

Meetings with customers not only entail finding a simple way to solve their everyday banking needs. We must also provide service that embodies care and focuses on the customer's needs.

The branch is the Bank

At Handelsbanken, the local branch always has customer responsibility, regardless of how, where or when the customer contacts the Bank.

The business is led by a manager who is responsible for all operations in their branch's local area of operations. The branches' independence enables them to have a very strong local presence, leading to long-term customer relationships. Short decision paths make it possible to adapt more quickly to changes in local markets and make the most of new business opportunities.

We believe Handelsbanken is improving its digital offering thanks to the local presence the Bank has through its nationwide branch network. Our branches' excellent knowledge of their customers enables us to identify and prioritise areas that contribute the most value to our customers, and therefore to us.

Strong faith in employees

In Handelsbanken's decentralised way of working, our staff have great responsibility and authority to make decisions in all kinds of matters that concern our customers. This high degree of trust is based on a belief in people's willingness and ability to continuously hone their professional skills and to seek out and overcome new challenges.

Our best advice

We always give the customer our best advice, without looking at what is the most profitable product for Handelsbanken in the short term.

Profitability before volume

Employees who meet customers are paid no variable remuneration – neither in the form of bonuses nor commissions – and thus have no financial incentive to convince the customer that a particular service or product suits them best. Nor does the Bank have requirements regarding volumes, budgets or centrally determined sales targets. Instead, the Bank measures its success in terms of customer satisfaction, cost-effectiveness and profitability.

Focus on **essentials**

Materiality analysis

Handelsbanken aims to be a sustainable bank with a strong local presence. To achieve this, we must listen closely to stakeholders' expectations and opinions on our sustainability work. This is why we actively engage in systematic dialogue with our stakeholders, to make sure we are getting our priorities right. A comprehensive materiality analysis was carried out in 2018. It was based on a detailed dialogue with our main stakeholder groups, consisting of qualitative in-depth interviews and quantitative targeted surveys. The purpose of our materiality analysis is to define the areas where we have major opportunities to contribute to more sustainable development. This materiality analysis is also deemed to be of relevance for 2019. The detailed dialogue with our stakeholders also showed that they consider that we should prioritise the sustainability topics that are closely related to our business: responsible financing and responsible investment.

Following on from the stakeholder dialogue, we have decided to group our material sustainability topics into seven areas:

- the Bank and its customers
- the Bank's role in the community
- responsible financing
- responsible investment
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

	The Bank and its customers	The Bank's role in the community	Responsible financing
Material topics	**– High availability** **– Responsible lending** **– Responsible advisory services** **– Integrity and confidentiality** Read more on page 12.	**– Local presence and community engagement** **– Financial sustainability** **– The Bank's social responsibility** **– The Bank as a taxpayer** **– Inform and educate** **– Minimise environmental and climate impact** Read more on page 16.	**– Responsible lending** **– Responsible financing** **– Sustainable products** Read more on page 26.
Why is this material to Handelsbanken?	For Handelsbanken, the starting point is always our individual customers' needs. We must meet and preferably exceed expectations on quality, availability and service, at the local branch and in our digital services. We must consider the customer's financial circumstances when granting credit and advise customers based on their individual needs, without looking at what is the most profitable product for the Bank in the short term. We must also take responsibility for protecting customers' banking business, such as from unauthorised access, through rigorous IT security. That is how we earn trust and a high degree of customer satisfaction.	The Bank has a strong presence in the local community, with nationwide branch networks in the Bank's six home markets. We aim to contribute to the local community in the countries where we operate, such as by employing people and paying taxes and government fees. Handelsbanken is, and will continue to be, a financially stable bank. We aim to be a source of information about economics, markets and finance. When we inform and educate, we provide our customers with the best tools to make sound economic decisions. The Bank's goal is to minimise our impact on the environment and climate.	Handelsbanken's lending must be responsible and meet high standards for sound ethical standards. We support international initiatives and guidelines that aim to encourage and facilitate corporate sustainability. In granting credit, we must evaluate and assess the customer's approach to these principles and guidelines. Climate change alters the conditions for everything from energy production, transport to consumption. Together with our customers, Handelsbanken aims to do its part in the transition to a greenhouse-gas-neutral economy, in line with the Paris Agreement.
Outcome 2019 For key figures, see pages 57–58.	– Handelsbanken's private and corporate customers are more satisfied than the sector average in all six home markets. – Our digital services earn high rankings in independent surveys. – For many years, Handelsbanken has had much lower credit losses than its peers in the banking sector. Credit losses corresponded to 0.04 per cent (0.04) of lending.	– We have 758 local branches. – We have broadcast more than 540,000 hours of financial news from our news channel EFN. A SKI survey showed that viewers consider that EFN acts in a responsible and socially acceptable way. – Stable finances: at year-end, the Bank had a common equity tier 1 ratio of 18.5 per cent, thus exceeding the capital requirements set by the Swedish Financial Supervisory Authority, which the Bank assessed to be 15.8 per cent at the same date. – Handelsbanken's total taxes and government fees were almost SEK 12 billion in 2019. The Bank is one of the largest payers of corporate tax in Sweden. – Total carbon dioxide emissions in the Bank's six home markets decreased by 5.0 per cent.	– Handelsbanken arranged green bonds for SEK 16.3 billion in 2019. – We have developed technical criteria for green loan products for sustainable forest management and existing and refurbished buildings. – At year-end, Handelsbanken had SEK 7.4 billion in outstanding green loans to customers.
Sustainability risk Read more on page 56.	– Information security and IT security.	– Climate. – Environment. – Financial crime.	– Human rights, social conditions and working conditions. – Climate. – Environment.
Relevant SDGs			

	Responsible investment	The Bank as an employer	The Bank's business culture	The Bank as an investment
Material topics	**– Responsible investment** **– Sustainable products** Read more on page 29.	**– Responsible employer** **– Work environment, working conditions and union rights** **– Employee commitment** **– Leadership and development** **– Gender equality and diversity** Read more on page 36.	**– Prevent financial crime** **– Salaries and remuneration** **– Responsible purchasing** **– Openness and transparency** Read more on page 40.	**– Create shareholder value** Read more on page 44.
Why is this material to Handelsbanken?	Handelsbanken bears a substantial responsibility in its assignment to manage customers' savings. We aim to generate a healthy return on savings capital while striving to contribute to a sustainable future. That is why Handelsbanken works to promote – in its asset and pension management – financially, environmentally and socially sustainable development in the companies in which the Bank invests on behalf of customers. Climate change is one of the biggest challenges to economic and human development. As an investor, Handelsbanken has a key role to play in redirecting capital towards investments with a smaller carbon footprint.	Handelsbanken's values and strong corporate culture are vital to our success. Our concept of how to run a successful bank is based on trust and respect for the individual – both customers and employees.	Handelsbanken's success depends on the trust of our customers and society at large. This confidence is based on us acting according to high ethical standards and taking responsibility for long-term sustainable development. We aim to work proactively to prevent all criminal activity such as money laundering, terrorist financing, corruption and other financial crime. The Bank's employees must never be involved in activities that could involve bribery or corruption. No performance- or volume-based bonuses or other forms of variable remuneration are paid to our executive officers or to any other employee who decides on credits or limits.	Sustainable long-term growth and shareholder value can only be achieved if the Bank simultaneously creates long-term value for its customers and society as a whole. Handelsbanken's profitability goal is partly intended to offer shareholders long-term, high growth in value, expressed in increasing earnings per share over a business cycle. Climate change is one of the biggest challenges facing our modern world. Handelsbanken wants to promote the transition to climate-stable, sustainable economies with low carbon dioxide emissions.
Outcome 2019 For key figures, see pages 57–58.	– 90 per cent of Handelsbanken's fund volume is managed with enhanced sustainability criteria. This corresponds to SEK 576 billion, an increase of 46 percentage points. – Launch of Handelsbanken Hållbar Global Obligation (Sustainable Global Bond) fund. The fund selects bonds specially issued to fund improvements to the environment, climate and poverty. – Our XACT Norden (Nordic) (UCITS ETF) and Handelsbanken Hållbar Global Obligation (Sustainable Global Bond) funds became Nordic Swan Ecolabelled. – Xact Kapitalförvaltning has contributed to developing a new global sustainable index series called Solactive ISS ESG Screened Series. – Handelsbanken Fonder appointed women to 65 per cent of the nomination committees that the fund management company participated in. – Our fixed income funds invested SEK 22.2 billion in green, sustainable and social bonds.	– External staff turnover was 5.0 per cent in the Group. – The total sickness absence rate for employees in the Bank's six home markets was 2.7 per cent. – The proportion of managers in the Group who are women was 40 per cent at year-end. – In our Group-wide work environment survey, 96 per cent of participants responded that they feel respected for who they are.	– The Bank has continued to intensify its work on financial crime prevention, particularly in the UK. In 2019, the cost for work to prevent financial crime totalled SEK 1.2 billion. – The Bank continued to implement a code of conduct for major suppliers in all home markets. In Sweden, we also began to demand that suppliers sign our code of conduct regardless of purchase volume. – The principle of having only a fixed salary applies to 98 per cent of the Group's employees and is applied without exception to executive officers, all staff who decide on the Bank's granting of credits, and employees in the Bank's control functions.	– The Bank has paid a dividend to its shareholders every year for more than 25 years. – Handelsbanken is included in several sustainability indexes. – The Bank was included in the Sustainability Yearbook 2020 as a 'Sustainability Yearbook Member'. – In the Sustainable Companies ranking by the Lund University School of Economics and Management, Dagens Industri and Aktuell Hållbarhet, Handelsbanken was ranked as the most sustainable listed company in the bank and financial sector in Sweden.
Sustainability risk Read more on page 56.	– Human rights, social conditions and working conditions. – Climate. – Environment.	– Human rights, social conditions and working conditions.	– Financial crime.	
Relevant SDGs				

The Bank and **its customers**

Handelsbanken attaches great importance to being available for our customers – being there whenever they need us. Our customers appreciate the fact that we are local, we know them and the local market, and we make our business decisions there, locally together with the customer.

Relevant SDGs

Meeting our customers and creating the best circumstances possible for them through our business decisions generates many benefits for society as a whole. This contributes to the decent conditions for private enterprise and entrepreneurship in goal 8 and promotes economic growth and development in goal 9. Our work to enable our customers to meet the Bank via digital channels indirectly supports goals 13 and 8, target 8.10, to promote and expand access to bank and insurance services and financial services for everyone.

The customer in focus

Handelsbanken's branches are where our customers are: where they live and work. We want as many business decisions as possible to be taken locally, close to the customer. This enables us to start with the customer's needs and makes it possible to adapt to local conditions and to react quickly to shifts in the market. When providing advice in conjunction with granting credit, recommending investments or mediating insurance, the Bank always considers the customer's entire situation and overall financial circumstances. This knowledge enables us to guide customers based on their individual requirements in terms of financing, payments or investments. We always focus on the customer's needs and interests – not individual products or services.

At Handelsbanken, we do not pay performance- or volume-based bonuses or other forms of variable remuneration to the Bank's management or to any other employee who decides on credits or limits. The principle of fixed salaries applies to more than 98 per cent of Group employees. Nor do we have volume or market share goals.

"Sustainability is a natural, integral part of our advisory services. Customers react very positively when I tell them how the Bank invests their capital in a responsible way. It is important for customers to know that the Bank takes its responsibility and by virtue of our size and strength, we challenge old truths and make demands on other suppliers."

Viktor Ljung, Investment Advisor, Skellefteå.

Sustainability in advisory meetings

In 2019, customers' sustainability preferences became a mandatory component of investment advice. Customers who consider sustainability to be important, can state which areas within environmental, social or corporate governance topics they consider to be most important, in which case they will be given more information about how Handelsbanken's asset management works in the selected areas.

Personal and digital

In pace with Handelsbanken's increased digitalisation, as before, we care about human relationships on a personal and local level. The world is going digital, but this does not lessen the need for personal service and good advice – quite the opposite, in fact. Local presence combined with digital solutions enables us to always offer personal customer meetings with advisory services – whether the customer prefers to meet us at the local branch or through digital channels. Our customers can also meet specialists in remote meetings.

On the customer's terms

Most of our bank branches in Sweden are accessible to customers with reduced mobility. Thanks to our nationwide branch network, our customers can visit branches adapted to meet their needs.

In our digital meeting places, good service means that the Bank strives to provide all customers – even those with a physical disability or language difficulty, for example – with the same opportunities to access information and services. The available information is easy to read, hear, see and understand whether provided in print, by telephone, online or in videos or meetings. Availability is a cornerstone in all our development work. Our efforts are based on internationally recognised standards, as well as our own guidelines. Our membership in the International Association of

This is how we are organised

Handelsbanken's way of working is best depicted by an arrow where all operations focus on the customer. The branches are closest to the customer and are responsible for the Bank's customers in their local market. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. For our customer offering to be of the highest quality, we have a number of joint business areas for the Group where product owners design and develop our products and solutions. The central head office also has Group head office functions with overarching responsibilities for various functions at the Bank.

Accessibility Professionals (IAAP) enables us to expand our knowledge and create even better conditions for everyone who visits our digital meeting places. We also see that this membership provides opportunities to share our own experience with work for increased accessibility.

CUSTOMER SATISFACTION

Handelsbanken wants to build a trusting, long-term relationship with every customer.

All important business decisions should be made as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers. In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. If we have the trust of our customers, Handelsbanken becomes their natural choice.

Satisfied customers in all our home markets

Handelsbanken considers customer satisfaction very important and follows up customer satisfaction through its own surveys, as well as public ones. Every year, EPSI Rating, which includes the SKI Swedish Quality Index, carries out independent surveys of customer satisfaction in the Nordic region and the rest of Europe. This year's surveys show that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all six of the Bank's home markets.

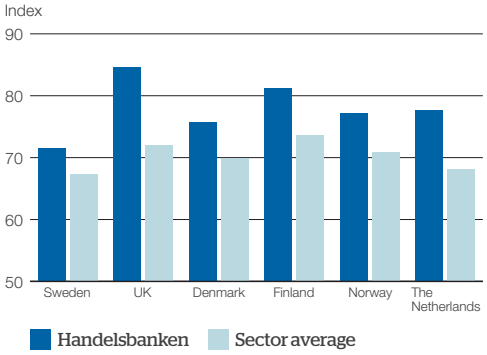
"Most bank customers still look for personal contact with real people. This is why I believe customers so obviously appreciate Handelsbanken's idea of combining digital services with local, personal relations."

SKI (Swedish Quality Index) 2019.

In a digitalised world, the ability to achieve a feeling of familiarity is increasingly important, and human relationships play a critical role in customer satisfaction at Handelsbanken. Surveys show that the Bank's digital services continue to be highly rated and that our customers feel they have a personal contact with the Bank.

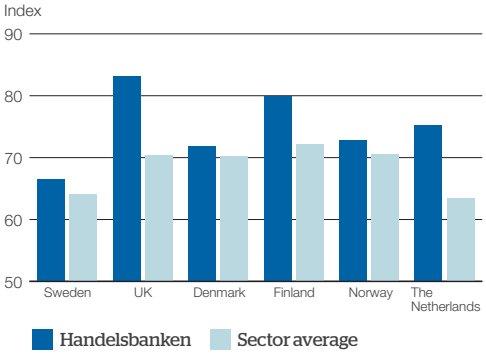
This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all six of the Bank's home markets.

Customer satisfaction, private customers 2019



Source: SKI/EPSI 2019.

Customer satisfaction, corporate customers 2019



Source: SKI/EPSI 2019.

Kantar Sifo Prospera's Private Banking Nordics survey for 2019 also ranks Handelsbanken as number one. This is due to Handelsbanken offering advanced advisory services, asset management and service based on each customer's unique requirements.

Having loyal customers is just as important as having satisfied customers. In EPSI Rating's surveys, loyalty is a key outcome associated with customer satisfaction. There is a link between customer satisfaction and loyalty. Loyalty reflects whether customers intend to remain with their bank, how they talk about their bank and whether they would recommend their bank to other people.

In addition to the fact that Handelsbanken's customers are highly satisfied, the results for 2019 also show that they are very loyal. One result of this is that customers are less dissatisfied and less likely to change banks. In all home markets, loyalty to the Bank is considerably stronger than the average for the sector. This is also true in markets where Handelsbanken is seen as a major player, which is unique according to the surveys.

Good reputation

According to the Kantar Sifo Reputation Index for 2019, based on public opinion about the most reputable companies in Sweden, Handelsbanken surpassed its peer banks. The Bank's score of 54 is significantly better than the sector average.

The survey shows that Handelsbanken is regarded as a company that offers relevant products and services, has a long-term approach in how it thinks and acts, and is seen as a good workplace. These are important factors influencing the Bank's reputation in a sustainability context. Handelsbanken receives higher marks than its competitors in these areas.

Managing customer complaints

For Handelsbanken, it is important that customers who lodge complaints are satisfied with how their complaints are managed. We attach great importance to handling comments and complaints in a manner that inspires trust. The Bank takes this very seriously, and we have well-established procedures for handling such matters. The results from the EPSI and SKI surveys show that the proportion of complaints at Handelsbanken, for all home markets combined, is below the average for the sector.

Looking forward

In 2020, we will make it possible for customers in Sweden to receive advice in online meetings. Here the customer will be able to link up from home, making it easier for people who can't or don't want to go to a branch to receive advice. There is also a sustainability aspect, where less travel reduces our environmental impact.

In 2020, customers will also be able to authorise transactions digitally after an advisory session. This means that the customer can authorise transactions and agreements in the internet bank or the app after the advisory session is completed. The same technology will also be used at our branches to reduce paper use.

Information security and IT security

It is vital that our customers have confidence in the Bank's digital services. We must ensure that the availability and security of these services are constantly adapted to meet current threats and risks, while maintaining a high degree of customer satisfaction. Customer confidence in our digital services is also dependent on the Bank acting responsibly in its processing of personal data.

In its operations, a bank continuously processes sensitive information about customers and customer relationships. Handelsbanken's work with information and IT security focuses on availability, accuracy, confidentiality and traceability. Information and business systems must be available based on the business requirements of the operations. All information must also be reliable, correct and complete. It should never be disclosed to unauthorised persons and may only be used to the extent required by the assignment. It must also be possible to determine afterwards who has read or changed the information, both in terms of when it was changed and which changes were made.

The financial industry is a critical part of society's infrastructure. As financial players speed up their digitalisation of services, one focus area is to ensure that we are highly resilient so that we minimise the impact of malicious attacks.

Structured development is under way in the Bank to increase the level of awareness among employees and customers concerning the threats and risks in information security, through presentations, training programmes and information initiatives.

Processing of personal data

Handelsbanken considers the individual's right to protection of their personal integrity and privacy to be vital. We therefore work continuously to ensure that:

- there are protection measures when processing personal data
- our collection of personal data is limited to what is needed for the services we offer
- we do not disclose information without correct consent
- only authorised staff at Handelsbanken are allowed access to personal data when required for their work or the transaction.

The Bank's role in the community

Stable finances and a local presence make Handelsbanken a responsible institution in society. We contribute to economic development in the community by focusing on our customers' needs and ensuring that as few customers as possible have payment difficulties.

Relevant SDGs

We are convinced that a smoothly functioning bank in the local community generates many positive effects, promotes inclusive, long-term sustainable economic growth, and is part of a smoothly functioning and sustainable infrastructure. This relates to goals 8 and 9. Handelsbanken is, and will continue to be, a financially stable bank. When we pay taxes and fees and employ staff in the countries where we conduct operations, we are contributing to goal 16, which encourages the building of accountable institutions at all levels. Handelsbanken works continuously to reduce its direct environmental impact, thus contributing to goal 13.

Handelsbanken in the local community

The Bank's decentralised working methods mean that we have a strong local presence. It is important that we contribute in various ways to the local communities where we operate.

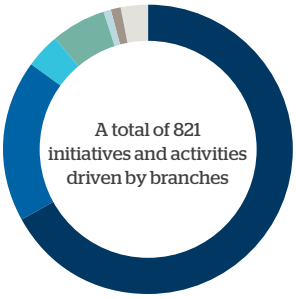
Concrete examples of our sustainability efforts are branches' involvement in various initiatives and activities carried out by local associations and charities. This is often about contributing our financial knowledge in school and university courses. For example, our employees in the Netherlands and Denmark participate in Global Money Week with the aim of creating commitment and interaction with students. This is a good way to get students to look at their personal finances and to translate theory into practice. The branches also help young business owners, offer to act as mentors and support various sports clubs and associations. Handelsbanken works with integration projects. For example, in Gothenburg, we collaborate with an organisation called 'Mitt Liv' (My Life) to offer internships for recently arrived immigrants as part of the mentor programme called 'Mitt Livs Chans' (Chance of My Life).

Funding economic research and education

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse. Together, these foundations are one of the most important sources of funding for economic research in Sweden.

In collaboration with Copenhagen Business School (CBS), Handelsbanken Denmark is part of a research project called 'Nordic Finance and the Good Society'. The aim is to issue a number of publications on the subject of sustainability and green economy, contribute to a research-based debate and provide guidance for future legislation.

Many branches get involved in local activities and other initiatives



Sponsorship and voluntary activities	67%
Sports and culture	18%
Local business community	4%
Children and schools	6%
Gender equality, diversity and integration	1%
Research, universities and colleges	1%
Other	3%

"By teaching children to manage money at an early age, the foundation is laid for good financial knowledge as an adult. This engagement fits in well with the long-term sustainable commitment we have to society."

Diana van Gelder, Handelsbanken the Netherlands.

Reducing our environmental and climate impact

Handelsbanken's goal is to minimise our own climate impact by constantly developing our environmental activities. We endeavour to achieve this through measures such as a high level of resource efficiency, efficient use of energy in our buildings, recycling and taking environmental impact into account in purchasing and travel. The Bank's own CO_2 emissions are to be reduced over time, in line with the Paris Agreement. Since 2013, the Bank's annual CO_2 emissions have decreased by more than 7,000 tonnes. As part of the Bank's efforts for the environment, we purchase carbon offsets for the CO_2 emissions that our operations generate.

For more information on the Bank's work on its environmental impact through lending and investment, see Responsible financing on pages 26–28 and Responsible investment on pages 29–35.

Corporate social responsibility

Handelsbanken works to prevent or limit negative impact on human rights and working conditions in our own operations, in our business relations with suppliers, and when investing customers' funds and lending to companies.

A bank can make a big difference through social responsibility. Financial crises through history have shown that if a bank does not act responsibly, not only the bank's shareholders, but also customers, employees and taxpayers can be adversely affected.

"A large part of Childhood's work with preventing violence against and sexual abuse of children is financed by companies such as Handelsbanken. Thanks to the support of the business community, we can help the children who are most in need, regardless of whether they live in Sweden, South Africa or Cambodia."

Paula Guillet de Monthoux, Secretary General of the World Childhood Foundation.

Low credit losses

Aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the customer hardest. At Handelsbanken, we have a low tolerance of risk. The Bank's strict approach to risk means that we deliberately refrain from entering into high-risk transactions, even if the customer is willing to pay a high interest rate. This low risk tolerance applies to all areas of the Group and is made possible by means of a strong risk culture that is sustainable in the long term. The credit loss ratio shows how responsibly a bank runs its operations.

For many years, Handelsbanken has had much lower credit losses than peer banks. Handelsbanken's average credit loss ratio was 0.09 per cent for 2008–2019, as compared to the average of the five other major banks in the Nordic region: 0.24 per cent.

Together, banks must maintain an efficient, functioning payment system, as well as manage risk. The payment systems that Handelsbanken and other banks have developed together are technically advanced and are characterised by a high degree of efficiency and security. As customers increasingly use card and mobile payments, the Bank's direct impact on the environment and climate is also reduced. Handelsbanken also sees a growing need for new forms of services and offerings related to digital payment solutions and contributes to this development, often in collaboration with others.

The financial sector's role in a sustainable economy

In 2019, the European Commission continued its work with an action plan for financing sustainable growth. It is clear that sustainability is, and will continue to be, one of the EU's main focus areas. The financial sector will play a key role in the transition to a sustainable economy, which the EU wishes to facilitate by steering capital flows to sustainable investments, increasing awareness of sustainability risks when assessing credits, and promoting openness and transparency. Handelsbanken welcomes the Commission's work and is monitoring developments in order to be well prepared to manage the requirements that will be implemented.

Collaboration and commitment to support children's rights

For many years, Handelsbanken has participated in various collaborations to promote the rights of children, a commitment that reflects the Bank's principles and the importance of this issue. This is also in line with our work with the Sustainable Development Goals. Goal 16, Peace, justice and strong institutions, includes a target about protecting children and eliminating all forms of violence against children.

The collaboration with the World Childhood Foundation, a foundation which works against violence and sexual abuse of children, started in 2010. Childhood was founded 20 years ago, which we have drawn attention to through communications to our employees and at local and regional customer events.

It is also important that we are aware how our products and services can be misused in this area. We wish to prevent and obstruct this so that we combat crime and exploitation of children. We therefore collaborate with ECPAT as part of our work with social sustainability. This enables us to take responsibility in an area where we can have an influence in our daily operations.

We also consider it important to have discussions and participate in exchange of information about children's rights. For this reason, since 2013, Handelsbanken has taken part in Global Child Forum, a non-profit foundation. The Forum brings together leaders from business, government, academia and civil society to collaborate on this same theme.

CHILDHOOD
WORLD CHILDHOOD FOUNDATION
FOUNDED BY H.M. QUEEN SILVIA OF SWEDEN

ecpat

GLOBAL CHILD FORUM

TV channel EFN shares financial knowledge

At Handelsbanken, we work to create the best possible conditions for our customers to make better financial decisions. We know that customers who understand and are aware of their financial situation are more satisfied customers. This is why we want to be a source of information for matters great and small. We give personal advice at our branches, answer questions through social media, and via EFN we offer daily updates and a broader perspective on financial and social issues.

EFN.se is an independent source of journalism that, since 2013, has been broadcasting programmes in three areas: financial news, personal finance and financial markets. EFN AB is a subsidiary of Handelsbanken.

EFN is where our customers are

Since 2017, EFN has covered the Swedish economy nationwide through its local editorial teams in Umeå, Gävle, Stockholm, Gothenburg and Malmö. Its goal is to cover the entire Swedish economy and business community. Monitoring and being a part of the local economy and business community comes naturally to Handelsbanken. Through this initiative, Handelsbanken can generate interest and engagement in the local community and can help boost awareness of local economic issues.

EFN for schools

In 2019, the economy channel, EFN, launched a new collection of information for schools on its website (Skolornas EFN). It contains instructive broadcasts that can be used free of charge in their teaching, ranging from how to draw up a budget to how the global economy functions.

EFN engages and activates

In 2019, EFN saw increased interest from the public, with 26 per cent more unique visitors than in 2018. In 2019, EFN boosted its coverage of sustainability with new programmes and content about local, sustainable enterprise. At the end of 2019, they started collaborating with media tech company Newstag which links global news stories with the Sustainable Development Goals. Newstag allocates five per cent of its turnover to charitable purposes, and viewers decide how the money will be distributed to a network of non-profit organisations.

EFN 2019 Bäst Radio & Television financialhearings.com

5 GENDER EQUALITY

Engagement in the local community

Rhea Feminina is a network for women started by staff at our Uppsala City branch. The intention is to boost women's financial confidence through network meetings and social media.

The network was started in spring 2018, when some colleagues were discussing the Facebook groups created by women in order to teach each other more about personal finances and family law.

"Although we have a lot of knowledge and experience of these subjects, we saw that the Bank's voice was lacking in the groups," says business advisor, Elin Fornbrandt, initiator and project manager of the network.

Rhea Feminina arranges two large events each year where around 70 women, both existing and potential customers, meet at the branch to listen to external and internal speakers.

"We want women to feel that they have control of and an understanding for their own finances, and also to inspire them to take control of their lives and careers. Although many women have a higher level of education, we often see that they are overshadowed by men," says Elin.

Smaller events were also arranged during the year, focusing on a specific area such as savings or family law, where the participants are given concrete tips or can ask questions. These are held by advisors or speakers from within the Bank, and are intended to build trust and relationships.

Contact with members of the network is via social media such as Facebook, LinkedIn and Handelsbanken's website. Elin and her colleagues survey how satisfied participants are with the meetings, while also learning more about the Bank's customers and their needs.

"I hope that Rhea Feminina will become a concept that acts as inspiration for all the Bank's branches," says Elin.

Elin Fornbrandt,
Business Advisor, Uppsala City

* Rhea is the name of a Greek goddess and is the symbol on Stadshypotek's logo. Stadshypotek is a wholly-owned subsidiary of Handelsbanken and one of Sweden's leading mortgage institutions.

Looking forward

In 2019, Handelsbanken signed the UN Principles for Responsible Banking (PRB), where we undertake that the Paris Agreement, the Sustainable Development Goals and national guidelines for sustainability will be reflected in our governance and business strategy. Together with our stakeholders, we will identify areas where we have major impact and will set public goals for the Bank's operations within the framework of the PRB.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Involvement in the global community

Handelsbanken Finland collaborates with the Women's Bank, a Finnish network of volunteers which supports women's entrepreneurship in developing countries, and gives women the chance to become financially independent. Providing opportunities for women means providing opportunities for families, villages and an entire people.

"We are happy to be able to contribute to the Women's Bank's operations in these countries. Having access to microloans enables the women to start their own small businesses, which makes them more financially independent," says Outi Parviainen of the Keski-Uusimaa branch. Among other things, the branch organised an investor meeting where representatives from the Women's Bank were invited to speak.

The collaboration was initiated in 2016 and is part of Handelsbanken's sustainability efforts – to be proactive in our social responsibility and to contribute to sustainable development. Branches throughout the country help to raise funds at various events.

One of the better known events held by the network is called 'Walk a Profession for a Woman'. This walking and exercise event takes place in several locations in Finland and other European countries. The application fee supports women's education and independent entrepreneurship. By improving the livelihood of women, the prosperity of the whole family will improve including their diet, living conditions and their children's education.

The funds raised are managed by Finn Church Aid (FCA), and are used for developing women's entrepreneurship, and for professional training and business education in Asia and Africa.

"The collaboration with the Women's Bank is one way we are able to help women in developing countries. By being visible and proactive in this collaboration, we aim to increase awareness of Handelsbanken's sustainability efforts," says Outi.

"Since it was initiated in 2007, the Women's Bank's network of volunteers has raised close to EUR 16 million to aid women in developing countries".

Source: The Women's Bank.

Outi Parviainen, Deputy Branch Manager, Keski-Uusimaa

Economic value creation

– our value chain

THE FOUNDATION OF A BANK'S OPERATIONS

The raw material in a bank is money. The money comes from the capital that initially consists of the share capital that the owners pay in when a bank is founded, but also from profits generated over time and other funding. The funding consists of deposits and borrowing from the public and money that the bank borrows in the capital markets. In the same way as a manufacturer's process for its raw materials is relevant from a sustainability perspective, important factors to consider for a bank include how that bank manages its capital and how it works with funding.

Capital

One condition for customers depositing their money with Handelsbanken is that they have confidence in us. If a bank wants to meet customers' future loan requirements and be able to do more business, it must have sufficient capital for its current business volume and enough capital to continue to grow. Handelsbanken's capital planning aims to ensure that the Group has the right amount of financial resources available at all times and that the capital is of optimal composition. The Bank's capital goal is that its common equity tier 1 ratio should, under normal circumstances, exceed the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority by 1–3 percentage points. The purpose of the public authorities' established capital requirements is to ensure that banks are sufficiently resistant to the risks arising in their operations, and also to protect customers' assets and interests. At year-end, Handelsbanken's common equity tier 1 capital requirement was 18.5 per cent. The Bank estimates that the Swedish Financial Supervisory Authority's expected common equity tier 1 capital requirement at that time was 15.8 per cent.

From the customer's viewpoint, it is particularly important that the bank has resources available in times of financial turbulence. If a bank makes substantial losses, its shareholders may have to contribute more share capital through a new share issue, which may be difficult in such circumstances. A bank that does not meet its customers' expectations risks an outflow of deposits when the crisis is at its peak. If the outflow is large, the bank's survival could be jeopardised. Outflows of savings that customers have invested in mutual funds, insurance and other types of saving not used for the operations' own funding are not as grave. Nevertheless, they can significantly harm the bank's earnings capacity, perhaps leading to problems.

Long-term, stable financing

For a large part of deposits, customers can withdraw money from their account at any time. But much bank lending has a long maturity – mortgage loans, for example. Funding long-term lending with short-term deposits creates liquidity risks which may cause serious problems in the financial system. So it is not prudent to fund all lending with deposits. Handelsbanken's approach to funding is based on a well-structured balance sheet in which long-term loans to the Bank's customers are financed with stable funding. For this reason, mortgage loans are financed by covered bonds of long maturity issued by Handelsbanken's wholly owned mortgage institution, Stadshypotek. By always maintaining a balance sheet structured to safeguard our commitments to customers and investors,

Rating at 31 December 2019	Long-term	Short-term	Counter-party risk assessment
Standard & Poor's	AA-	A-1+	AA-
Fitch	AA	F1+	
Moody's	Aa2	P-1	Aa1
DBRS	AA (low)		

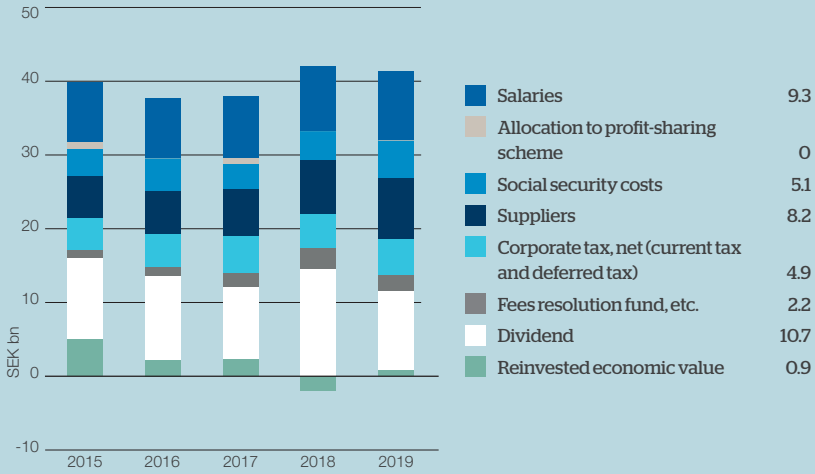
Handelsbanken acts responsibly in its role as a major player in the financial system. It is vital that banks have a solid long-term funding strategy so they avoid running short of liquidity, a situation in which they might not be able to fulfil their undertakings to customers with money on deposit and to other providers of funding.

VITAL THAT A BANK MAKES A PROFIT

It is vital that a bank makes a profit. Not only does the profit generate tax revenue for the community and a return for shareholders, but a large proportion of the profit is reinvested in the operations. This means the bank can grow and meet customers' future needs, such as for loans.

Since 1973, in every year but four, Handelsbanken has allocated part of the Bank's profits to the employee-owned profit-sharing foundation, Oktogonen. An allocation is made following the Board's overall assessment of the Bank's performance, one condition being that the Bank achieves its corporate goal. Each employee receives an equal part of the allocated amount. The Oktogonen profit-sharing foundation is described in more detail on page 67.

Distribution of economic value



The preliminary allocation to the Oktogonen profit-sharing foundation made in 2018 and reversed in the first quarter of 2019 is not shown in the above diagram.

VALUE CREATION IN 2019

In 2019, Handelsbanken's profit before taxes and government fees was SEK 28.7 billion in 2019. This created value was distributed as follows: SEK 11.8 billion in taxes and government fees, SEK 10.9 billion in proposed dividends, to be paid to the shareholders in the spring of 2020. The remaining amount is reinvested in our operations.

HANDELSBANKEN AS A TAXPAYER

For Handelsbanken, tax is an important sustainability topic. We contribute to the community in the countries where the Bank operates, by paying taxes and government fees, and by paying taxes to local tax authorities on behalf of employees and customers.

The section on taxes in the Bank's policy for sustainability is one of the starting points for work with tax-related matters in the Bank. The Bank also has guidelines for managing taxes that describe Handelsbanken's co-ordinated management, governance and follow-up of tax-related matters.

We maintain an open dialogue with the tax authorities in the countries where we operate. Handelsbanken did not receive any advance rulings in tax matters in 2019. Handelsbanken also complies with the OECD Transfer Pricing Guidelines. In the UK, Handelsbanken has adopted the code of conduct for banks issued by HM Revenue & Customs, the UK tax authority. Handelsbanken also complies with the tax authority's guidelines for a public tax strategy.

For many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden. In addition to corporate tax, Handelsbanken also pays substantial amounts in social security contributions and other taxes. One significant expense for Handelsbanken is value-added tax (VAT), because the Bank cannot recover all input VAT paid when buying external products and services. This is an effect of the fact that a large part of our business is not subject to VAT, which means that the Bank's customers do not pay VAT on financial services. For 2019, Handelsbanken's total taxes and government fees are estimated at almost SEK 12 billion. In addition to the taxes relating to the Bank's own operations, the Bank reports and pays substantial amounts to the tax authorities in the countries where it operates, on behalf of its customers and employees.

STABLE THROUGH FINANCIAL CRISES

During the most recent financial crisis, Handelsbanken did not use either the Swedish government's capital support or guarantee programme. Nor did Handelsbanken require capital support in any other country where the Bank operates. Handelsbanken is the only listed Swedish bank that did not need to ask its shareholders for fresh capital during the financial crisis.

A well-run bank that acts sustainably and responsibly has a major, positive impact on the economy in general. This refers to direct economic effects, such as corporate tax paid, as well as indirect effects.

DIRECT ECONOMIC VALUE

During the most recent business cycle, Handelsbanken paid dividends to our shareholders every year, while remaining one of the largest payers of corporate tax in Sweden.

INDIRECT ECONOMIC EFFECTS

Through our lending to companies in our six home markets, Handelsbanken helps finance growth and increased employment. Handelsbanken is the largest player in terms of lending to companies in Sweden. By enabling households to finance home purchases, the Bank helps them move to locations with better employment prospects, for example. The Handelsbanken Group finances more than a fifth of households' mortgage loans in Sweden.

Responsible financing

The Bank's main opportunity to contribute to sustainable development is via our business in the form of credits, investments and the services we provide.

Relevant SDGs

Handelsbanken's main contributions to the Sustainable Development Goals are indirect, through our financial services and products. Lending and financing, such as green loans, contribute to Goals 11 and 13. In the management of asset and pension management, our products are clearly linked to several of the Sustainable Development Goals, such as 5, 8, 9, 11, 13 and 16.

Responsible **investment**

Responsible **financing**

For us, sustainability means acting responsibly and with a long-term perspective in areas where the Bank can make a difference. One of our greatest opportunities to make a difference is through responsible financing and lending.

Responsible lending

Lending to households and companies makes up a substantial part of Handelsbanken's operations. The Bank considers it paramount that lending is based on an assessment of the individual customer's repayment capacity, which means that the Bank does not grant credit to customers who cannot repay their loans. Weak repayment capacity can never be justified by arguments that the customer is prepared to pay a high interest rate or can offer the Bank satisfactory collateral. Our approach protects the individual customer from running into financial difficulties due to excessive debt. This benefits the Bank, the customer and society at large.

PRINCIPLES WHEN GRANTING CREDIT

Sustainability aspects are vital to the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high demands for sound ethical standards. Handelsbanken respects human rights, fundamental principles of working conditions and environmental and climate considerations, and supports anti-corruption measures regardless of where in the world the Bank operates. The Bank supports international initiatives and guidelines with a shared aim to encourage and facilitate corporate sustainability. In our lending, we must therefore assess and evaluate each customer's stance on these principles and guidelines.

This may result in the Bank declining credit to companies that do not apply these principles. When assessing creditworthiness, we include factors such as how environmental risks affect the customer's repayment capacity. Such risks might include the customer being unable to sell its product or the risk that more stringent environmental regulations on the customer's manufacturing process might jeopardise the company's repayment capacity. The branch responsible for the customer assesses the credit risk. The branch thus also assesses how factors such as environmental risks or the customer's approach to human rights will affect

Sustainability overview

The sustainability overview is a sector initiative developed in the Swedish Bankers' Association to provide insight into how banks take sustainability into account when lending to companies. The sustainability overview can be found at handelsbanken.com/sustainability.

its repayment capacity. All this is part of the business evaluation, the Bank's method for assessing a business relationship with a customer.

The business evaluation is an effective method for branches to identify and assess risks. It also provides a foundation and documentation for other areas in the Bank when evaluating credit risk, and in monitoring that branches factor sustainability criteria into credit risk assessments.

To make our approach to sustainability in the credit process clear and more transparent, we have updated procedures for assessing sustainability risk when granting credits to companies.

A structured working method

If a company shows deficiencies in its sustainability management, sustainability risks may arise for the Bank when granting credit. Consequently, sustainability risk must be taken into account and documented in all credit decisions relating to companies. Sustainability is also integrated in the credit process in a structured way. To understand whether a company may be, or already is, exposed to sustainability risk, our employees also need support. There are therefore a number of tools, including an analysis of sustainability risk produced by an external party. Procedures are also continuously updated to enhance our employees' knowledge and understanding.

Looking forward

In 2020, we will launch a green energy loan for private individuals to buy solar cells and geothermal heating solutions. We are also working on developing green car leasing for companies.

11 SUSTAINABLE CITIES AND COMMUNITIES

The Green loan for buildings

In Täby Park, one of Stockholm's most intensive city transformations is taking place where a previous horse-racing track is being transformed into a sustainable pedestrian and cycle city. The Nor project is first out and is financed by Handelsbanken via a Green loan for buildings.

"We are delighted to be able to offer the branch's first green construction credit in conjunction with development of this new area where sustainability and ecology are natural parts," says Johan Grahn, Branch Manager in Täby Centrum.

Green financing began in the capital markets and has spread to other types of financing such as mortgage loans. For example, as part of Handelsbanken's goal to counteract climate change and support sustainable cities and communities, the Bank offers green loans for environmentally certified buildings and also for solar energy.

For projects to be financed in this way, they must fulfil technical criteria that have been developed and adopted to ensure that the environment and climate are taken into consideration. A common feature is that all buildings must be certified in accordance with certain systems and levels, such as the Nordic Swan Ecolabelled Nor project in Täby Park.

"We are very pleased to see increasing interest in this type of green product from both consumers and housing developers," says Johan.

Johan Grahn,
Branch Manager, Täby Centrum

Green financing

Green bonds

The Nordic market for green bonds continued to expand, corresponding to just over SEK 228 billion at year-end, a growth figure of almost 119 per cent. New non-financial issuers represented the strongest growth, with an increase of 207 per cent. As in the previous year, the number of new financial borrowers also grew in the market, which gave a strong boost to total market growth during the year.

Handelsbanken is active in the field of advisory services regarding green bonds and has been involved in developing many of the green financing frameworks for Nordic issuers. Recent developments include adaptation to the EU's proposal for common definitions of green activities, known as a taxonomy. The Bank puts great emphasis on analysing and guiding our customers regarding these proposals. We also work to create a discussion on these topics in our marketing and communication with customers.

Green loans

Since 2017, Handelsbanken has offered green loans for projects and investments that promote a more sustainable society, for example, financing renewable energy, waste management, sustainable forest management, green transport, and energy-efficient and environmentally smart buildings. These areas are crucial parts of a transition in line with the Paris Agreement, where a renewable energy system and reduced climate impact from the construction and property sector will be vital. To ensure that the environment and climate are taken into consideration when a green loan is used for financing, we have developed technical criteria that must be satisfied by all green loan products.

Development of green loans

In 2019, Handelsbanken granted its first green loan for sustainable forest management and the first green loan for existing and refurbished buildings. Green loans for these buildings are intended to reward renovation and increased energy efficiency in existing buildings. This leads to substantial climate gains since so much of a building's climate impact following construction is the result of energy consumption. Green loans amounted to SEK 7.4 billion in 2019.

Green mortgage loan

At the end of 2019, green mortgage loans were also launched for private customers in Sweden. These loans are offered to customers whose building meets the requirements for the A or B energy classes. At year-end, 227 green mortgage loans had been granted, for a total amount of SEK 602 million. Handelsbanken hopes that green mortgage loans will help raise the level of interest in living in energy-efficient or environmentally certified housing, and that more properties will improve their energy efficiency over time.

Sustainability-linked credits

Handelsbanken can also offer its corporate customers credits where the interest rate is linked to selected sustainability goals. These need not be specific environmental goals; the borrower can instead use the credit to boost its sustainability work based on specific goals and challenges and its own circumstances. Together with the customer, Handelsbanken selects quantifiable sustainability goals and if these are fulfilled, the interest rate margin on the loan is reduced. If the borrower does not fulfil the goal, the interest rate margin is instead increased.

Common features of green loans and sustainability-linked loans are that they focus on customers' sustainability work looking forward. Green and sustainability-linked loans also give the company the opportunity to communicate regarding their sustainability work and may lower the company's financial costs.

"In 2019, we continued to see increasing interest from our customers in green financing, as well as a dialogue regarding their sustainability work and also ours. This dialogue deepens the Bank's relationships with customers and increases our understanding of their operations and challenges. Handelsbanken's goal has been to highlight green financing and make it available to a wider market. So we are very pleased to see that in an increasing number of sectors, both large corporates and SMEs are becoming aware of the advantages of green financing."

Catharina Belfrage Sahlstrand, Head of Sustainable Business Development at Handelsbanken Debt Capital Markets.

In October 2019, two of Handelsbanken's Green Loan for Buildings borrowers won the prestigious 'Green Building Awards 2019' for the Environmental Building of the Year and the BREEAM Building of the Year. The prize is awarded by Sweden Green Building Council to people and projects that have shown the best examples of sustainable building in Sweden during the past year. The Environmental Building of the Year was won by Riksbyggen Brf Viva as one of Sweden's most sustainable housing co-operative associations with the citation: "With a strong desire to try new, innovative ideas, Riksbyggen Brf Viva has shown the way for the housing of the future." The BREEAM Building of the Year prize was won by Fabege's commercial building, Signalen 3, with the following citation: "Signalen 3 is a project like any other, and yet it isn't. It is a good example where one plus one equals three, when high sustainability demands from the contractor meet demands from the customer, together creating something even better."

Responsible **investment**

Responsible investment is a central part of our business, and an area where Handelsbanken has a major opportunity to influence the transition to a sustainable society. All our asset management is based on international norms and conventions relating to the climate, environment, human rights, corruption and working conditions. We have also committed to comply with a number of voluntary frameworks, such as the UN Global Compact and the UN Principles for Responsible Investment (PRI).

CONSTANT CHANGE TO MEET THE CHALLENGES

As one of leading asset managers in the Nordic region, with SEK 639 billion in fund volume under management, it is important that we take responsibility for what we invest in, and that, in addition to financial criteria, we integrate environmental, social and corporate governance matters into our investment processes.

Sustainable asset management is in a state of constant change – new management methods are being developed, new questions arise in the field of sustainable enterprise, and transparency and monitoring requirements increase. We need to continuously develop our operations, not just to meet the expectations of products and services that our customers seek, but also to meet the challenges that, for example, climate change entails.

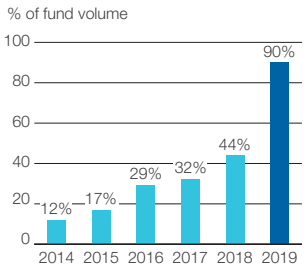
Enhanced sustainability criteria

Handelsbanken has the largest amount of assets managed in sustainable funds in Europe according to the mutual fund research company, Morningstar.* Of our total range of 126 mutual funds, we offer 82 funds with enhanced sustainability criteria. At year-end, total assets managed in these funds were SEK 576 billion, 46 percentage points more than the previous year.

In 2019, we implemented enhanced sustainability criteria for the majority of our funds. This means that the funds exclude controversial sectors whose products and services negatively impact our climate and our environment, and which we therefore consider to be incompatible with our role as a responsible investor.

The funds also exclude companies deemed to be in breach of international norms and conventions regarding, for example, the climate, environment, human rights, corruption and working conditions. Our funds already excluded companies involved in banned weapons, nuclear weapons and coal mining.

Mutual funds with enhanced sustainability criteria – proportion of Handelsbanken's total fund volume



Sectors we exclude**

We do not invest in banned weapons, nuclear weapons or coal. Our mutual funds with enhanced sustainability criteria also exclude the following controversial sectors that risk counteracting the Sustainable Development Goals.

Fossil fuels (oil, gas and coal)

We exclude investments in these sectors since fossil fuels account for a high proportion of carbon dioxide emissions. To counteract the effects of climate change, fossil fuels must be phased out and be replaced by environmentally-friendly sources of energy. By excluding companies with operations in fossil fuels, we limit the negative climate impact of our investments and thus do not counteract Goal 13, Climate action.***

Weapons and military equipment

We exclude investments in weapons and military equipment since these industries have links to conflicts and wars around the world, causing major suffering which often hits the poorest people. By not investing in these sectors, we avoid counteracting Goal 16, Peace, justice and strong institutions.

Tobacco

We exclude investments in tobacco since there are increased sustainability risks in the whole value chain, and this sector causes major health problems. By excluding investments in this sector, we avoid negative impact on Goal 3, Good health and well-being and Goal 8, Decent work and economic growth.

Alcohol, cannabis and commercial gambling

We exclude investments in these sectors since they have negative health effects at the individual level and lead to increased use of resources for society as a result of misuse. By excluding companies in these sectors, we limit the negative impact of our investments on Goal 3, Good health and well-being.

* According to Morningstar in December 2019.

** According to the Swedish Investment Fund Association's definition of exclusion, no more than five per cent of turnover in the company where the investment is made may derive from operations related to such products or services.

*** For our actively managed mutual funds, the principle of excluding fossil fuels can be waived for a temporary period, if the company fulfils our criteria for qualification as a company in transition. Read more on page 63.

Investments for the future

A way of measuring our contribution
Handelsbanken Fonder actively seeks companies whose operations contribute to achieving the Sustainable Development Goals. The fund management company has therefore developed an analysis model called Sustainable Development Goals Exposure Model. Based on the 169 targets in the Sustainable Development Goals, the model analyses each company's products, services and markets where the company operates. The result shows how much of the revenue comes from solutions for the relevant target. These are then added together and lead to a result for the whole fund.

Companies in transition
For our actively managed mutual funds, the analysis is decisive in terms of the choice of company, and we are continuously seeking out companies whose products and services contribute to achieving the climate goals. One part of our work with speeding up the transition to a more climate-neutral society is to enable our actively managed funds to invest in companies that are in the process of restructuring their operations to become more sustainable, known as companies in transition. This means that we can invest in companies that are active in driving the transition to a world with low carbon dioxide emissions. One example could be a company making the transition from fossil fuel energy production to renewable. One of our requirements for this type of investment is that the company is transitioning at least as fast as required for the Paris Agreement to be achieved. Read more about our requirements on page 63.

Examples of investing in companies in transition
Handelsbanken Fonder has invested in a European power company which is a world leader in offshore wind power. It is one of the first power companies to start the transition from fossil fuels to renewable energy sources, and it has clear goals to continue reducing its greenhouse gas emissions. By 2023, the company aims to have reduced its emissions intensity from energy production by 96 per cent compared with 2006.

"Our mutual funds must invest in companies that enable a fossil-free future and our decision to include companies in transition is an important step forward towards this goal."
Karin Askelöf, Head of Sustainability at Handelsbanken Asset Management.

Nordic Swan Ecolabelled mutual funds
The Nordic Swan Ecolabel is an official ecolabel in the Nordic countries intended to guide consumers to good environmental choices. An ecolabelled mutual funds means that 25 mandatory requirements regarding inclusion, exclusion, engagement and transparency must be fulfilled. Apart from excluding certain controversial sectors, it is also possible to include companies in transition in the area of energy production. The Swan Ecolabel deems it likely that companies in transition will have a major impact in the transition to renewable energy.

In 2019, our XACT Norden (Nordic) and Hållbar Global Obligation (Sustainable Global Bond) funds received this ecolabel. This means that we offer four Nordic Swan Ecolabelled funds: Handelsbanken Hållbar Energi (Sustainable Energy), XACT Sverige (Sweden), XACT Norden (Nordic) and Handelsbanken Hållbar Global Obligation (Sustainable Global Bond). Read more about Nordic Swan Ecolabelled funds at svanen.se/en/funds/save-in-funds.

NORDIC SWAN ECOLABEL Fund 3101 0010 · NORDIC SWAN ECOLABEL Fund 3101 0021 · NORDIC SWAN ECOLABEL Fund 3101 0024 · NORDIC SWAN ECOLABEL Fund 3101 0032

Development of indexes
Our index management focuses on investing in indexes that reflect our value base. This is why we actively work for more indexes with sustainability criteria to be available on the market. One example of this work is Solactive ISS ESG Screened Index Series, a series of global and Swedish indexes launched in 2019, which Handelsbanken's mutual funds were the first to invest in.

More information about sustainability in mutual funds

Hållbarhetsprofilen (The ESG Profile) provides more information about how each fund works with sustainability and how you can select a fund based on sustainability criteria.

The funds' annual reports provide more information about the sustainability work for each individual fund. Here you find examples of companies we have included in a fund and how we have taken account of sustainability aspects in the specific investment choice. We also provide examples of dialogues conducted with companies.

We also report the carbon footprint for the majority of our funds.

Read more at handelsbanken.com/responsible-investments.

INCLUSION, EXCLUSION AND ENGAGEMENT

We apply three methods for integrating sustainability into the investment processes: inclusion, exclusion and engagement. In day-to-day operations, these methods may take different paths, depending on whether the activity is choosing individual companies to invest in, choosing an index or choosing mutual funds to include in fund portfolios or insurance or pension offerings. The choice of asset class and management focus may also influence the approach.

We integrate sustainability in our investment processes by **including** companies, indexes or funds that in various ways contribute to more sustainable development.

We **exclude** businesses which in various ways counteract the goals in the 2030 Agenda for Sustainable Development and which are incompatible with our role as a responsible investor.

A key part of our role as a responsible investor is **engaging** with the companies we invest in by encouraging or requiring them to improve their sustainability work.

Active engagement

We take our responsibility as an investor by exercising the role of owner and engaging with the companies we invest in. We do this by means of dialogues and corporate governance.

Dialogues

We carry on proactive dialogues aimed at encouraging companies to improve their sustainability activities, and dialogues with companies that we feel do not comply with the international norms and conventions we are committed to.

We pursue the engagement process on our own through direct contact with companies, as well as in collaboration with other investors. We also participate in collaborations and industry initiatives related to the environment and climate together with other asset owners, often in international collaborations such as Climate Action 100+ and PRI. In 2019, one focus area was identifying and managing environmental and climate-related risks.

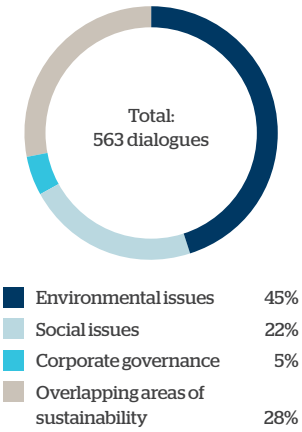
Examples of targeted engagement dialogues

China is the country with the highest carbon dioxide emissions in the world. Heavy base industries such as cement, steel and paper represent a large part of the emissions. In autumn 2019, dialogues were therefore started with three companies held by our Asia mutual funds. We want to ensure that they manage their climate-related risks and have a strategy in place for reducing their emissions in line with the Paris Agreement. At the first stage, we wish to see increased transparency regarding the companies' carbon dioxide emissions and quantifiable targets for reduction of these.

Corporate governance

Our role as shareholder means that we can influence the operations of a company through corporate governance. This mainly takes the form of representation on nomination committees and voting at shareholders' meetings. In 2019, we voted in favour of several shareholder proposals on sustainability, for example, better climate reporting and analysis based on the two-degree target.

Engagement through dialogue



Environmental issues	45%
Social issues	22%
Corporate governance	5%
Overlapping areas of sustainability	28%

5 GENDER EQUALITY

Working for equality

Handelsbanken Fonder is an active owner. By participating in nomination committees, we increase the opportunity of affecting the board composition in the companies the fund management company invests in.

Ahead of annual general meetings in 2019, Handelsbanken Fonder participated in the work of 34 nomination committees. The fund management company has appointed women to two thirds of these to help make the committees more equal, which leads to more gender-equal boards.

"Research shows that more equal companies perform better. This often starts with the company having a gender-equal board which then ensures that the management and whole company works actively with these questions," says Magdalena Wahlqvist Alveskog, Chief Executive of Handelsbanken Fonder.

She has been involved in building up a nomination committee group comprising some 15 people with broad experience, ranging from corporate governance and sustainability in asset management to board and nomination committee work.

"More than half of them are women, which we are convinced is an important factor if we are to achieve our equality goals," says Magdalena, who, in her capacity of corporate governance officer, selects the most suitable candidate for the respective nomination committee.

Identifying the skills required on the board of a company, based on the company's needs, involves a great deal of work.

"The best board is the one with the correct technical and personal skills. The focus is usually on their technical skills, while the importance of personal characteristics is quite often underestimated. Increased gender equality and diversity are effective methods that create a more diversified decision basis in the board discussions," says Magdalena.

Magdalena Wahlqvist Alveskog, Chief Executive of Handelsbanken Fonder

THE CLIMATE IN FOCUS

Unless global warming is limited, climate change will have serious consequences for our ecosystems, food supply and access to fresh water. The impact is already affecting the global economy to an increasing extent. If the Paris Agreement's aim to limit global warming to well below two degrees Celsius is to be fulfilled, assets must be redirected to investments that support sustainable development. We do this by excluding sectors with major negative climate impact, such as companies in the fossil fuel industry, and by investing in companies whose operations promote solutions to global climate challenges.

Climate reporting

Handelsbanken Fonder, Xact Kapitalförvaltning and Handelsbanken Liv publish climate reports in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

The purpose of the reports is to inform stakeholders about our work related to climate change, our exposure to climate-related risks and opportunities, and our continued work in this area. These reports are intended to contribute to increased transparency.

The carbon footprint of our mutual funds

To better understand the climate risks that exist, we measure the carbon footprint of the majority of our mutual funds twice a year. This gives us more information about the companies' environmental and climate risks and increased understanding of how the composition of a fund affects its carbon footprint.

Opportunities

We believe that there are excellent opportunities to identify investments in innovative business models that focus on replacing the products and services that give rise to climate change. Investments in new technical solutions and companies involved in solving the transition risks faced by society as a whole create sustainable value and provide opportunities for healthy returns. One example is our Nordic Swan Ecolabelled fund, Handelsbanken Hållbar Energi (Handelsbanken Sustainable Energy). The fund invests in companies that develop or use technologies and techniques to limit global warming by directly or indirectly limiting emissions of carbon dioxide and other greenhouse gases.

HUMAN RIGHTS IN FOCUS

Respect for human rights is essential to long-term value creation at Handelsbanken. Structured work to safeguard human rights and good working conditions should be a natural part of operations and of Handelsbanken's business relations, with a constant striving for improvements in this area.

Handelsbanken aims to avoid causing or contributing to negative impact on human rights in its own operations, and to rectify such impact if it arises. Handelsbanken supports international initiatives aimed at boosting global efforts to promote sustainable development.

With regard to human rights and working conditions, the following principles and conventions can be mentioned in particular: the UN Guiding Principles on Business and Human Rights, and the UN Universal Declaration of Human Rights.

The periodic screening of all mutual funds holdings includes human rights. Handling of incidents concerning human rights affects the companies included as well as those excluded. They also give rise to engagement through dialogue or influence voting at shareholders' meetings.

Opportunities

In 2019, for example, we engaged with two companies on matters related to human rights and the rights of indigenous peoples. In one of the cases, this was a follow-up of a site visit. Our assessment is that the company manages these matters well, but we are encouraging them to be more transparent about their management of them. In the second case, we initiated a dialogue following signals of potential problems in the company's value chain relating to respect for the rights of indigenous peoples. We have therefore made a site visit to find out how the company needs to develop its sustainability work. As one of few foreign investors, we have the opportunity to influence the company in a positive direction. So far, the company has answered our questions satisfactorily.

WATER IN FOCUS

The Intergovernmental Panel on Climate Change's report, published in September 2019, shows how greenhouse gas emissions affect the world's seas, ice, snow and permafrost. Shrinking glaciers and rising sea levels have an impact on the food supply, access to clean water, infrastructure, and people's health and living conditions. The report showed the need for rapid, ambitious, co-ordinated and sustainable action. Clean water and sanitation for the earth's population is one of the 17 Sustainable Development Goals and one of the most acute global problems, affecting over 40 per cent of the earth's population today.

Opportunities

Handelsbanken Fonder invests in a leading company in the field of desalination of sea water which delivers technology to the Caribbean and South America. We have also invested large amounts in the Sustainable Water & Waste mutual funds, managed by Fidelity. This fund has a clear focus on companies which identify business opportunities somewhere in the value chain of access to water and waste management. These investments enable us to contribute to solving problems within water and waste management.

GENDER EQUALITY IN FOCUS

Gender equality is about fundamental human rights and can generate major benefits for human development, economic growth and business. A better gender balance and increased gender equality improve the probability of a positive impact on companies' financial results. We are convinced that increased gender equality promotes a positive performance for companies, and therefore work actively to integrate equality in our investment operations. As an investor, we have an opportunity and also a responsibility to engage in the question of gender equality in the companies we own. For many years, we have worked in a structured way with the question of gender equality in our strategies for corporate governance.

Opportunities

We have special monitoring of the level of equality on the boards nominated to shareholders' meetings. Examples of this are that ahead of two shareholders' meetings in the spring, where only men were nominated to the boards, we contacted the companies and presented our view of the proposed board only being composed of men. The companies listened to us and wrote in the minutes of the meeting that investors had demanded increased gender equality on the company board.

Asset management

Handelsbanken's Swedish mutual fund operations are pursued in two separate subsidiaries. Our actively managed funds are offered by Handelsbanken Fonder AB, while Xact Kapitalförvaltning AB offers our index funds, other rules-based funds and the exchange-traded XACT funds. In this report, we refer to these two companies when we describe asset management, unless otherwise stated.

As of 1 April 2020, pending the consent of the Swedish Financial Supervisory Authority, the funds that currently belong to Xact Kapitalförvaltning will be managed by Handelsbanken Fonder.

Handelsbanken also conducts asset management activities in the UK through its subsidiary Heartwood Investment Management, and in the Netherlands through its subsidiary Optimix.

Pensions and insurance

Through its subsidiary Handelsbanken Liv, Handelsbanken offers pension solutions and other insurance solutions for private and corporate customers.

Analysing opportunities and risks

Companies increasingly need to monitor and manage sustainability-related risks and opportunities in order to remain profitable over the long term. Accordingly, Handelsbanken integrates sustainability into its equity and credit research offering for the professional investors that are the Bank's institutional customers.

"As ever more companies integrate sustainability in their day-to-day operations, we find it natural to integrate it into our day-to-day research," says Josefin Johansson, Sustainability Analyst at Handelsbanken.

Handelsbanken publishes standardised sustainability analyses for most of the 200+ listed Nordic companies in its coverage. These analyses include an overview of the companies' work as well as relevant risks and opportunities regarding environmental, social and governance issues.

The Bank also collects annual sustainability data and key figures for these companies, ranging from carbon dioxide emissions to waste per sales unit and the proportion of women in management positions. The data are then compiled in a database that is available to customers.

"Our approach is not about setting a separate sustainability rating or labelling companies as good or evil. Instead, we analyse how sustainability aspects affect a company's business and we identify investment opportunities where sustainability could be a business driver," says Josefin.

In 2019, Handelsbanken expanded its sustainability research with a number of extensive reports, mainly company-specific, where the Bank integrates and evaluates the sustainability aspects of various investments.

"This means that we can also contribute to target 13.3 of the Sustainable Development Goals from an investor perspective, in this case to improve knowledge and capacity to respond to climate change," concludes Josefin.

Josefin Johansson, Sustainability Analyst at Handelsbanken

Sustainable mutual funds in **pensions and insurance**

Handelsbanken Liv offers mutual funds in insurance that have been evaluated on the basis of sustainability criteria at both fund level and fund management company level. This means that we include funds in our range that take account of financial, social and environmental sustainability in their asset management.

Process for fund evaluation

Each fund management company is evaluated using qualitative analysis, covering areas such as organisation, asset management team and investment methodology. To qualify for selection, a fund management company or a fund must also meet a number of quantitative financial criteria and sustainability criteria.

Fundamental sustainability criteria

Handelsbanken Liv selects fund management companies for its range of funds that integrate sustainability in their asset management according to the following criteria:

- support PRI
- have adopted policies and/or principles for systematic sustainability work
- exclude investments in companies that are involved in manufacture or distribution of banned weapons and nuclear weapons.

Stricter criteria with focus on the environment and climate

In 2019, stricter fund selection criteria were implemented for fossil fuels to ensure that the managed assets are directed to investments that contribute to a carbon-neutral society. The criteria will be implemented in 2020 with a fixed adaptation period.

Handelsbanken Liv will thus include in its range fund management companies and funds that:

- take account of environmental and climate change in their operations and actively work towards a transition in line with the Paris Agreement
- systematically work with reducing their negative environmental impact and contribute to transparent reporting
- exclude investments in companies with extensive operations in production and/or distribution linked to extraction of fossil fuels. The principle of excluding fossil fuels can be suspended for companies that are involved in power generation and are in the process of transitioning their operations from energy production based on fossil fuels to renewable sources.

Handelsbanken Liv already avoids investing in companies with significant operations within mining of coal for combustion or in power companies that use coal for combustion as a major source of energy.

We also ask for the carbon footprint of the funds to be reported and sustainability profiles to be drawn up.

Sustainability-screened range of mutual funds

The proportion of funds in unit-linked insurance in Sweden that exclude fossil fuels increased from around 38 per cent in 2018, to some 86 per cent in 2019.

In the past few years, the work of raising sustainability performance has resulted in the exclusion of funds that do not meet our criteria, while funds that have been included have a good sustainability rating. The range of funds has been expanded with several funds with an environmental and climate focus, for example, Handelsbanken Hållbar Global Obligation (Sustainable Global Bond).

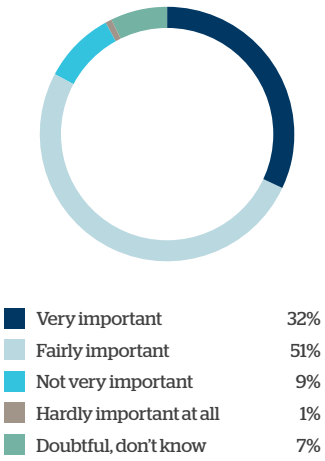
Climate efforts at our fund providers

In 2019, we sent a survey to our fund providers with the purpose of investigating their climate work and reporting. The survey revealed that six of eight fund providers have estimated the risk in their portfolios based on a two-degree scenario, and that five of eight fund providers state that they take account of climate risks in their portfolio management and have started reporting climate-related information in accordance with the TCFD recommendations.

Increased interest from customers and consumers

More and more people are seeking to make sustainable, conscious choices for their pension savings. A survey of Handelsbanken Liv's private customers in August and September 2019 showed that pension savers were highly committed to this.

How important is sustainability to you in your pension savings?



Process for fund evaluation at Handelsbanken Liv

Responsible asset management services and sustainable savings products

"We believe that companies that help to solve global sustainability challenges through their products and services have good potential in the stock market, and this is one reason why we have a sustainability profile for our equity portfolio, Aktieportföljen."

Peter Engstedt, Equity Strategist, Handelsbanken Asset Management.

Sustainability-adapted equity portfolio
Based on Handelsbanken Capital Markets' equity and strategy research, the Bank composes its equity portfolio: Aktieportföljen. The portfolio comprises between 12 and 15 shares, mainly industry-specific favourite shares, and is directed at the Bank's private customers. The equity portfolio was given a sustainability profile at the beginning of 2019 and is now managed in accordance with our enhanced sustainability criteria. This means that the portfolio excludes investments in a number of controversial sectors and excludes companies deemed to be in breach of international norms and conventions regarding, for example, the climate, environment, human rights, corruption and working conditions. The starting point is the optional UN initiative Global Compact's 10 principles.

Sustainability in our discretionary management
In 2019, enhanced sustainability criteria were also introduced for our discretionary management, where the day-to-day management, including the investment decisions, has been transferred from the customer to Handelsbanken.

Sustainability in Private Banking
Handelsbanken's Private Banking offer is based on the Bank's decentralised work method with responsible financing, responsible investment and responsible advisory services. Customers at Private Banking have high expectations of Bank's sustainability work, and it is important that our advisors have both the knowledge and trust to discuss this. In Norway, for example, we have trained Private Banking advisors both on the subject of the Bank's sustainability work and also about the challenges faced by society. One confirmation of the success of this work is that Kantar Sifo Prospera's 2019 Private Banking survey in Norway ranked Handelsbanken in top place in the sustainability category.

Capital-protected products
In 2019, Handelsbanken issued seven capital-protected products based on the 17 Sustainable Development Goals. The investments track indexes that are exposed to companies that, through their behaviour and their products, contribute to the Goals. The capital-protected products target companies with sustainable business models, thus increasing the long-term growth potential while reducing the risk in the investment.

Heartwood Investment Management

Handelsbanken's UK subsidiary for asset management, Heartwood Investment Management, launched four sustainable funds in 2019. The aim is to make sustainable investments available to everyone, regardless of the size of their portfolio or risk tolerance. Heartwood sees a growing demand for sustainable investments, particularly from customers with smaller portfolios, and it expects this trend to continue.

In addition to financial goals, the funds have two sustainability goals. Firstly, to encourage companies to improve their work with environmental, social and corporate governance matters (ESG) and secondly to make investments that contribute to the UN Sustainable Development Goals.

The basis of Heartwood's sustainable funds is the belief that investments can generate sustainable returns for customers, while improving the environment and society as a whole without higher costs or increased risk. Simply expressed, the funds aim to have a positive impact and a positive return.

Optimix VERMOGENSBEHEER

Handelsbanken conducts asset management in the Netherlands via its subsidiary, Optimix. They see a growing number of customers who wish to contribute to sustainable development through their savings. Products are therefore offered where Optimix's active allocation is combined with sustainable investment products. Two themed equity baskets are at the heart of the portfolio. The baskets contain companies selected on the basis of their contributions to the UN Sustainable Development Goals with a focus on goals 6, 7, 9, 11, 12 and 13. The equity investments are supplemented with sustainable equity funds and green and social bonds.

Looking forward

Handelsbanken Fonder must continue to focus on the climate question. We will continue developing the analysis of the financial impact of climate change on our portfolios and how our choice of investments affects the climate. We aim to make even more investment decisions regarding companies that pursue their development in line with the climate goals of the Paris Agreement.

A major point of focus is the EU action plan on sustainable finance where we monitor and engage in development of the affected regulations.

Index management will integrate more sustainability aspects in the indexes. We also aim to reinforce and expand our engagement work.

Handelsbanken Liv aims to implement stricter sustainability criteria in its range of mutual funds for insurance relating to the environment and climate.

Relevant SDGs

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Handelsbanken must be a company where everyone, regardless of gender, can contribute their knowledge and ability on equal terms and have opportunities to develop their leadership skills at all decision levels, goal 5, target 5.5. As an employer, we must also promote a safe and secure work environment for all our employees, goal 8, target 8.8.

The Nacka and Värmdö branches in Sweden

The Bank as an **employer**

Handelsbanken's values and strong corporate culture are vital to our success. Our concept of how to run a successful bank is based on trust and respect for the individual – both customers and employees. The Bank's decentralised way of working creates commitment and opportunities for every employee to make an impact on the Bank's operations.

AN ATTRACTIVE, LONG-TERM EMPLOYER

Above all, working at Handelsbanken is about relationships with other people. It does not matter how good the products or services are if the Bank does not have the most suitable staff. When we recruit new employees, we seek people who share the Bank's core values and want to take a large amount of personal responsibility and make their own decisions, people who strive to put the customer first. The goal is for employees to reflect the markets in which we operate – with different backgrounds, skills, and work experience as well as different ways of thinking and solving problems.

CULTURAL AMBASSADORS

Employees have the opportunity to develop in different professional roles, to work in different areas of the Bank and also in different countries where the Bank operates. Internal recruitment helps us share our working methods and strengthen our culture throughout the operations. When employees develop, the Bank develops.

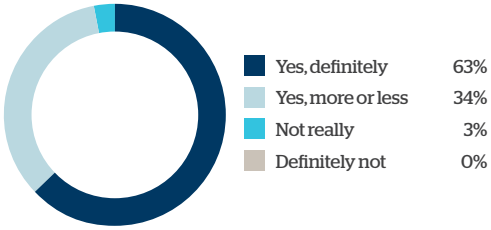
Handelsbanken continues to have low external staff turnover: 5.0 per cent in the Group and 3.7 per cent in Sweden. One condition for this is a healthy, inclusive work environment where each employee's potential is made the most of and everyone is able to develop in their tasks based on their ability and personal circumstances.

A structured approach to management succession planning is crucial to satisfying the current and future demand for managers. One of the most important tasks for managers at the Bank is to identify, encourage and develop new managers. To prepare prospective managers, development programmes are carried out that focus on change management and developing our business model. Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture. Most managers are therefore recruited internally. In 2019, 92 per cent of all managers in the Group were recruited internally. For Sweden, the corresponding figure was 97 per cent.

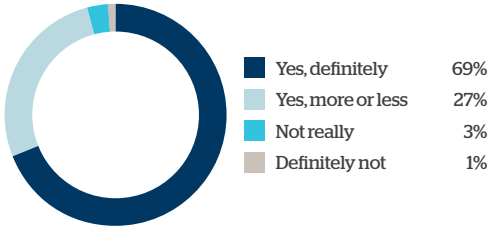
Handelsbanken has a Student Programme which aims to support the Bank's management succession planning and competency planning and to promote gender equality and diversity. As part of this programme, each student works at the Bank during their years of study, takes relevant professional development courses and learns about the Bank's culture.

Handelsbanken's traditionally good relationships and co-operation with unions are a valuable component of the Bank's culture. There is an ongoing, close dialogue

We act in accordance with the Bank's corporate culture and values on a daily basis



I feel respected for who I am



The Wheel – the relationship between the operations and the employees

The Wheel illustrates the relationship between the operations and the employee's development. Managers and employees work together to create their own unit's business plan each year. After the plan is set, planning dialogues and performance reviews (PLUS reviews) are carried out, linking the business plan with each employee's goals. As a result, every employee has an individual action plan that is followed up regularly during the year and forms the basis of the annual salary dialogue review between employee and manager.

between employee representatives and managers. As a forum for information and discussions about the Bank's operations in Europe, there is a European Works Council, with representatives from executive management and employee representatives from the countries where the Bank operates.

CONSTANT DEVELOPMENT

Handelsbanken's strength is derived from the combined expertise of our employees. We believe that collaboration and everyday learning lead to development. There is an established structure for developing staff and our operations, with the customer and their business as the starting point. One aspect of this is that all employees take part in their unit's business planning process. Once this process is complete, individual planning dialogues and performance reviews are conducted, resulting in personalised action plans with both long-term and short-term goals and activities.

Employees must have the necessary skills to provide our customers with the best advice possible, based on the individual customers' specific needs, while complying with all applicable policies and regulations. A new platform for learning and competency development has been launched in the Group. The platform facilitates the work of clarifying the competency requirements in the various professional roles, the requirement of competency development and the range of activities for competency development. It is also important that those who work at branches have natural links to, and good knowledge of, the town and local market.

HEALTH AND WORK ENVIRONMENT

Handelsbanken keeps a steady focus on issues concerning employees' health and work environment. Our overall goal for health and the work environment is that employees should be able to feel good, develop and perform at optimal capacity. The efforts are based on a number of health factors which are founded on the Bank's values. An ongoing dialogue between managers and their employees makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run.

Together with their employees and trade union representative or employee representative, each manager is responsible for performing regular work environment surveys, based on our health factors. Each work group discusses the survey results and formulates an annual plan of activities to improve and maintain a positive, respectful and inclusive work environment. The activities are integrated in the business plan and followed up continually.

Every country and department regularly monitors the systematic work environment efforts in a joint health and safety forum comprising employer and employee representatives. Examples of topics followed up are the result of work environment surveys at aggregated level, sickness absence and reported work environment incidents.

In 2019, a video called 'Brain balance' was launched in the Group. Its purpose is to understand how the brain functions and what you can do to retain and develop good health and reduce the risk of stress-related ill-health. The video also presents practical tools for how we together can create a brain-friendly and inclusive work environment.

Operations in Norway initiated a health activity in 2019 to encourage and inspire all employees to become physically active. In Finland, an annual activity is held to promote well-being, with the focus in 2019 on mindfulness, diet and physical activity. In Denmark, all branch managers and work environment representatives have completed a course on the theme of personal effectiveness and time-planning in order to boost the feeling of being in control and thus reduce experience of stress. In Sweden, a course on risk and misuse related to alcohol, drugs and gambling was launched for all employees and managers.

Health and Leisure

The Bank in Sweden has a sports and leisure association with 4,665 members, which celebrated its 100th anniversary in 2019. Denmark and Finland have similar associations. In Sweden, there is also an art association with two sections: an art section with 3,532 members and a crafts and design section with 2,603 members. It celebrated its 75th anniversary during the year. Handelsbanken's Historical Association, whose aim is to spread knowledge about and preserve the Bank's cultural heritage, has 1,167 members.

"The Student Programme's annual summer school has given me the opportunity to make contact and network with colleagues all over the country. We shared experiences, got to know each other and ourselves. I was prouder than ever when I got back to the branch; I have never been more Handelsbanken."

Arjan Mostafa, student and Customer Advisor, Borås.

Health and the work environment at Handelsbanken

Handelsbanken's overall goals for health and the work environment is that employees should feel good, develop and perform at optimal capacity. Our efforts for the work environment focus on several health factors that are collectively the prerequisites for a positive, respectful and inclusive work environment.

Looking forward

In the year ahead, new Group-wide training material on sustainability will be developed. Its purpose is to boost skills on how we work in this area, so employees can provide information to our customers and other stakeholders.

Operations in the Netherlands will carry out gender-equality training for managers, together with an external party. In order to increase awareness about information security, a Group-wide course will be launched.

Operations in the UK will form a health forum, led by a representative of the UK management team. The purpose is to plan, co-ordinate and evaluate local health promotion activities.

GENDER EQUALITY AND DIVERSITY

The promotion of gender equality and diversity is part of our core values and must be a natural and integral part of our daily work. We aim to have an inclusive work environment, where we respect each other and benefit from our different backgrounds, competencies and experiences. We also wish to create and maintain an even gender balance within different professional roles, working groups and units.

Within the Group, various initiatives are carried out to increase awareness of how social and cultural norms affect attitudes and behaviours in everyday life. The joint leadership course for new managers includes a session on unconscious bias. Gender equality and diversity are also included in all local leadership development activities in the home markets.

In Sweden, training programmes on gender and gender equality are conducted periodically for members of management teams, HR specialists and union representatives.

In Denmark and the UK, mentor programmes are offered to encourage more women to choose the management track.

Equal pay

The Bank is working systematically to ensure equal pay and to rectify unwarranted pay differentials between women and men. In Sweden, this work has advanced for several years in co-operation with the union organisations, to become an integral part of ordinary business operations. The Bank and the union organisations work together to safeguard the results achieved and to closely monitor trends in gender-equal pay within the Bank. Managers at the Bank have a mandate and the tools to correct any differentials that are discovered. Each year, all salaries are mapped by the Bank to act on any differentials that have arisen.

INCLUSIVE CULTURE

Handelsbanken has a transparent and explicit zero-tolerance approach to discrimination, harassment, sexual harassment and victimisation. Our guidelines and procedures clearly define the responsibilities for investigating and handling such incidents.

If an employee suspects some form of internal fraud or other irregularity, the Bank has an established whistleblowing system in which the employee can make an anonymous report.

We are each other's work environment, and how we interact with one another in the course of our day-to-day work forms our culture. All employees are responsible for contributing to a good, inclusive work environment. It is important that we carry on a dialogue, that we feel safe in one another's company, and that we are prepared to speak up if something feels wrong.

With the purpose of raising awareness of and fostering constructive dialogue about how we behave towards one another, a video has been produced with associated discussion questions. The video highlights various situations that may be perceived as victimisation or exclusion and has been launched throughout the Group.

To encourage discussion about how we behave towards one another, a video has been produced in the Group, showing situations that can be perceived as victimisation or exclusion. Here two employees talk about their experiences and what they do to create a good, respectful and inclusive work environment.

Päivi Huuki,
Deputy Head of Development,
Finland

"I saw the video at a course for new managers at the Bank. When we started discussions, we realised that some of the situations felt familiar. Even if it isn't intentional, it's easy for someone to be left out of a joint discussion or not to appreciate a joke, and this can give a feeling of exclusion."

How do you work with these questions?
"Our values affect our work environment. I'm proud of where I work, and that we respect and trust each other at the Bank. It makes it much easier to hold discussions in my workplace about how we can best show each other respect."

Nahir Oussi,
Branch Manager, Marievik

"Sometimes customers ask me about the Bank's view of diversity. Of course, it's an important question for us. I'm convinced that when we employees of the Bank come from different backgrounds, we can better understand each other and our customers and thus create trust and good relationships. This in turn leads to more business."

What can you do at your workplace?
"I think it's a good idea to have this perspective in mind when recruiting. Diversity in the workplace promotes creativity and new approaches. This includes ethnic background, age and gender. We need to talk more about our values and what we represent, so that we can together create a good work environment."

The Bank's business culture

Trust and respect for the individual and always taking a long-term approach are core values in our business culture. These values are timeless, which makes it possible for us to adapt and develop in pace with changes in the world around us.

Relevant SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

We see our efforts to prevent money laundering and terrorist financing as fundamental to secure and sound banking operations and thus as contributing to goal 16, target 16.4. The Bank's employees must never participate in activities that could involve bribery or corruption, target 16.5.

Business ethics at Handelsbanken

The values managed by Handelsbanken are extensive, and it is vital that we manage them properly. We have strict demands on good administrative order in the Bank. By doing things the right way the first time, we reduce the risk and cost of correcting things later. Of course, a prerequisite for ensuring good administrative order is that our employees follow the regulations and legislation that govern the Bank's operations, and we must have reliable work processes and monitoring.

Banking operations are regulated and governed by extensive laws and regulations. Handelsbanken also has its own policies and guidelines that govern our way of working. These also apply to our service providers. For example, Handelsbanken's Board has adopted several Group-wide policies on ethical standards, anti-corruption and sustainability. The Bank's Group Chief Executive has also issued guidelines that further clarify the Bank's approach in various areas. These documents spell out the basic guidelines for every employee.

Policy for sustainability

Handelsbanken's policy for sustainability was adopted by the Bank's Board in 2016. The policy sets the direction for the Group's sustainability activities, in terms of Handelsbanken's approach to material topics relating to customers, the Group's actions as an employer and institution in society, and also the relationship with owners and investors. The policy covers the environment, human rights and working conditions, anti-corruption, money laundering and taxes. Handelsbanken aims to integrate financial, social and environmental sustainability into all its business operations.

Policy for ethical standards

The Bank's success depends on the confidence of customers, employees, owners, public authorities and other stakeholders that the Group is acting in a responsible manner. Handelsbanken's policy for ethical standards was adopted by the Central Board of the Bank in 2015 and states that the Bank must observe high ethical standards, comply with laws and regulations, treat customers with respect, counteract conflicts of interest, deal with reports from employees regarding irregularities and preserve confidentiality. The Bank's policy for ethical standards is supplemented with Group-wide guidelines for HR matters that also deal with ethical matters. Together with the sustainability policy, these three documents comprise Handelsbanken's internal code of conduct.

Guideline for managing taxes

In addition to its policy for sustainability, which includes a section on taxes that serves as a starting point for the Bank's work with tax-related matters, Handelsbanken also has guidelines for managing taxes.

The Bank's actions regarding tax-related matters must be responsible and transparent and comply with prevailing laws and regulations, and high ethical standards must always be observed. Handelsbanken must never participate in transactions or provide products or services that may be called into question in the light of prevailing tax legislation. A summary of the guideline for managing taxes is available on the Bank's website, together with the Group's policies for sustainability and ethical standards.

"The Bank is one of the largest payers of corporate tax in Sweden. As part of our work with taxes, ethical standards and sustainability, within our mutual fund and lending operations, we also work to influence companies and customers to manage their taxes in an ethical and sustainable way."

Magnus Skaaden, Head of Group Tax, Handelsbanken.

Our core values

Our core values mean that we:

- trust and respect the individual – both customers and employees
- focus on the customer's needs – not individual products
- encourage independent decision-making
- are innovative and proactive
- take responsibility for our own development
- have high ethical and moral standards
- have a high level of ambition regarding good administrative order
- work together towards common goals
- contribute to the operations' and our colleagues' development.

Efforts to prevent financial crime

Handelsbanken's goal is to constantly work to minimise the risk of the Bank, or our products or services, being exploited for financial crime. Financial crime includes money laundering, terrorist financing, tax evasion, corruption, fraud and breaches of international sanctions. Handelsbanken has a Group-wide department dedicated to preventing financial crime. It is led by a specially appointed executive. Essential starting points for this work include the Bank's low risk tolerance and the body of external regulations on money laundering and terrorist financing.

Handelsbanken's decentralised working methods and strong local presence in the community facilitate the building of close, long-term customer relationships. This means that our staff become very familiar with their customers and can understand their business and requirements. This is also essential for maintaining effective procedures, processes and systems, to minimise the risk that the Bank will be used to commit some kind of crime.

Our customer relationships begin primarily at one of our branches. Customers also meet the Bank 24 hours a day in our digital meeting places, via online banking or their phone. This means that Handelsbanken needs to know how our customers are using the Bank's products and services and through which channels – to understand customer needs and behaviour, and to be able to work effectively with measures to counteract financial crime.

This work demands competency and awareness. Each year, all employees and managers complete a mandatory training programme on combating money laundering and terrorist financing. Each employee and manager must take responsibility for reducing the risk that Handelsbanken might offer services and products to customers who use them in some form of financial crime. It is also important for employees and managers to know what to do if they suspect that the Bank is being used for criminal activity.

To bolster Handelsbanken's work in this area, the Bank will continue to invest in expertise as well as new technology. Handelsbanken has also formed a joint company called Nordic KYC Utility in collaboration with the leading Nordic banks. Its purpose is to improve the customer experience by simplifying the know-your-customer (KYC) process and increase the efficiency of the work against financial crime in the Nordic countries.

Looking forward

The Bank is intensifying its work on financial crime prevention. For 2020, total costs related to this work are expected to be on a par with 2019.

We will continue to work on implementing a code of conduct for our major suppliers in all home markets.

Conflicts of interest, corruption, bribery and improper influence

Conflicts of interest occur daily in society, and the financial sector is no exception. All employees of Handelsbanken, regardless of where they work in the Group, are obliged to follow the Bank's regulations concerning conflicts of interest. Conflicts of interest must be identified whenever they arise and avoided as far as possible.

Handelsbanken has established procedures for managing conflicts of interest with the aim of preventing negative impact on customers. The Bank's regulations contain requirements for transparency, whereby the customer must be informed when a conflict of interest has been identified which might affect the customer negatively. The Bank's policy for managing conflicts of interest provides further guidance for the Bank's work in this area, for example, by listing areas where conflicts of interest could arise in our operations. The policy includes details on the procedure for identifying and managing conflicts of interest. For example, each year potential conflicts of interest, as well as how they have been managed, must be reported by units deemed to have a high probability of conflicts of interest. Such reports are made by Handelsbanken Capital Markets and by all branches outside Sweden, for example.

In banking operations, there is a risk that staff will be exposed to situations that can be linked to attempts at bribery, which in turn may lead to a position of dependence. Thus, it is crucial that the Bank's employees comply with laws and with the Bank's regulations regarding bribery and improper influence, so that they avoid being dependent on a customer or supplier or having improper influence on a customer or supplier. Each year, all unit heads must review the regulations applying to bribery and improper influence with their employees. The Bank's employees must not participate in actions that may involve bribery or any other improper influence, either within the Bank's operations or when they perform other assignments outside the Bank. There are also procedures for how employees are to report suspected breaches of these regulations. The regulations must be followed in all contexts, such as gifts, corporate hospitality and other events. For example, employees' business travel must always be paid for by the Bank.

Each year, the Bank performs risk assessments in the area of financial crime, including corruption, for all countries. Areas where the risk of corruption is assessed to be higher than for normal customers are, for example, customers who operate in countries or sectors where corruption occurs more frequently, and also products and services used by these customers, such as cross-border payments. Corruption must also be taken into account in the self-evaluation of operational risk that each unit must perform once a year. Security reviews are also performed every year and contain a training and information section on corruption.

The Bank as a customer and our suppliers

Ethical considerations are just as important whether the Bank is the customer or the provider of a product or service. We have an ongoing dialogue with our suppliers, and when making purchasing decisions, we ensure that they have collective bargaining agreements, a work environment policy, and a policy against giving and accepting bribes. In addition, we always consider the environment in making such decisions. A checklist helps ensure quality in the Bank's purchases. Handelsbanken has implemented a code of conduct for major suppliers in most of its home markets. Results have been excellent, and most of the Bank's major suppliers have signed the code.

We see a positive link between the code, our relationships with suppliers, and their direct impact on our sustainability activities, and we continue working to implement the code in the Bank's other home markets.

The code of conduct defines the expectations we have on our suppliers and their subcontractors. Most of the expectations are based on internationally accepted standards, with the UN Global Compact as their starting point. This means that the Bank expects that our suppliers will comply with the code of conduct or corresponding standards. Suppliers should also ensure that their employees and subcontractors comply with the code.

Relevant SDGs

A precondition for creating shareholder value is to simultaneously create long-term value for the Bank's customers and society as a whole. By striving for long-term, stable growth, we promote macroeconomic stability and a good investment climate (goal 8). The capital raised through the issue of Handelsbanken's green bond is used for lending to clearly definable investments that lead to lower carbon dioxide emissions and thus contribute to Goal 13.

The Bank as an **investment**

Responsible actions are essential to long-term value creation in Handelsbanken. Based on each customer's needs, we make long-term, responsible business decisions that foster the conditions for sustainable value creation.

SUSTAINABLE VALUE CREATION

Sustainable value creation consists of two parts: creating shareholder value and working to minimise any negative impact that the business operations could have on their surroundings. The former is easier to measure than the latter. Handelsbanken is one of the few listed banks in Europe that has generated a positive total return for its shareholders since the financial crisis began just over 10 years ago. Thus, Handelsbanken is one of the few banks in Europe that fulfils a basic criterion for sustainable value creation – actually creating value. Since the financial crisis began in summer 2007, Handelsbanken's share has achieved a total return of 186 per cent. This can be compared with the European index for bank shares, Euro STOXX Bank, which produced a total return of 79 per cent during the same period.

A BUSINESS MODEL THAT CREATES SHAREHOLDER VALUE

In Handelsbanken's decentralised organisation, our customers' needs are in focus. The Bank works on the basis of a tried and tested business model that has not changed since the early 1970s. As a result of this decentralisation, practically all important business decisions that affect an individual customer are made close to the customer, at the local branch in the community where the customer is active. This business model has enabled the Bank to report profitability at very stable levels over a long period, and the Bank has achieved its financial goal, to have better profitability than the average of peer competitors in our home markets, every year since 1972.

Profitability

For nearly five decades, Handelsbanken's objective has been to generate shareholder value – but not at any cost. Value creation must be sustainable. In addition to Handelsbanken's financial goals, the Bank therefore also aims to act as a responsible institution in society.

In the banking sector, there is often a strong link between financial and social sustainability. When financial sustainability falters, there are often negative social repercussions – and vice versa.

It is vital that a bank makes a profit. Not only does the profit generate a return for shareholders and tax revenue for society, but much of the profit is reinvested in operations. That allows the bank to meet customers' future loan requirements and generate growth in the future.

A long-term approach

Handelsbanken takes a long-term view of its business operations and its relations with customers. The Bank views every recruitment of a new employee as significant and long term. External staff turnover is low, and most members of Handelsbanken's executive management have been recruited internally, most having spent their entire working life in the Bank. Handelsbanken favours long-term investors as shareholders.

These approaches coincide in Handelsbanken's profit-sharing scheme Oktogonen, which is the direct opposite of a short-term bonus system. Handelsbanken's profit-sharing scheme is long term, given the general rule that payments cannot begin until the employee has turned 60. In the meantime, the funds are invested in Handelsbanken shares. Consequently, the employees take the same long-term view of the Bank's business operations as other long-term shareholders do.

Customer satisfaction

Handelsbanken is convinced that there is a strong connection between long-term profitability and customers being satisfied with the service they receive, and the products and services the Bank offers.

Low risk tolerance

A bank that takes a long-term approach and focuses on customer satisfaction with the aim of achieving profitability naturally has low risk tolerance. A large part of banking operations is based on managing risk. Handelsbanken's business model focuses on taking credit risks in the branch operations and works to minimise other risks. The Bank deliberately avoids doing business with high risk, even if the customer is willing to pay a high interest rate. Handelsbanken has no sales volume or market share targets. Aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the customer hardest. The Bank's stated goal is that no credit will result in losses. This promotes long-term value creation for the Bank's shareholders, too.

HANDELSBANKEN'S SHARE – A SUSTAINABLE INVESTMENT

Research analysts who specialise in sustainability often draw attention to Handelsbanken as a solid investment. The share is included in the following sustainability indexes: Ethibel Sustainability Index, FTSE4Good, OMX GES Sustainability, SIX Sweden SRI Index and ECPI Global Developed ESG Best-in-class Equity.

As in previous years, Handelsbanken participated in a survey of sustainable companies conducted by the RobecoSAM research company, now SAM and part of S&P Global. Handelsbanken was included in the Sustainability Yearbook 2020 as a 'Sustainability Yearbook Member', which means that Handelsbanken scored in the top 15 per cent of all the world's banks in terms of sustainability.

Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its share. In addition, Handelsbanken was in contact with sustainability analysts from some 10 independent research firms in 2019.

During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 25 billion. Market capitalisation has decreased by SEK 33 billion, while the Bank has paid out SEK 58 billion in dividends to shareholders.

Green bond

By issuing green bonds, Handelsbanken has yet another means to promote the long-term development of sustainable solutions by financing green projects.

In June 2018, Handelsbanken issued its first green bond: a five-year green senior bond for EUR 500 million. The issue was made possible by the Green Bond Framework which the Bank produced during the spring. The Framework received a dark green shade rating – the highest possible – from CICERO (Center for International Climate Research), an independent body.

Markets showed intense interest in the Bank's first green bond, which was more than three times oversubscribed.

The capital raised through the issue of Handelsbanken's green bond is used for lending to clearly definable investments that lead to low carbon dioxide emissions and a climate-sustainable future. Examples of this are clean transport, sustainable forest management, green buildings, renewable energy and sustainable water management. In June 2019, the Bank reported the environmental impact of the green bond by publishing a Green Bond Impact Report, which also contains examples of how the approved green assets comply with the criteria in the framework.

At the time of issue in summer 2018, the assets in the green registry totalled SEK 10 billion. At the end of 2019, the volume had increased to SEK 12.1 billion. In addition, Stadshypotek had green assets totalling SEK 2.4 billion at year-end.

Sustainability indexes	Compiled by
ECPI	ECPI
Ethibel Sustainability Index	Forum Ethibel
FTSE4Good	FTSE
OMX GES Sustainability	Nasdaq OMX/GES
SIX Sweden SRI Index	SIX Finance Information
STOXX Global ESG Leaders	STOXX

Initiatives, collaborations, awards, surveys and sustainability indexes

As part of the business community, Handelsbanken participates in many initiatives and collaborations to demonstrate our commitment and contribute through various efforts in line with our operations, and also for a vital exchange of information with representatives from different spheres of society. In addition to the initiatives and collaborations presented here, which guide Handelsbanken's efforts, the Bank also adheres to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the Sustainable Development Goals, the International Labour Organization's core conventions, and the Children's Rights and Business Principles.

INITIATIVES AND COLLABORATIONS

GLOBAL COMPACT

WE SUPPORT UN GLOBAL COMPACT

In 2009, Handelsbanken signed the UN Global Compact, an initiative aimed at companies which advocates 10 principles based on international conventions. These principles, established in 2000, cover human rights, labour law, the environment and anti-corruption.

PRI

Signatory of:

PRI Principles for Responsible Investment

Principles for Responsible Investment (PRI) was launched in 2006 and is a network of investors and service providers that work together with the United Nations, UNEP Finance Initiative and Global Compact to implement principles for responsible investment. The purpose is to promote responsible behaviour among institutional investors and to work for increased openness and awareness of environmental, social and corporate governance issues in the companies in which these actors invest. Handelsbanken became a signatory to the principles in 2009. PRI has over 1,800 signatory members, from more than 50 countries, with total assets under management of roughly USD 70 trillion.

Within the PRI framework, Handelsbanken participates in initiatives such as the following:
PRI Sustainable Palm Oil is an initiative where PRI has acted as co-ordinator and formed a working group that has taken a common stand to support sustainable palm oil. The purpose is to raise awareness of these issues among investors. The work group also initiates dialogue with companies to support the development of more sustainable methods of palm oil production.
PRI-Ceres Sustainable Forests is an initiative that aims to help investors understand how deforestation within cattle and soybean supply chains represents a material risk to companies and investors.

Commercial agriculture accounts for approximately two-thirds of tropical deforestation, primarily relating to cattle, soybean production, palm oil and timber and pulp. Deforestation has a significant negative environmental impact, through a loss of biodiversity and ecosystem services, soil degradation and disruption of hydrological cycles. In addition, deforestation is responsible for around 15 per cent of global carbon dioxide emissions. Deforestation can therefore entail major operational and climate-related risks for both companies and investors.

UNEP FI

UNEP FINANCE INITIATIVE

UNEP FI is a partnership between the United Nations Environment Programme (UNEP) and the global financial sector, created after the 1992 Earth Summit, with a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers and investors, work with UNEP to understand today's challenges regarding the environment, society and corporate governance, why they matter to the financial sector and how to actively address them. Handelsbanken has been a member of UNEP FI since the mid-1990s.

PRB

UNEP FINANCE INITIATIVE | PRINCIPLES FOR RESPONSIBLE BANKING

The Principles for Responsible Banking (PRB) were launched at the UN Climate Action Summit in September 2019. Handelsbanken is one of 130 banks to endorse the initiative. The purpose is to increase and highlight the contribution to sustainable development from the global banking sector. The principles aim to highlight the requirement that the financial sector is governed in line with the Paris Agreement and the 17 Sustainable Development Goals and also comprise a common, transparent framework for a positive impact on society and the environment by the banking sector.

IÄF

IÄF

Institutionella Ägares Förening – IÄF (The Institutional Owners Association for Regulatory Issues in the Stock Market) – is a non-profit organisation whose purpose is to safeguard members' interests as institutional owners in the Swedish stock market by promoting sound development of self-regulation in the stock market. This is principally done by the association participating in the Swedish stock market's self-regulation bodies in appropriate forms and, where necessary, appointing or nominating members of their boards or to participate in other activities.

IÄF was formed in 2003 and comprises Swedish institutional owners. IÄF is one of the principals behind the Association for Generally Accepted Practice in the Securities Market which works through the following self-regulation bodies: Swedish Securities Council, Swedish Corporate Governance Board and Swedish Financial Reporting Board.

THE SWEDISH NATIONAL ADVISORY BOARD FOR IMPACT INVESTING

The Swedish National Advisory Board for Impact Investing

The Swedish National Advisory Board for Impact Investing is a newly formed non-profit association with members from the public and private sectors and also capital market participants with the purpose of actively directing capital to investments with a quantifiable positive impact on society. This is known as impact investing.

CLIMATE ACTION 100+

Climate Action 100+

Climate Action 100+ is a five-year-long, global, co-operative initiative linked to the Paris Agreement. The aim is to persuade companies emitting the most greenhouse gases to be accountable and lead the transition to clean energy. The investors behind the initiative call on companies to combat climate change, curb emissions and improve transparency.

CDP

CDP DISCLOSURE INSIGHT ACTION

CDP is an independent international non-profit organisation which works for transparency and dialogue on companies' environmental impacts and to make such information available to investors. Over 8,400 organisations worldwide measure and report their environmental impact through CDP.

CDP acts on behalf of more than 500 institutional investors. Handelsbanken has been a member since 2015 and reports to CDP annually.

EQUATOR PRINCIPLES

EQUATOR PRINCIPLES

Handelsbanken has signed the Equator Principles. The Principles are a framework that provides guidance to financial institutions for assessing social and environmental risks in project finance. The Equator Principles were formally launched in 2003, but over the years they have been updated to better support members in identifying, assessing and managing environmental and social risks in project financing.

The more than 90 members of the initiative represent financial institutions from 37 countries. Members undertake to implement the principles in their internal guidelines, processes and procedures for project finance and to report annually on projects that have been assessed or financed based on the framework.

CLIMATE BONDS INITIATIVE

The Climate Bonds Initiative (CBI) is an international non-profit organisation that promotes investment in climate-change solutions.

The organisation aims to facilitate the mobilisation of capital in the global bond market by developing a large and liquid market for green bonds.

Handelsbanken has been active in green and sustainable finance for several years and has been a CBI partner since 2017.

GREEN BOND PRINCIPLES

The Green Bond Principles (GBP) are voluntary, international guidelines that recommend transparency, disclosure and reporting in the market for green bonds. The GBP were established in 2014, but the principles were updated in 2018. Handelsbanken has been a member since 2014, and the Bank's green finance framework complies with the GBP recommendations.

IIGCC

The mission of the Institutional Investors Group on Climate Change (IIGCC) is to mobilise capital for the low-carbon future by amplifying the investor voice and collaborating with business, policymakers and investors. Handelsbanken has been a member of IIGCC since December 2018.

FAIRR

FAIRR Antibiotics Engagement is an initiative aimed at reducing the use of antibiotics in large food processing companies. An investor coalition, co-ordinated by FAIRR, engaged with a total of the 20 largest companies in the fast food and casual dining sector in the UK and the US. The companies were asked to phase out routine, prophylactic use of antibiotics across all livestock, seafood and poultry supply chains in order to preserve the efficacy of antibiotics against disease in both humans and animals. The result of this engagement led to all 20 companies recognising the need to limit antibiotics use in order to address antimicrobial resistance. Companies are now working to collect relevant data and monitor supplier compliance with their policies. The initiative is currently supported by 74 institutional investors.

TRANSPARENCY INTERNATIONAL SWEDEN

In 2017, Handelsbanken became a member of Transparency International Sweden's Corporate Supporters Forum, as part of the Bank's commitment to work against corruption. This is a Swedish business forum that serves as a platform for companies to pool their experience and knowledge related to anti-corruption.

ECPAT

Since 2015, Handelsbanken has co-operated closely with ECPAT Sweden, a children's rights organisation that works to prevent and raise awareness of the sexual exploitation of children. ECPAT is a member of a global network represented in more than 90 countries. We take responsibility in our day-to-day operations, such as by obstructing and preventing payments connected with material depicting the sexual abuse of children. As part of this co-operation, we also work to educate and raise awareness of sexual exploitation of children.

GLOBAL CHILD FORUM

Since 2013, Handelsbanken has been a partner in the non-profit foundation Global Child Forum, an independent forum for exchanging best practices and facilitating discussion about children's rights. The Forum brings together leaders from the business community, the public sector, academia and society at large to encourage co-operation aimed at promoting children's rights.

WORLD CHILDHOOD FOUNDATION

Since 2010, Handelsbanken has supported the World Childhood Foundation. Childhood is an organisation for children's rights that works against violence and sexual abuse of children. It aims to provide all children with the opportunity to develop into strong, confident, responsible people. Childhood is active in Sweden and internationally.

PERSONAL FINANCE FOR YOUNG PEOPLE

Handelsbanken supports an education project called Ung Privatekonomi which works to boost young people's knowledge of their personal finances by inspiring and teaching about personal finances and savings. Ung Privatekonomi educates upper secondary school students and teachers throughout Sweden and since it started has had 200,000 participants.

The initiators of the project are the Swedish Shareholders' Association, the Swedish Investment Fund Association, NASDAQ OMX Stockholm, the Swedish Securities Dealers Association and Young Shareholders (Unga Aktiesparare).

Handelsbanken, or in some cases a subsidiary, is a member of the following trade associations:

Swedish Bankers' Association
The Swedish Bankers' Association represents banks in Sweden and creates conditions for them to be able to provide attractive and competitive financial products and services to households and companies. The Association works to promote the sound development of Swedish banking.

Insurance Sweden
Insurance Sweden is a trade association that strives to promote good business conditions for insurance companies. The association also works to achieve a high level of trust for the insurance industry and to improve awareness of the significance of private insurance in society.

UK Finance
UK Finance was formed in July 2017 to represent the banking and financial sector in the UK. The association has around 300 members in the UK, providing credit, banking and market services and also payment-related services.

Swedish Securities Dealers Association
The Swedish Securities Dealers Association represents the common interests of companies that conduct securities operations in Sweden. The association's overall goal is a sound, strong and efficient Swedish securities market.

Swedish Investment Fund Association
The Swedish Investment Fund Association strives for a sound industry in the interest of savers. The association monitors work on legislation related to the mutual fund sector and comments on proposed legislation from Swedish and EU government bodies.

Swesif
Swesif is an independent, non-profit forum for organisations that work with sustainable investment in Sweden. The forum aims to increase knowledge of and interest in sustainable and responsible investment.

Norsif
Norsif is an independent association that works with sustainable investment in Norway. The association strives to increase knowledge about and contribute to progress in responsible investment in the financial sector and among other stakeholders.

Finsif
Finland's Sustainable Investment Forum is a member-based organisation that works with sustainable investment in Finland. Its purpose is to increase interest in sustainability and to encourage members to integrate sustainability in their investment decisions.

Dansif
The Danish Social Investment Forum is an impartial forum for players with a substantial interest in responsible investment in Denmark. Its purpose is to spread and exchange experiences among members of the Forum and to facilitate a diversified debate on responsible investment.

INITIATIVES AND COLLABORATIONS, CONT.

NMC, SWEDISH ASSOCIATION FOR SUSTAINABLE BUSINESS

Handelsbanken is a member of NMC, Nätverk för Hållbart Näringsliv (Swedish Association for Sustainable Business). It is a non-profit association, not allied to any political party, which is a cross-industry platform for more than 200 companies and organisations from all over Sweden. Its purpose is to share knowledge, experience and ideas regarding a sustainable and successful business community.

SUSTAINABLE VALUE CREATION

Since 2009, Handelsbanken Asset Management has collaborated with other major Swedish investors on the Sustainable Value Creation project. Its aim is to highlight the importance of Swedish listed companies working with sustainability topics in a structured manner. To encourage, support and follow up on the companies' sustainability efforts, the project conducts surveys and organises seminars and round-table discussions.

As one of the 100 largest listed Swedish companies, Handelsbanken has itself responded to the surveys on sustainability activities.

SISD

Swedish Investors for Sustainable Development is a platform where Swedish long-term investors and actors in the financial sector can learn and exchange best practices and experience within the 2030 Agenda. The aim is to explore, from various angles and perspectives, the role of long-term investors in the 2030 Agenda and provide ideas and inspiration for the way forward.

SWESIF

Handelsbanken Asset Management is a member of Swesif, an independent, not-for-profit forum for organisations working with sustainable investment in Sweden. The forum aims to increase knowledge of and interest in sustainable and responsible investment. To make it easier for savers to compare mutual funds and how sustainability is integrated in their management, Swesif has developed a sector-wide sustainability declaration for funds. Since 2015, most of Handelsbanken's funds have this type of sustainability declaration. For more information, see swesif.org/swesif/hallbarhetsprofilen-english. Since spring 2016, Handelsbanken has served on Swesif's board.

WOMEN IN FINANCE CHARTER

As part of its efforts towards gender equality, Handelsbanken in the UK signed the Women in Finance Charter, an initiative from HM Treasury, which means the Bank is committed to work for more gender balance in the financial sector.

RESOURCE EFFECTIVENESS AND THE CIRCULAR ECONOMY

Handelsbanken is participating in a project launched by the Royal Swedish Academy of Engineering Sciences (IVA) in 2018. The two-year project aims to make Sweden a pioneer in creating a resource-effective, circular society, focusing on foodstuffs, plastics, textiles, mobility and premises. In harmony with the Sustainable Development Goals, the project aims to strengthen Sweden's competitive edge in a future of limited resources, while spurring co-operation and forward motion in Sweden's resource choices.

AWARDS AND SURVEYS

SUSTAINABLE COMPANIES 2019

Handelsbanken is the most sustainable listed company in Sweden in the bank and finance category. This was reported in the 2019 Sustainable Companies ranking conducted by the Lund University School of Economics and Management, Dagens Industri and Aktuell Hållbarhet. This ranking was conducted for the second year running and comprises almost 140 Swedish listed companies in five categories. In addition to assessment of the information in company reports and websites, the companies respond to a questionnaire where they are asked to inform about their work with the Sustainable Development Goals, environment, climate, human rights, anti-corruption, HR questions and capital market impact.

SWEDEN'S SMALL ENTERPRISE BANK 2019

For the eighth year running, Handelsbanken has been voted Sweden's Small Enterprise Bank. Handelsbanken achieved the highest rating in the categories of customer satisfaction, quality of advisory services, service and customer treatment, electronic services, and range of products and services. Finansbarometern is one of Sweden's largest independent market surveys, focusing on how companies view their banking relationships. The survey has been answered by around 1,500 respondents in businesses with fewer than 20 employees. Respondents are CEOs, CFOs or other people in a position to influence the company's choice of banking services.

THE SUSTAINABILITY YEARBOOK 2020

Handelsbanken is one of the most sustainable banks in the world, according to the research firm SAM. Since 2004, the sustainability analysts at RobecoSAM, now SAM which is part of S&P Global, have listed in their Sustainability Yearbook the companies they consider to be the most sustainable. In this year's edition, Handelsbanken is the only Nordic bank to be included as a 'Sustainability Yearbook Member'. This means that of all the world's banks, Handelsbanken is among the 15 per cent with the highest rating in terms of sustainability. Research analysts' evaluations are based on an array of sustainability criteria, with economic, environmental and social dimensions. Each company receives a total sustainability rating between 0 and 100, resulting in a ranking of all companies in each sector. Handelsbanken received a total rating of 74.

GLOBAL FINANCE

Handelsbanken is one of eight banks scoring the most points on the 2019 list of the world's safest commercial banks, according to Global Finance's annual ranking. The international monthly Global Finance reports on the global economy, and financial and political issues from a global business perspective. Each year the magazine publishes a ranking of the world's safest commercial banks, based on an evaluation of bank ratings from the credit rating agencies Moody's, Standard & Poor's and Fitch, for the most recent full-year reporting period.

CUSTOMER SATISFACTION

In 2019, Handelsbanken had more satisfied private and corporate customers than the average for the banking sector in all six of the Bank's home markets. Thus, the Bank enjoys solid customer satisfaction. EPSI Rating (Extended Performance Satisfaction Index) and SKI (Swedish Quality Index) compile, analyse and distribute information about customer satisfaction, loyalty and more aspects of the customer experience, such as image, perceived quality and value for money. EPSI Rating and SKI are backed by the Swedish Institute for Quality (SIQ). Research and development related to EPSI's quality surveys is conducted together with SIQ and the Stockholm School of Economics.

KANTAR SIFO REPUTATION INDEX 2019

Handelsbanken came in 12th place among companies with the best reputation in Sweden, according to the 2019 survey by Kantar Sifo, which every year asks the Swedish public how much confidence they have in various companies. Around 4,500 people aged 18–79 took part in the survey. They answered questions about what they expected of various companies and how well those expectations were met.

AWARDS AND SURVEYS, CONT.

UNIVERSUM

According to Corporate Barometer 2019 – a survey carried out by Universum, an employer branding consultancy – Handelsbanken was in second place of Swedish banks and seventh overall among a total of 100 companies. The survey's participants – business students in Sweden – responded to questions about ideal employers and graded these based on the following criteria: reputation and image, people and corporate culture, remuneration and opportunities to advance, and job characteristics.

ACADEMIC WORK

YPAI Young Professional Attraction Index

In the 2019 Young Professional Attraction Index survey by Academic Work, Handelsbanken was regarded as one of the 100 most attractive employers in Sweden. The companies listed in the final ranking are submitted by the participants themselves, based on the employer they would most like to work for.

The participants in the survey, young professionals, are university or college students and graduates with up to five years' work experience.

SUSTAINABLE BRAND INDEX

In 2019, Handelsbanken had the most sustainable brand among banks in Sweden, according to decision-makers in small and medium-sized businesses. This was the result of the largest annual brand study in Europe, focusing on sustainability – Sustainable Brand Index. In the study, 600 decision-makers at companies with between 40 and 500 employees responded to questions about how a brand is perceived and how sustainability affects their purchase decisions.

SUSTAINABILITY INDEXES

Handelsbanken's share is included in the following sustainability indexes:

ECPI

ECPI Sense in sustainability

Since the end of the 1990s, ECPI has provided financial markets with various sustainability indexes. Handelsbanken has been selected for the ECPI Global Developed ESG Best in Class Equity and ECPI World ESG Equity indexes.

ETHIBEL SUSTAINABILITY INDEX

The Brussels-based organisation Forum Ethibel provides financial markets with information on various companies and their sustainability activities. Its analyses are carried out by the Vigeo Eiris research company, and based on these results, Forum ETHIBEL creates a universe that forms a platform for sustainability products and responsible investment. Handelsbanken has been included in the Ethibel Excellence Investment Register since 2004. In October 2019, the Svenska Handelsbanken A share was reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe.

FTSE4GOOD

Handelsbanken was also selected for the FTSE4Good Index in 2019. The index is independent and is based on analyses of companies' work with environmental, social and governance (ESG) practices. Handelsbanken has been included in the index since 2001.

OMX ESG INDEX

Together with research companies, Sustainalytics and ISS-Ethix, the Nasdaq Stockholm stock exchange has launched a sustainability index that provides investors with a universe of companies that fulfil sustainability requirements. Handelsbanken has qualified to be listed in the OMXS30 Ethical and OMX Stockholm 30 ESG Responsible (OMXS30ESG) indexes.

SIX SWEDEN SRI INDEX

The SIX Sweden SRI Index is a collaboration between SIX Financial Information and ISS-Ethix. It consists of companies listed on the Nasdaq Stockholm stock exchange that meet ISS-Ethix's sustainability criteria comprising a modern standard for social, environmental and ethical criteria, where the concepts of sustainability and responsibility are in focus.

STOXX GLOBAL ESG LEADERS

Handelsbanken is included in the STOXX Global ESG Leaders index. The companies included in the index were selected in a process of analysis based on environmental, social responsibility and corporate governance topics. The Index consists of three underlying indexes: STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders and STOXX Global ESG Governance Leaders. Handelsbanken is included in all three of these indexes.

Contents

IN-DEPTH SUSTAINABILITY INFORMATION 53

SUMMARY OF CORPORATE GOVERNANCE 53

Principles for corporate governance at Handelsbanken 53

Recruitment and diversity-related work by the Board 53

Internal control 53

ORGANISATIONAL STRUCTURE FOR SUSTAINABILITY 54

HANDELSBANKEN AND THE SUSTAINABLE DEVELOPMENT GOALS 54

STAKEHOLDER DIALOGUE 54

Our stakeholders 54

Materiality analysis 55

SUSTAINABILITY RISK 56

KEY FIGURES FOR SUSTAINABILITY 57

FACTS: THE BANK AND ITS CUSTOMERS 59

Customer satisfaction 59

Integrity and confidentiality – Information security and IT security 59

FACTS: THE BANK'S ROLE IN THE COMMUNITY 59

Financial aspects 59

Modern slavery and human trafficking 60

Economic research and education 61

Direct environmental and climate impact 61

Services for the public good 62

FACTS: RESPONSIBLE FINANCING 62

Business relationships 62

Exposure to climate-related risks 63

FACTS: RESPONSIBLE INVESTMENT 63

Investment processes 63

Climate-related financial disclosures 65

FACTS: THE BANK AS AN EMPLOYER 65

Staff turnover 65

Constant development 65

Health and work environment 65

Sickness absence 65

Gender equality 66

Remuneration and benefits 66

Relationships with unions 68

FACTS: THE BANK'S BUSINESS CULTURE 68

Compliance and confirmed incidents 68

Policy for ethical standards 68

Guidelines for managing taxes 68

Policy for sustainability 68

Work to prevent financial crime 68

Conflicts of interest, corruption, bribery and improper influence 68

Suppliers 69

Principles when granting credit 69

FACTS: THE BANK AS AN INVESTMENT 69

Public limited company 69

Dividend 69

Creating shareholder value 69

TCFD – Task Force on Climate-related Financial Disclosures 69

CONTENT, RESTRICTIONS AND INDEXES ACCORDING TO THE GLOBAL REPORTING INITIATIVE 70

DEFINITIONS AND EXPLANATIONS 73

CONTACT DETAILS 75

OFFPRINT AUDITOR'S REPORT FROM HANDELSBANKEN'S ANNUAL REPORT 2019

In-depth sustainability information

Sustainability is well integrated in Handelsbanken's working methods, and there are several central bodies that co-ordinate the work at Group level and in the subsidiaries. Various processes, such as the ongoing stakeholder dialogues, also exist to support our work with sustainability. This part of the report, which deals with sustainability management, provides more detailed information.

Summary of corporate governance

The following is a summary of the information considered most material for the sustainability report. For more information, please see the Bank's full corporate governance report, which can be found on pages 63–76 of the Annual Report.

Corporate governance concerns how the owners directly or indirectly control the Bank, and how rights and obligations are allocated among the Bank's bodies, in accordance with prevailing laws and regulations.

Handelsbanken's Corporate Governance Report is based on a shareholder perspective. However, there are other stakeholders interested in Handelsbanken's corporate governance upon whose trust the Bank depends. These include customers, employees, the Bank's lenders as well as the community at large.

PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken's shareholders elect the Board, and the Board appoints the Group Chief Executive (CEO). One way in which the Board exercises its governance of the Bank is by issuing policies and instructions. It is partly through the issued policies that the Board takes decisions regarding Handelsbanken's overall risk tolerance and ensures the Bank's financial stability. Through the policies, the Board also decides on the Bank's approach in several essential sustainability issues relating to prevention of financial crime, the environment, remuneration, ethical standards and corruption. The CEO also exercises governance by issuing various policy documents. The CEO issues guidelines, some of which provide more detailed directions to complement and clarify the Board's policies, and also issues instructions to the managers who report directly to her. These policy documents are revised every year but can be adjusted more often when necessary.

However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate culture, corporate goal, working methods and remuneration system. These are integral with the principles, strategies, limits and targets described in policy documents and instructions.

RECRUITMENT AND DIVERSITY-RELATED WORK BY THE BOARD

Handelsbanken's Board has adopted a policy to promote diversity on the Board. The policy stipulates that, to promote independent opinions and critical questioning, it is desirable that the Board should be characterised by sufficient diversity in terms of age, gender, geographical origin, and educational and professional background. The proportion of women on the Board of the Bank is 45 per cent, and the proportion of members of a nationality other than the country where Handelsbanken is domiciled is 36 per cent.

Composition of the Board after election at the AGM

	2019	2018	2017	2016	2015
Total number of Board members	11	11	11	11	10
of which men	*6*	*7*	*6*	*6*	*7*
of which women	*5*	*4*	*5*	*5*	*3*
Nationality other than Swedish	4	4	4	5	5

INTERNAL CONTROL

All managers at all levels in the Bank have a responsibility for internal control and the Bank's regulatory compliance. Consequently, fit-for-purpose instructions and procedures for the operation must be in place, and compliance with the procedures is monitored regularly.

Group Compliance is an independent unit with functional responsibility for compliance in the Group and provides advice and support in regulatory matters. Internal control and compliance work are subject to internal and external risk-based auditing.

Handelsbanken has an established whistle-blowing system provided by an external supplier. This means that an employee who suspects internal fraud or other irregularities can report these to a body outside the employee's own unit. Anonymous reports are also acted upon.

Selection of policy documents established by the Board:

- Credit policy
- Policy for operational risk
- Capital policy
- Financial policy
- Information policy
- Policy for sustainability
- Policy for ethical standards
- Policy against corruption
- Policy for management of conflicts of interest
- Policy for remuneration
- Policy for suitability assessment
- Policy for risk control
- Policy for compliance
- Policy on measures against financial crime
- Policy for complaints management.

A summary of these policies can be found in the Bank's Corporate Governance Report and at handelsbanken.com.

Selection of guidelines established by the Bank's Group Chief Executive:

- Guidelines regarding the environment and climate change
- Guidelines regarding human rights and working conditions
- Guidelines regarding business relations with the armaments and defence industry
- Guidelines regarding business relations in forestry and farming
- Guidelines regarding the tobacco industry
- Guidelines for managing taxes.

A selection of policy documents that the boards of Handelsbanken's subsidiaries have decided on:

- Policy for shareholder engagement and responsible investment at Handelsbanken Fonder
- Policy for shareholder engagement and responsible investment at Xact Kapitalförvaltning
- Policy for responsible investment at Handelsbanken Liv
- Policy for sustainability at Handelsbanken Liv
- Policy for sustainability at Stadshypotek
- Policy against corruption at Stadshypotek.

Selection of guidelines in the HR area:

- Guidelines on alcohol, drugs and gambling
- Guidelines for the prevention of victimisation and harassment
- Guidelines on bribery and improper influence
- Guidelines on gender equality, diversity and inclusion.

More information

More information about Handelsbanken's corporate governance is also available at handelsbanken.com. The site includes the following information:

- previous corporate governance reports from 2006 onwards
- Articles of Association
- information about the nomination committee
- minutes from shareholders' meetings from 2008 onwards.

Organisational structure for sustainability

Handelsbanken's sustainability work is decentralised and carried out where the Bank's business and operational decisions are made. The work is co-ordinated by a Group-wide specialist function. As of January 2020, the Bank's Group Communications and the Sustainability Officer is a member of the Bank's executive management and as such has the overall responsibility for sustainability matters. The Bank also has a Sustainability Committee, formed in 2010. The Committee is chaired by Handelsbanken's Head of Sustainability. The Committee consists of representatives from various operating areas throughout the Group and met regularly during 2019, a total of six times.

A sub-committee operates under the Sustainability Committee to work on ethical and tax-related matters. The Head of Group Tax chairs this sub-committee, and representatives come from different business areas and central departments within the Group. The sub-committee is tasked with discussing and providing opinions on tax-related matters from a sustainability perspective, with regard to customers and suppliers and to the Group's own tax management.

Sustainability specialists from various parts of the Group are also active in the Green Finance Committee (GFC), which is responsible for determining technical criteria for green loans, and for approving assets for inclusion in Handelsbanken's portfolio of green assets. In its assessments, the Committee considers areas such as life-cycle analysis, positive effects on the climate, powers of resistance and scientific targets.

Matters of principle relating to sustainability in asset management are the responsibility of Handelsbanken's Responsible Investment Committee. The Committee is represented by Handelsbanken's two fund management companies: Handelsbanken Fonder and Xact Kapitalförvaltning. The Committee's task is to actively monitor trends in responsible investment, to contribute to ongoing improvement in Handelsbanken's work in this area, and to set and follow up relevant objectives.

Handelsbanken and the Sustainable Development Goals

Handelsbanken's Sustainability Committee has analysed the 17 Sustainable Development Goals and their 169 targets to determine which of these the operations should focus on, and how we can integrate them within the framework of the sub-areas in the Bank's material topics described above. The analysis was based on the degree of influence, both indirect and direct, identified risks and opportunities, and the Bank's most material sustainability topics. Consequently, in the next few years we will focus on the following six goals:

- gender equality
- decent work and economic growth
- industry, innovation and infrastructure
- sustainable cities and communities
- climate action
- peace, justice and strong institutions.

For all goals selected, Handelsbanken is able to contribute through its own operations and through business relationships. Gender equality, decent work conditions and children's rights are a natural part of our own operations. We are eager to help accelerate their progress in the communities where we are active and the companies with which we do business.

With significant lending to the property sector, we have particular responsibility in terms of sustainable cities. In our corporate lending we want to contribute by reducing our indirect impact on the climate and by financing companies leading the way in the transition to a more sustainable economy. The goal of peace, justice and strong institutions includes the goal of substantially reducing illicit financial flows and significantly reducing all forms of corruption and bribery, an area where banks play a crucial role.

Stakeholder dialogue

To be a responsible bank, we must listen closely to our stakeholders' expectations and be receptive to their opinions about our sustainability activities. We actively engage in systematic dialogue with our stakeholders, to ensure that we get our priorities right. Since June 2019, we have asked our customers about their sustainability preferences in investment advisory sessions. We document their attitude to sustainability in the areas of the environment, social questions and corporate governance. Statistics show that 67 per cent of customers consider sustainability to be either quite important or very important. In 2019, Handelsbanken Liv also asked its customers questions about sustainability in a customer study. The study indicates that slightly more than half of customers believe that sustainability is quite important, and that six out of ten are of the opinion that consumers' choice of savings product can influence society to move towards more sustainable development.

OUR STAKEHOLDERS

Many private individuals, organisations and companies are affected by how Handelsbanken acts in various matters. Business relations with customers, how we act as an employer, conversations with our shareholders, and all the meetings with different groups are examples of stakeholder dialogues. They are affected by and affect how we conduct our operations. For Handelsbanken, corporate social responsibility means living up to the reasonable expectations of these stakeholders and acting so as to maintain their trust in the Bank.

Handelsbanken's principal stakeholders are our customers, employees, owners and investors, union organisations, and the community at large, which includes special interest organisations, public authorities and legislators, for example. The Bank's main stakeholder groups have been identified based on the fact that Handelsbanken's operations materially affect them, or are materially affected by them. Handelsbanken also maintains a continuous dialogue with other stakeholder groups, such as equity research analysts, trade associations, sustainability analysts, non-profit organisations, international organisations, municipalities and county councils, suppliers, press and media, students, schools and universities.

Stakeholder model

All stakeholders have expectations of Handelsbanken. They all wish the Bank to be stable and responsive to their expectations. How well the Bank manages to live up to these expectations has an impact on the continued success of Handelsbanken.

Ongoing dialogue with our stakeholders

Through active dialogue, Handelsbanken can better understand the expectations, opinions and demands that stakeholders have on us and on the way we conduct our operations. This helps us to make well-founded decisions and to better prioritise our sustainability efforts in the markets where we operate.

Customers

The most important dialogue occurs in the meetings that take place every day at over 750 branches in our six home markets. These meetings arise from our desire to grow long-term relationships with our customers. They can be face-to-face, over the phone, at digital meeting places or on social media. By maintaining close, long-term relations with our customers, the Bank gains a better understanding of customer expectations regarding our sustainability work.

Employees

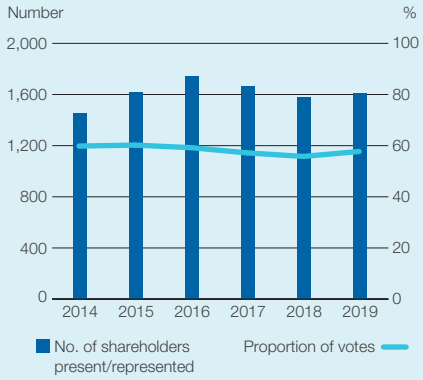
Our employees are an important stakeholder group. It does not matter how good the products or services are if the Bank does not have the most suitable staff. By taking part in their own unit's annual business planning, each individual employee can play a part by contributing to and

influencing the operational focus. Managers with delegated work environment responsibility perform a work environment survey with the work environment representative and their employees at least once a year. The work environment survey is one initiative undertaken to reach the Bank's work environment goals. The results of the work environment survey also serve as supporting documentation for the local work environment plan, which makes up part of the business plan.

Owners and investors

Handelsbanken's shareholders are those who ultimately decide about the Bank's governance. The shareholders exercise their right to decide on matters concerning the company at shareholders' meetings. At the meetings, individual shareholders have the opportunity to put questions to the Bank's Board and executive management. Shareholders show keen interest in Handelsbanken's annual general meetings. In the past five years, shareholders corresponding to more than 50 per cent of the votes have been represented. The Bank provides investors, analysts, rating agencies and other capital market players with information regarding Handelsbanken's operations and financial performance. During the year, the CEO, CFO and Investor Relations department held more than 500 meetings with equity and fixed income investors.

Attendance at AGMs 2014–2019



Union organisations

For a long time, Handelsbanken has had good relations with the union organisations, this being an important part of the Bank's business culture. Union representatives and managers maintain a continuous dialogue about operations – such as when changes are to be made – exchanging valuable information at the very early stages.

Society

Handelsbanken has a continuous dialogue with supervisory authorities, central banks and regulatory bodies as well as with governments and parliaments, in Sweden, the EU and the rest of the world. Increasingly, dialogue between public authorities and the Bank highlights sustainability. The Bank also has continuous contact with non-governmental organisations (NGOs). During the year, we had several ongoing dialogues with them, answered questions and participated in discussions and seminars to keep ourselves updated in the field of sustainability, and to gather important opinions.

Sustainability analysts

Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its share. In recent years, several of these investment banks have supplemented the traditional company research by also evaluating the Bank from a sustainability perspective. Another increasingly prominent group are the independent research firms that specialise in sustainability analysis. Their research analysts evaluate the Bank's sustainability work in several dimensions. An evaluation is usually carried out by means of a comprehensive questionnaire, as well as a dialogue with the analyst. In 2019, Handelsbanken responded to some 10 enquiries, surveys and analyses from various international actors.

Suppliers

Handelsbanken purchases goods and services from many different suppliers. In the Swedish operations, 71 per cent of the total volume of purchases come from more than 130 of the Bank's several thousand suppliers. Based on the Bank's Supplier Code of Conduct, we conduct an ongoing dialogue with our key suppliers in which sustainability figures prominently. As a result of these dialogues, we become involved, our employees are inspired, and we improve our own – as well as our suppliers' – sustainability work.

MATERIALITY ANALYSIS

The purpose of our materiality analysis is to identify the sustainability topics where Handelsbanken's operations have the greatest impact on external parties, based on an economic, environmental or social stakeholder perspective. Applying the materiality analysis, we define the most important sustainability topics that we must prioritise, report on and communicate about.

In 2018, Handelsbanken carried out a comprehensive materiality analysis based on detailed dialogue with participants from our main stakeholder groups in the Bank's home markets. This materiality analysis is also deemed to be of relevance for 2019.

Work on the materiality analysis progressed in three stages:

1. Using a business intelligence analysis, we identified and ranked the sustainability topics where Handelsbanken's operations have the greatest impact on external parties based on an economic, environmental or social stakeholder perspective.
2. These topics were verified by internal and external sustainability experts and Handelsbanken's Sustainability Committee.
3. We carried out a detailed dialogue with stakeholders through qualitative and quantitative interaction. In conjunction with this, we conducted 14 in-depth interviews with representatives from our owners, unions, special interest organisations and large corporate customers. The quantitative part consisted of target group-specific surveys aimed at employees, private customers and corporate customers in our home markets, where the stakeholders could assess how important each sustainability topic was for them in conjunction with decisions and assessments linked to the Bank's operations. Almost 1,000 responses were received. The large number of responses made it possible to follow up the results by stakeholder group and home market.

The identified material sustainability topics were grouped into the following seven areas:

- the Bank and its customers
- the Bank's role in the community
- responsible financing
- responsible investment
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

The results of the materiality analysis showed that the Bank's most important sustainability topics are clearly linked to our business in the form of credits, investments, products and advisory services. Other key sustainability topics are strongly associated with how we should continue to run our business in a sustainable and responsible manner with our customers' continuing firm confidence. This means that we continue to work on integrity and confidentiality, to prevent financial crime, to strive for openness and transparency and for the Bank to be financially sustainable by continuing to run our business in a responsible manner, with stability and profitability in focus.

The outcome of the materiality analysis is presented on pages 10–11 of the Sustainability Report. These pages also include a description of the significance of these topics to Handelsbanken and the risks they are associated with.

Sustainability risk

Put simply, sustainability risk refers to the risk that Handelsbanken does not operate in accordance with the policies, guidelines, commitments and ambitions that form the basis for our general sustainability work. This could ultimately result in financial consequences for the Bank, as well as proving harmful to our reputation. It is a matter of how we, as a bank, act in relation to and manage topics within the areas we have identified, where we have the greatest chance to contribute to more sustainable development. A few examples: responsible financing and granting of credit, responsible investment, preventing financial crime, being a responsible employer, responsible purchasing, local presence, financial stability and profitability. This also entails the management of risks related to the Bank's different roles – as a lender, asset manager, service provider, purchaser or employer.

Sustainability risks span over many areas, such as human rights, working conditions, the environment, climate, financial crime, and information and IT security. The identification, management and prevention of sustainability risk is important from both a financial and legal perspective, as are our actions as a community stakeholder. These are also of critical importance for the confidence we instil in the public, as well as our relationships with customers, employees, owners and investors. Handelsbanken's view is that responsible actions are thus essential to long-term value creation.

Handelsbanken's activities for managing sustainability risk follow our decentralised model and are aligned with the Bank's generally low risk tolerance. The Bank's business operations bear the responsibility for identifying sustainability risks and managing these. This is done within a framework of established processes for risk management.

Risk area	Risk description	Potential risk impact on Handelsbanken	Actions to minimise the risk	Leading conventions and guidelines
Climate	Climate-related risks are diverse, complex and often hard to measure. These risks can be split into physical risks and transition risks. Assets which, from a longer-term perspective, are deemed to be highly exposed to climate-related risks and risk losing their entire value are often referred to as 'stranded assets'. Physical climate risks arise as a consequence of global warming brought about by increased greenhouse gas emissions. This results in increased occurrences of extreme weather events, as well as rising sea levels, coastal erosion and similar consequences. These may, in turn, have a large impact on, including damage to, assets we have financed, or may affect companies we invest in. Transition risks are risks that arise through changes to legislation, changes in the demand for products and services, changed customer behaviour or other structural shifts which take place as part of society's attempts to transition to a climate-neutral economy, as a means of combating global warming.	The risk is primarily linked to increased credit losses and capital costs due to a deterioration of customers' financial positions. Weakened return on the Bank's investments. Also the risk of impaired reputation and decreased customer satisfaction.	Develop and improve our capacity to identify, measure, manage and report risks associated with both physical climate-related risks and transition risks in the investment and credit processes, as well as our process for risk control and reporting. This involves develop our existing procedures and processes in relevant areas, with the aim of more effectively being able to identify, value and also stress test assets exposed to climate-related risks. Periodic screening of companies we invest in, checklists in the credit assessment process, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support. Policy documents and instructions for responsible investment and responsible credits. Reporting in line with the TCFD recommendations.	Task Force on Climate-related Financial Disclosures (TCFD). The UN Environment Programme Finance Initiative (UNEP FI). Equator Principles. The UN Principles for Responsible Investment (PRI). The UN Principles for Responsible Banking (PRB).
Environment	Environmental risks are linked to both our own operations and the suppliers we use, but also to the companies we invest in and grant credit to. The risks may be associated with direct environmental incidents, pollution or other negative environmental impacts. However, they may also be indirect, such as business relations with companies engaging in operations that are not aligned with the transition to an environmentally sustainable economy, or which do not give sufficient attention to environmental issues in their operations.	Increased credit losses due to a deterioration of customers' financial positions. Weakened return on the Bank's investments. Also the risk of impaired reputation and decreased customer satisfaction.	Supplier Code of Conduct. Periodic screening of companies we invest in. Checklists in the credit assessment process, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support. Policy documents and instructions for responsible investment and responsible credits.	The UN Environment Programme Finance Initiative (UNEP FI). Equator Principles. The UN Principles for Responsible Investment (PRI). The UN Principles for Responsible Banking (PRB).
Human rights, social conditions and working conditions	The risk of abusing human rights is greatest in the role the Bank has as a lender and when we invest in companies, although the risk is also present in our own operations. Risks related to working conditions chiefly concern health and safety, harassment and victimisation, as well as union rights, reasonable wages and rights to all employee benefits as regulated by law. In our own operations, the risk is mainly linked to the Bank as an employer and the Bank's business culture, as well as relationships with suppliers.	Reputational damage and weaker financial position.	Mandatory training for employees, the Supplier Code of Conduct, supplier audits, the revision and strengthening of related processes connected with the Group's operations and its range of products and services. Periodic screening of companies we invest in, checklists in the credit assessment process, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support. Policy documents for responsible investment and responsible credits.	The UN Universal Declaration of Human Rights. The International Labour Organisation's core conventions. The UN Convention on the Rights of the Child. The UN Guiding Principles on Business and Human Rights. Children's Rights and Business Principles. The UN Global Compact. UK Modern Slavery Act.
Financial crime	These risks are chiefly associated with customers' use of the Bank's products and services for criminal activity. This refers primarily to money laundering, corruption, terrorist financing, various types of fraud, tax crime and other serious financial crime.	Legal consequences, resulting in substantial fines or other sanctions, or claims for damages. Reputational damage and weaker financial position.	Mandatory training to raise employees' awareness, constant revision and strengthening of related processes. Customer due diligence, including customer committees and transaction monitoring.	EU legislation for anti-money laundering and customer due diligence.
Information security and IT security	Risks linked to deficiencies in the management of personal information and company information with respect to availability, accuracy, confidentiality and/or traceability.	Weakened confidence, financial consequences arising from fines or other sanctions, or claims for damages.	Administrative systems, such as rules and instructions, as well as technical security solutions. Continuous follow-up of events which occur both within and outside our operations, for example. through collaboration in international forums. Employee training and informing customers, in order to increase awareness of the threats and risks related to information security.	ISO 27001 international standard. Standard of Good Practice produced by Information Security Forum (ISF).

Key figures for sustainability

Based on the materiality analysis for defining Handelsbanken's most significant sustainability topics, a number of relevant key figures have been compiled in a table. The key figures are organised in the same way as the Bank's material sustainability topics and are grouped in seven sub-areas.

Key figures for sustainability

The Bank and its customers	2019	2018	2017	2016	2015
Customer satisfaction, private customers, SKI/EPSI index					
Sweden	71.5	72.3	68.9	67.6	72.4
UK	84.6	83.9	85.2	83.5	83.6
Norway	77.2	78.1	77.5	74.2	75.8
Denmark	75.7	77.8	76.8	77.7	77.7
Finland	81.2	80.1	79.6	80.1	81.9
The Netherlands	77.7	78.0	78.0	74.1	73.5
Customer satisfaction, corporate customers, SKI/EPSI index					
Sweden	66.5	67.7	67.5	69.4	74.1
UK	83.1	82.6	83.8	81.6	80.7
Norway	72.9	71.5	72.5	69.9	69.7
Denmark	71.9	71.8	72.3	75.7	72.2
Finland	80.0	79.1	78.7	77.5	76.4
The Netherlands	75.3	73.5	72.4	71.9	72.8

The Bank's role in the community	2019	2018	2017	2016	2015
Number of branches and meeting places	769	779	807	819	848
Number of local collaborations and activities	> 800	> 600	> 400	> 400	-
Only local bank, home markets	68	63	66	59	68
Total taxes and government fees, SEK bn	12	11	10	8	8
Credit losses as a percentage of lending	0.04	0.04	0.08	0.09	0.09
Total emissions of greenhouse gases, CO_2e tonnes	9 193	9 628	9 878	9 432	11 580
of which Scope 1 – direct emissions	*27*	*41*	*86*	*51*	*28*
of which Scope 2 – indirect emissions	*5 422*	*5 488*	*5 562*	*5 416*	*7 504*
of which Scope 3 – other indirect emissions	*3 744*	*4 099*	*4 230*	*3 965*	*4 048*

Responsible investment	2019	2018	2017	2016	2015
Assets under management in funds with enhanced sustainability criteria, SEK bn	576	311	221	166	93
Proportion of assets under management in funds[1] with:					
enhanced sustainability criteria, %	90	44	32	29	17
negative screening regarding controversial sectors, %	90	44	32	29	17
negative screening regarding companies that violate international standards and conventions, %	90	44	32	29	17
Fund assets under management in companies:					
with positive screening regarding sustainability aspects (ESG), SEK bn	3.9	3.0	2.4	0.7	0.7
with screening regarding environmental aspects, SEK bn	0.3	-	-	-	-
Fund assets under management in green, sustainable and social bonds, SEK bn	22.2	-	-	-	-
Fund assets under management in impact investing, SEK bn[2]	4.4	1.8	-	-	-
Proportion of fund assets under management evaluated according to PRI, %[3]	100	100	100	100	100
Total number of dialogues for engagement	563	507	251	140	
Number of funds with a quantified carbon footprint and official comparative figure	72	31	34	26	24

Responsible financing	2019	2018	2017	2016	2015
Green bonds – volume arranged, SEK bn	16.3	20.0	8.3	5.2	3.0
Green loans outstanding volume, SEK bn	7.4	1.8	0.3	-	-
Eligible green assets, SEK bn	12.1	10.1	-	-	-
Equator Principles					
Project financing, number of loans					
Category A	0	0	0	0	-
Category B	1	1	0	0	-
Category C	0	0	0	0	-
Project-related corporate loans, number of loans					
Category A	0	0	0	0	-
Category B	0	0	0	0	-
Category C	0	0	0	0	-

[1] Fund volumes are based on Handelsbanken's own mutual funds in the Nordic market and mutual funds managed by Optimix (the Netherlands), and the proportion of total fund volume refers to volume after eliminations on consolidation.

[2] Investments that generate measurable, positive impacts on society, combined with a financial return.

[3] Requirement that fund managers, internal and external, have signed the Principles for Responsible Investment (PRI).

Key figures for sustainability, cont.

The Bank as an employer	2019	2018	2017	2016	2015
Average number of employees	12 548	12 307	11 832	11 759	11 819
Gender breakdown, percentage women/men					
All employees	50/50	49/51	49/51	50/50	50/50
Managers	40/60	39/61	40/60	40/60	39/61
Executive management [4]	14/86	34/66	32/68	29/71	22/78
Percentage of managers recruited internally, Group	92	96	92	93	93
Percentage of managers recruited internally, Sweden	97	99	97	99	99
Staff turnover, Group %	5.0	3.9	4.7	4.0	3.0
Sickness absence rate, %					
Sweden	3.0	3.1	3.0	3.2	3.0
UK	1.5	0.9	1.0	1.0	1.1
Norway	4.2	3.8	3.0	3.1	3.6
Denmark	2.3	1.2	1.0	1.3	1.3
Finland	2.0	2.0	1.8	1.9	1.4
The Netherlands	2.3	2.7	2.8	2.9	1.8
Number of cases reported to national equality ombudsman or a corresponding official body (against the Bank in its capacity as employer)	0	0	1	0	0
Percentage of staff covered by a work environment survey, % [5]	100	100	100	100	100
Number of employees who carried out a work environment survey	10 364	10 181	7 388	5 929	4 261
Total outcome (scale 1–4)	3.4	3.4	3.4	3.4	3.4
for Trust	3.3	3.4	3.3	3.3	3.3
for Respect	3.5	3.5	3.5	3.5	3.5
for Balance	3.2	3.2	3.2	3.2	3.2
for Communication	3.4	3.5	3.4	3.4	3.4
for Security	3.7	3.7	3.6	3.6	3.6
for Physical work environment	3.1	3.1	3.1	3.1	3.1
for Competence	3.5	3.5	3.5	3.4	3.5
for Pride	3.4	3.5	3.5	3.5	3.5
Staff covered by a periodic performance evaluation, %	100	100	100	100	100

The Bank's business culture	2019	2018	2017	2016	2015
Proportion of suppliers (purchased volume in %) that have signed the Bank's code of conduct, or whose code the Bank has approved	76	75	73	73	-
Percentage of employees who have completed training in anti-corruption, and prevention of money laundering and terrorist financing, % [6]					
Sweden	97	91	-	-	-
UK	98	96	-	-	-
Norway	94	93	-	-	-
Denmark	97	97	-	-	-
Finland	95	89	-	-	-
The Netherlands	98	80	-	-	-
Other countries	98	90	-	-	-
Total business travel, million kilometres	29.6	32.3	31.9	27.7	28.3
Business travel per employee, kilometres	2 424	2 703	2 782	2 437	2 483
Number of video conferences	218 095	129 616	41 260	21 382	16 446

The Bank as an investment	2019	2018	2017	2016	2015
Handelsbanken's green bond, volume, EUR m	500	500	-	-	-
Return on equity, %	11.9	12.8	12.3	13.1	13.5
Economic value creation (in accordance with GRI), SEK bn	41.3	40.1	38.0	37.7	39.8
Sustainability analysts' assessments of Handelsbanken					
SAM – new method [7]	74	77	77	-	-
RobecoSAM – old method	-	-	80	82	73
IMUG	positive (B) [8] positive (B) [9]	- -	neutral CCC [8] neutral CC [9]	- -	neutral CC [8] neutral CC [9]
Sustainalytics	78	77	74	71	69
ISS-oekom	C (Prime)	C (Prime)	C- (not Prime)	C- (not Prime)	C- (not Prime)
MSCI ESG rating	AA	A	A	A	A

[4] For 2015–2018, the figures refer to Senior Management.
[5] Information regarding the work environment surveys for 2015 and 2016 refers to Sweden.
[6] Percentage of employees assigned to the training programme.
[7] The method was revised for 2018. The 2017 results are those recalculated by RobecoSAM using the new method.
[8] Non-covered bonds.
[9] Covered bonds.

Facts: The Bank and its customers

CUSTOMER SATISFACTION

Handelsbanken considers customer satisfaction surveys very important. Every year, EPSI Rating, which includes SQI (Swedish Quality Index), carries out independent surveys of customer satisfaction. The results of this year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all six of the Bank's home markets.

Customer satisfaction, Handelsbanken 2019

	Private customers	Sector average	Corporate customers	Sector average
Sweden	71.5	67.3	66.5	64.1
UK	84.6	72.1	83.1	70.4
Norway	77.2	70.9	72.9	70.6
Denmark	75.7	70.0	71.9	70.3
Finland	81.2	73.6	80.0	72.2
The Netherlands	77.7	68.2	75.3	63.5

Source: SKI/EPSI 2019.

Managing customer complaints

Customer complaints must be dealt with correctly, carefully and as efficiently as possible. First, the complaint is managed by the local branch responsible. If the customer wishes to pursue the matter, all regional banks in each home market have a designated complaints officer. In addition, there are complaints officers at the Group level. Complaints officers at the Group level regularly report to executive management and product owners. Information about how the Bank manages complaints is available from the Bank's websites.

Financial advisory services

For financial advisory services in conjunction with granting credit, investments and in insurance mediation, the Bank always considers the customer's overall situation and financial circumstances. Based on this, we can provide guidance on financing, payments or investments adapted to each customer's requirements. We focus on the customer's needs – not individual products or services.

When providing investment advice, we adapt the proposal to the customer's goals, interests, savings horizon and attitude to risk. We consider it essential for the customer to understand the risk associated with each type of financial instrument and also to have the knowledge and experience needed to invest in the product or service selected. The information the Bank provides to customers must be clear, factual and easy to understand, and the terms and conditions for the Bank's services must be clear and not changed arbitrarily. We also discuss customer sustainability preferences, and inform the customer about Handelsbanken's sustainability work and the products with specific sustainability criteria that we offer.

The regulations for financial advisory services and insurance mediation require that all employees who provide customers with advice concerning investments and insurance have relevant, up-to-date skills. Handelsbanken has broad expertise in investment advisory services and complies with the regulatory requirements from the EU and local supervisory authorities in all six of the Bank's home markets. Handelsbanken has almost 4,400 employees permitted to provide investment advice. All are licensed to provide advisory services concerning financial instruments, and they update their knowledge every year through mandatory professional training.

Development of the product offering

One of the Bank's main contributions to more sustainable development is embodied in the financial products the Bank offers. Thus, it is vital to take sustainability into account when approving new and amended products. The process for approving new and amended products and services is based on the Bank's policy for products and services and adheres to a checklist describing the product's characteristics, risks and other relevant information. The process is also intended to ensure the Bank's sustainability topics are taken into account.

INTEGRITY AND CONFIDENTIALITY – INFORMATION SECURITY AND IT SECURITY

Work with the Bank's information security and IT security involves protecting customers' information and transactions and also the Bank's IT environment. Information security covers administrative systems, such as rules and instructions, as well as technical security solutions.

It is important that the Bank actively works with IT security to meet possible threats, and that there are procedures for managing changes in the IT environment so that no breaches occur. In the case of deficient processing, or if information were to be released by mistake, the consequences could be serious, including weakened confidence in the Bank or financial losses.

The Group Chief Executive establishes guidelines for information security at Handelsbanken. All employees of the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. Information security work is pursued in accordance with the ISO 27001 international standard. In June 2019, Handelsbanken's organisation for information security, as well as four essential processes within IT production, were certified according to ISO 27001.

The Bank's information security and IT security work, as well as its management of sensitive information, is also governed by international and national legislation.

In 2019, 22 incidents (26) relating to customer privacy or poor management of customer data were reported. None of the reports was received via government authorities. A total of 18 were complaints received from customers which were found to be substantiated by the Head of Information Security, while four were identified internally. All cases have been managed with the parties affected. This data do not include cases under the General Data Protection Regulation (GDPR), introduced in May 2018.

The Bank's information security regulations are based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation which counts most of the largest companies in the world as members. The work with information and IT security is pursued systematically, and we apply a process where risk analysis plays a central role. The risk analyses employ the ISF's Information Risk Analysis Methodology (IRAM).

The conditions for IT security are constantly changing. Thus, Handelsbanken needs to continuously evaluate and take a stand on new potential threats in this area. By continuously following up events which occur both within and outside our operations, it is easier to take the right action at the right time. To this end, the Bank participates and collaborates in international forums. For several years, Handelsbanken has been a 'listed team' in the Trusted Introducer community (a European network for IT security) and a full member of the Forum of Incident Response and Security Teams (FIRST). Handelsbanken also participates in FIDI-FINANS, a forum for sharing information between the government, the business community and other relevant organisations in Sweden regarding information security in the financial sector. The forum is led by the Swedish Civil Contingencies Agency (MSB).

Facts: The Bank's role in the community

FINANCIAL ASPECTS

Pages 77–236 of Handelsbanken's Annual Report contain a complete account of the financial aspects of the operations, but the most important key figures connected with financial aspects and sustainability are reported below and on pages 57–58.

Lower credit losses

Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Credit losses were SEK -1,045 million (-881). Credit losses as a proportion of lending were 0.04 per cent (0.04). For the most recent 10-year period – that is, since 2010 – the Bank's average credit loss ratio has been 0.07 per cent. This can be compared to the average of the five other major banks in the Nordic region: 0.15 per cent.

Handelsbanken Group	2019	2018
Profit before credit losses, SEK m	22 821	22 880
Net credit losses, SEK m	-1 045	-881
Operating profit, SEK m	21 796	22 013
Return on equity for total operations	11.9%	12.8%
Credit loss ratio	0.04%	0.04%

Credit losses as a percentage of lending

* Only Swedish banks are included for the period up to and including 2000.

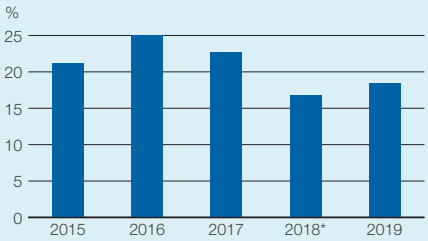
Capital

The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed by 1–3 percentage points the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The tier 1 ratio and the total capital ratio must also be at least 1 percentage point above the total capital requirement communicated to the Bank by the Supervisory Authority for the respective capital tiers. Additionally, the Bank must fulfil any other capital requirements set by the regulators.

Outcome

At year-end, the common equity tier 1 ratio was 18.5 per cent (16.8). The Bank estimates that the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at that time was 15.8 per cent. The Bank's capitalisation was thus within the target range.

Common equity tier 1 ratio, CRD IV



*The common equity tier 1 ratio was affected when the Swedish Financial Supervisory Authority moved the risk weight floor for mortgage loans in Sweden to Pillar 1, at 31 December 2018.

Political independence

Handelsbanken is not allied to any political parties. The Bank does not provide any financial support to any political party, nor does it make any other type of political donation.

Taxes and distributed economic value

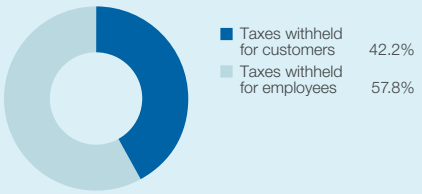
Handelsbanken wishes to provide transparent financial reporting on how the economic value generated by our operations is distributed. The Bank pays and reports tax based on local regulations in the countries where it operates. Handelsbanken complies with the OECD Transfer Pricing Guidelines, such that the Group's earnings are taxed where value is created. The Bank also prepares a country-by-country report showing the Group's earnings and tax in the countries where its operations are run. The Bank's operations in Luxembourg and Hong Kong are not subject to local tax regimes that allow for lower tax rates. The Bank's international branches in Luxembourg and Hong Kong conduct real operations with profits from local business operations for which the Bank is taxed locally in accordance with the normal local tax regulations.

MODERN SLAVERY AND HUMAN TRAFFICKING

Handelsbanken does not accept any form of child labour, slave labour or human trafficking. It works to prevent the occurrence of these in the Group's supply chain and in other companies with which Handelsbanken has business relations. The UK Modern Slavery Act 2015 requires that certain organisations annually state the actions that they

Total taxes and government fees 2019, SEK 11.8 bn

Taxes withheld for customers and employees 2019, SEK 6.9 bn



Geographical information 2019

SEK m	Income	Operating profit	Corporate tax (current tax)*	Social security costs	Fees for the Swedish resolution fund, deposit guarantee, etc.	Assets	Average number of employees
Sweden	26 621	13 886	-4 100	-1 628	-1 567	2 612 909	7 401**
UK	7 185	3 074	-830	-226	-163	360 677	2 442
Norway	4 336	2 646	-615	-136	-209	316 359	777
Denmark	2 312	849	-167	-104	-84	143 762	651
Finland	2 214	1 143	-201	-13	-107	262 504	617
The Netherlands	1 022	326	-86	-41	-34	66 371	336
USA	288	43	-20	-7	-	340 105	62
Luxembourg	192	80	-20	-7	-1	43 596	46
China	123	-84	-11	-	-	5 300	80
Germany	100	-15	-10	-5	0	14 011	38
France	64	31	-5	-2	0	4 002	6
Singapore	49	-85	3	-	-	6 444	30
Poland	40	-57	-	-2	0	1 118	33
Estonia	12	-14	-	-6	0	215	19
Latvia	4	-13	-	-1	0	482	5
Lithuania	2	-14	-	0	0	45	5
Eliminations	-	-	-	-	-	-1 108 233	-
Group	**44 564**	**21 796**	**-6 062**	**-2 178**	**-2 165**	**3 069 667**	**12 548**

* Current tax is the same as paid tax in all material respects.

** Includes eight employees at the Bank's representative offices, as specified on page 253 of the 2019 Annual Report.

The table, which is laid out according to GRI principles, shows how the income generated by the Bank's operations is distributed among various groups of stakeholders. The data comes from the Group's income statement and balance sheet.

Direct economic value generated and distributed (in accordance with GRI) Economic flows to and from various groups of stakeholders

SEK bn	2019	2018	2017	2016	2015
DIRECT ECONOMIC VALUE CREATED					
Customers					
Income after credit losses and before fees for the Swedish resolution fund, deposit guarantee, etc.	41.3	40.1	38.0	37.7	39.8
Value created by serving customers	**41.3**	**40.1**	**38.0**	**37.7**	**39.8**
DISTRIBUTED ECONOMIC VALUE					
Employees					
Salaries	9.3	8.7	8.4	8.1	8.0
Provision to profit-sharing foundation (incl. social security costs)*			0.8		0.9
Social security costs and other staff costs	5.1	3.9	3.3	4.4	3.7
Cost of employees	**14.4**	**12.6**	**12.5**	**12.5**	**12.6**
Public authorities and society at large					
Suppliers**	8.2	7.4	6.5	5.9	5.7
Corporate tax (current tax)	6.1	5.4	5.4	5.2	4.9
Deferred tax	-1.2	-0.8	-0.5	-0.8	-0.6
Fees to the Swedish resolution fund, deposit guarantee, etc.	2.2	2.8	2.0	1.3	1.1
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
To society	**15.3**	**14.8**	**13.4**	**11.6**	**11.1**
Shareholders					
Dividends (refers to the year dividends were paid)	10.7	14.6	9.7	11.4	11.1
New share issue		-	-	-	-
Transactions with the shareholders	**10.7**	**14.6**	**9.7**	**11.4**	**11.1**
Reinvested economic value ('remaining in the Bank')	**0.9**	**-1.9**	**2.4**	**2.2**	**5.0**

*The preliminary provision made in 2018 and reversed early in 2019 has been excluded from this table.

**Refers to Other administrative expenses and depreciation.

The table of direct economic value generated and distributed shows how the income generated by Handelsbanken's operations during the year was distributed among various stakeholders. The calculation is based on the figures in the income statement and in accordance with the GRI guidelines. The distributed items in the table are based on a broader value created where salaries, depreciation, amortisation, and other administrative costs (suppliers) are added to the operating profit. The purpose is to show in a basic way how Handelsbanken creates value for its stakeholders and in the economic systems in which the organisation works. The table provides an overview of the direct measurable monetary value contributed by Handelsbanken to its stakeholders, and thus how the Bank contributes to development in society.

have taken to ensure that modern slavery and human trafficking do not occur in their supply chains or in their operations. Internal instructions and procedures are in place so that employees understand how to act if they are faced with or suspect a case of modern slavery or human trafficking.

More information and a statement on the Modern Slavery Act 2015 may be found at handelsbanken.co.uk.

ECONOMIC RESEARCH AND EDUCATION

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse.

Together, these foundations are one of the most important sources of funding for economic research in Sweden. In 2019, 208 grants (189) were awarded for a total of SEK 215 million (215).

At the end of 2019, the foundations' combined capital was SEK 8,268 million (6,684).

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and provided financial support to the Swedish House of Finance (SHoF).

Handelsbanken also supports a research project at the Stockholm School of Economics where studies and analyses are performed on the most important factors in creating customer satisfaction and also in monitoring the link between loyalty and profitability.

DIRECT ENVIRONMENTAL AND CLIMATE IMPACT

In accordance with the Paris Agreement, emissions linked to our own operations must be reduced over time. Systematic environmental work is continually done at Handelsbanken to steadily reduce the environmental impact of operations. This is monitored using an array of key figures that show how the work is progressing. Handelsbanken's goal is to actively work to minimise its direct environmental impact by constantly developing its environmental activities. We are working to achieve this by boosting resource efficiency and recycling, for example, and by taking environmental impact into account in our purchasing and business travel. One concrete example of this work is the Bank's company car guidelines, stipulating that company cars that are neither electrically powered nor plug-in hybrids may only be selected in exceptional cases.

Energy and carbon dioxide

The Bank's direct impact derives mainly from energy consumption, business travel and transport as well as use of resources such as paper.

ENVIRONMENTAL DATA

General information	Unit	2019	2018	2017	2016	2015	Base year 2013*
Number of branches reporting		758	768	806	809	827	791
Total office space reported	m^2	452 821	450 789	450 532	456 838	455 176	458 071
Number of employees covered by environmental data [1]	persons	12 217	11 959	11 471	11 373	11 407	11 070
Proportion of total number of employees	%	97	97	97	97	97	96
Emissions of greenhouse gases (CO_2e)	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**	**Base year 2013***
Emissions Scope 1 [2]	tonnes	27	41	86	51	28	47
Emissions Scope 2 [3]	tonnes	5 422	5 488	5 562	5 416	7 504	11 385
Emissions Scope 2 without GO electricity	*tonnes*	*9 150*	*9 401*	*8 775*	*9 287*	*9 415*	*11 987*
Emissions Scope 3 [4]	tonnes	3 744	4 099	4 230	3 965	4 048	4 787
Total emissions [5]	tonnes	9 193	9 628	9 878	9 432	11 580	16 219
Total emissions per employee	tonnes/employee	0.75	0.81	0.86	0.83	1.02	1.47
Emissions of greenhouse gases by source (CO_2e)	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**	**Base year 2013***
Emissions from energy use (in buildings)	tonnes	5 443	5 520	5 639	5 460	7 525	11 427
Emissions from business travel	tonnes	3 341	3 743	3 824	3 362	3 243	3 555
Emissions from other sources	tonnes	409	365	415	610	812	1 237
Emissions by country (CO_2e)	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**	**Base year 2013***
Sweden	tonnes	4 300	4 789	4 532	4 456	4 632	7 336
UK	tonnes	2 751	2 727	3 011	2 710	4 663	4 001
Norway	tonnes	400	445	476	421	430	848
Denmark	tonnes	534	558	578	609	680	1 924
Finland	tonnes	631	621	659	689	689	1 716
The Netherlands	tonnes	577	488	622	547	486	394
Energy consumption	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**	**Base year 2013***
Total energy consumption (in buildings)	MWh	99 076	102 494	100 114	103 642	105 060	118 923
Electricity consumption	MWh	41 404	44 101	43 669	45 835	47 504	53 704
Change in electricity consumption from preceding year	%	-6.1	1.0	-4.7	-3.5	-5.8	-
Proportion renewable electricity [6]	%	100	100	99	99	92	80
Total electricity consumption per employee	MWh/employee	3.4	3.7	3.8	4.0	4.2	4.9
Use of heating and cooling	MWh	57 672	58 393	56 445	57 807	57 556	65 219
Business travel	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**	**Base year 2013***
Total business travel	km	29 613 756	32 328 350	31 909 038	27 719 588	28 319 984	29 697 980
Business travel per employee	km/employee	2 424	2 703	2 782	2 437	2 483	2 683
Travel by air	km	19 417 459	21 872 038	21 531 214	18 034 955	17 481 188	18 584 368
Travel by car	km	6 451 782	6 970 747	7 558 391	7 080 995	7 163 074	7 203 086
Travel by train	km	3 744 515	3 485 565	2 819 433	2 603 638	3 675 722	3 910 526
Resource efficiency	**Unit**	**2019**	**2018**	**2017**	**2016**	**2015**	**Base year 2013***
Paper use	tonnes	1 138	1 111	1 200	1 214	1 465	1 605
Paper use per employee	tonnes/employee	0.09	0.09	0.10	0.11	0.13	0.15

[1] Number of employees according to the definition in the Annual Report/number of full-time employees.
[2] Scope 1 – Direct emissions from stationary and mobile combustion of diesel, city gas and Eo1 fuel oil.
[3] Scope 2 – Indirect emissions from purchased electricity, heating and cooling.
[4] Scope 3 – Other indirect emissions from business travel, transport and use of paper.
[5] Emission factors (see method description) are updated for the respective year when the relevant figure becomes available. This also applies historically. 2013–2018 have been adjusted due to incorrectly reported data from one unit.
[6] Refers to electricity from wind power and hydroelectric power.
* The year 2013 was when the Bank acquired its current structure, with six home markets, and is the base year for Handelsbanken's comparisons of emissions over time.

We are working to minimise the carbon dioxide emissions generated by our operations. In 2019, carbon dioxide emissions from Handelsbanken's operations totalled 9,193 tonnes. Since 2013, the Bank has reduced its emissions by 43 per cent.

The Bank's electricity consumption decreased by 6 per cent in 2019 compared with 2018. The proportion of renewable electricity is 100 per cent for all home markets.

Environmental work during the year

Throughout the Bank, changes are constantly being made which, together, are reducing environmental and climate impact.

Examples of actions carried out in 2019:

- Branches and central departments use an environmental checklist, which consists of concrete actions for reducing environmental impact. This was launched in all six of the Bank's home markets during the year.
- Business travel by train in Sweden has increased by 53 per cent while air travel has decreased.
- In 2019, the number of video conferences that can replace business travel was up by 68 per cent from 2018.
- Work to reduce paper consumption continued, and many print-outs linked to the mortgage loan business have been moved to the customer's online inbox. Since 2013, the number of paper communications to customers has gone down by 16 per cent.

Climate compensation

Handelsbanken works constantly to minimise the emissions generated by our operations. The Bank also purchases carbon offsets for the reported CO_2 emissions generated by the operations. The Bank purchases carbon offsets through projects with verified climate benefits which have been registered with the UN Clean Development Mechanism (CDM). The projects are certified based on the Gold Standard, a certification endorsed by more than 80 non-governmental organisations (NGOs) that ensures the projects contribute to long-term sustainable development.

Through our customers' leasing, Handelsbanken indirectly owns many different vehicles. The emissions from these have not yet been included in our total reported emissions, but Handelsbanken Finland is nonetheless leading by example, and has chosen to compensate for the emissions generated by the Finnish leasing fleet. The emissions have been estimated with the help of Finnish emissions statistics, and Handelsbanken Finland compensates using emission allowances in a UN-registered, Indian wind power project, which is also certified according to the Gold Standard.

Method description for environmental data

Climate-based calculations are made according to the GHG Protocol. The calculations include emissions from sources that are owned or operatively controlled by the Bank, which are divided into three categories, referred to as scopes. Scope 1 covers direct emissions from the stationary combustion of diesel, city gas and Eo1 fuel oil from backup generators, heat generation in our own properties, and mobile emissions from our service vehicles. Scope 2 covers indirect emissions from purchased electricity, heating and cooling. Emissions in both scopes are calculated on the basis of specific consumption figures for each branch or unit, multiplied by an emission factor. When specific figures are unavailable, consumption is estimated using adjacent units or energy statistics.

Scope 3 covers indirect emissions outside our organisation. For this, the information is received directly from our paper suppliers, travel agency and transporters. Emissions from car travel are supplemented with unit-specific information from the Bank's company cars.

We measure our material environmental impact in our six home markets. These markets represent 97 per cent of the Bank's total number of employees. The calculations include the relevant greenhouse gases, primarily CO_2, CH_4 and N_2O. Certain emissions are not included in the calculations, such as emissions from coolants, commuting, customers' and employees' leased cars, and from the Bank's investments. The Bank's investments are analysed in asset management's climate reports, in accordance with the TCFD recommendations. The Bank's CPD reporting provides a more detailed description of emission calculations.

Activity	Source emission factors
Stationary combustion	National authorities
Mobile combustion	Unit-specific figures
Electricity consumption	National authorities & external consultant
Heating & cooling	Local energy producers & trade associations
Transport	Figures from service provider
Business travel	Unit-specific figures & figures from service provider
Resource consumption	Figures from service provider
Greenhouse gases	GWP factors CO_2: 1, CH_4: 25 & N_2O: 298. Source: IPCC Fourth Assessment Report

SERVICES FOR THE PUBLIC GOOD

Handelsbanken continues to digitalise the Bank and adapt to the wishes and needs of our customers. This in turn leads to new expectations on our meeting places, where new digital solutions help simplify everyday tasks and streamline service and prompt new services and solutions that benefit the Bank's customers.

Digital solutions

In Sweden, Handelsbanken collaborated with other Swedish banks to develop the Swish payment service and the BankID electronic ID system. Using Swish, all our private customers in Sweden can quickly and simply make payments in real time to individuals, companies, associations and organisations that are linked to the service. Using BankID, public authorities, organisations, companies and banks in Sweden can identify private individuals, making it possible to execute digital agreements, orders and confirmations.

Handelsbanken Denmark has a distribution agreement with MobilePay, whereby our customers can easily make payments using their smartphones in shops, in online stores, in apps and to other users of the service. In Norway, Handelsbanken has an agreement with Vipps, the country's leading payment app. Customers in the Netherlands can use iDEAL, the country's standard for online payments. In Finland, our customers can use the market-leading MobilePay payment app.

The majority of the Bank's home markets have in common that we offer our customers personal technical support, 24 hours a day. When their branch is closed, our customers in Sweden can also receive personal service by phone in any of 20 different languages. Personal service by phone is also offered outside office hours in other markets.

Cash services

Handelsbanken is a part owner of Bankomat AB, a leading operator within cash handling in Sweden. Bankomat AB invests in ATMs – both freestanding and at cash centres – throughout Sweden. In addition to Bankomat's ATMs, in about 562 locations, our customers can withdraw cash from other ATMs that accept MasterCard and Visa.

In addition to withdrawals, private customers can make deposits at Bankomat ATMs in 161 locations.

Cash services are offered at 160 of our 383 branches in Sweden. Our customers can also order banknotes online, by phone or at branches. The banknotes may be picked up at Postnord service points throughout Sweden. Most of Handelsbanken's card customers can also withdraw cash at almost 1,300 ICA shops around Sweden, with no purchase required.

To increase availability and offer cash handling around the clock for our customers in Denmark and Finland, we collaborate with external parties so that our customers can access more ATMs for cash withdrawals and deposits.

Facts: Responsible financing

Handelsbanken must act responsibly and with a long-term perspective. The Bank has clear guidelines for its business relations regarding human rights, working conditions, and environmental and climate-related concerns.

BUSINESS RELATIONSHIPS

Guidelines regarding armaments and defence industry

Handelsbanken's guidelines for business relationships with the armaments and defence industry state that the Bank must not have business relations with companies that manufacture or trade in weapons that are prohibited under international conventions. This includes biological weapons, chemical weapons, anti-personnel mines and cluster munitions. Nor can Handelsbanken have business relations with companies that manufacture or trade in nuclear weapons, or with companies that export weapons to countries under a UN or EU embargo.

Guidelines regarding the environment and climate change

Handelsbanken has guidelines for business decisions related to the environment and climate change. These state that, with respect to the companies with which the Bank has business

relations, Handelsbanken must be aware of, and act upon, the risks linked to climate change, environmental damage, corruption and human rights. The guidelines also state that Handelsbanken must not directly finance new mining of coal or new coal power plants. Nor will the Bank initiate new business relations with companies that are either active in coal mining or are dependent on coal, and that are not working actively to ensure a transition to renewable energy production.

Guidelines regarding business relations in forestry and farming

Handelsbanken has guidelines for how the Bank should approach business relationships in forestry and farming. The guidelines specify which aspects we must take into consideration when granting credits, for example, that we expect customers, suppliers and business partners to respect the rights of employees, minimise negative environmental impact, preserve biological diversity, prevent deforestation and protect high conservation value forest.

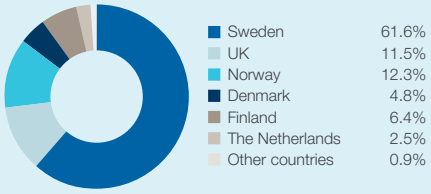
Guidelines regarding business relations in the tobacco industry

Handelsbanken has guidelines to clarify the Bank's approach to companies in the tobacco industry. This states the importance of companies in the tobacco industry with which the Bank has business relations, having processes to address the relevant risks that exist over the whole life cycle of the product. The Bank must not to have any business relations with companies involved in cigarette production.

Guidelines for managing taxes

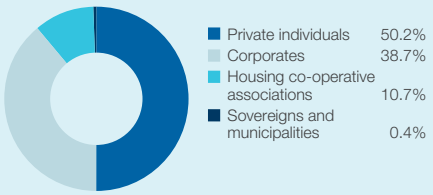
Handelsbanken's guidelines for managing taxes state, among other things, that the Bank must not participate in transactions, through granting credits or otherwise with respect to customers, directly or indirectly, which constitute a step in tax evasion, or in transactions with no business purpose, undertaken only to obtain tax advantages in conflict with the objective of the tax regulations. This also applies in relation to suppliers and other business partners. If there is doubt, the Bank must refrain from participating.

Loans to the public 2019 – Geographic breakdown



Total: SEK 2,293 billion

Loans to the public 2019 – Sector breakdown



Total: SEK 2,293 billion

EXPOSURE TO CLIMATE-RELATED RISKS

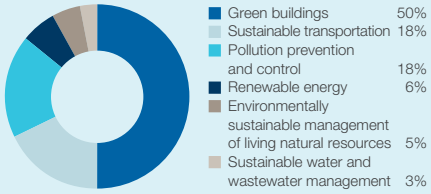
In late 2017, Handelsbanken carried out a screening of the Bank's lending to energy production, which showed that such loans represent only about 1 per cent of total loans to the public. Of this lending, about 12 per cent was to fossil fuel-based production, about 7 per cent to nuclear power, and some 81 per cent to energy produced from renewable sources. A similar screening was undertaken at the end of the third quarter of 2019. The results showed that there was an even lower proportion of lending to energy production.

Loans to the public, 31 December 2019	SEK bn	Proportion of total lending, %
Private individuals	1 152	50.2
of which mortgage loans	*939*	*41.0*
Housing co-operative associations	245	10.7
Property management companies	647	28.2
Manufacturing	29	1.3
Retail	29	1.3
Hotel and restaurant	9	0.4
Sea transport	6	0.3
Other transport and communication	11	0.5
Construction	19	0.8
Electricity, gas and water	19	0.8
Agriculture, hunting and forestry	19	0.8
Other services	20	0.9
Holding, investment and insurance companies	58	2.5
Other corporate lending	20	0.9
Sovereigns and municipalities	10	0.4
Total loans to the public	**2 293**	**100.0**

Green registry

Handelsbanken has built up a green registry, consisting of credits that finance green projects and that comply with the requirements and criteria stipulated in Handelsbanken's green bond framework. At the time of issue in summer 2018, the assets in the green registry totalled SEK 10 billion. At the end of 2019, the volume had increased to SEK 12.1 billion. In addition, Stadshypotek had green assets totalling SEK 2.4 billion at year-end.

Breakdown of credits in green registry



Facts: Responsible investment

Handelsbanken strives for sustainable development – in financial, social and environmental terms – in the companies in which the Bank invests on behalf of its customers. We do so based on the Bank's policies and on our commitments under international conventions and guidelines.

INVESTMENT PROCESSES

Integrating sustainability

Criteria related to the environment, social issues and corporate governance (ESG) are integrated with financial criteria to produce better background documentation for decisions in the investment process. The following three methods are common starting points for this work.

Inclusion

Active equity and fixed income management – selecting companies

In active asset management, analysis is paramount. Finding and investing in the right companies is key. The sustainability analysis helps identify risks in companies' business models and find companies at the forefront of the transition to sustainable development. Our active asset management screens companies in two dimensions: the company's sustainability performance and the company's products and services.

Companies in transition

As part of our sustainability work, we have elected to allow the inclusion of 'companies in transition' in our actively managed mutual funds. These companies are in the process of transitioning their business operations from fossil fuel energy production to renewable sources. There can thus be an exemption from the principle of excluding fossil fuels for a temporary period, if the company fulfils our criteria for qualification as a company in transition:

- The company produces and/or distributes electric power.
- The company's plans for the development of its operations are clearly defined, with the objective of reducing its carbon dioxide emissions in line with the Paris Agreement.
- The company's current operations must not consist primarily of fossil fuel energy.
- The company's current rate of investment must emphasise a transition from fossil fuels to renewable energy.

Index management – selecting indexes

Index management takes a rules-based approach, in which the manager foregoes company analysis and, instead, makes investments in line with the fund's index. Therefore, our index funds' sustainability criteria for companies that are included as well as companies excluded are built into the fund's index methodology.

We offer index funds that include companies based on their sustainability work. This selection is based on an evaluation of companies' sustainability performance. Companies that successfully manage sustainability-related risks and opportunities are favoured. Indexes are produced as part of a collaboration between an index supplier and a supplier of sustainability analyses.

Mutual fund portfolios – inclusion of funds

In our mutual fund portfolios, the asset managers do not invest directly in individual companies; instead, they invest in other funds. These fund investments can include Handelsbanken's own funds, and mutual funds from external fund management companies.

Fund investments are selected and followed up in a process that takes into account sustainability criteria at the mutual fund and fund management company levels. Demands are made on systematic sustainability work, which takes its starting point in international norms and conventions.

Handelsbanken Liv – inclusion of mutual funds
Handelsbanken Liv includes mutual funds that integrate sustainability in their investment process and make efforts to contribute to sustainable development. Financial, social and environmental sustainability are taken into account in the assessment and selection of which mutual funds are included in the range. Investments in mutual funds and investment products are preceded by an assessment of the fund management company and the product itself. For example, to be included among the mutual funds Handelsbanken offers, each fund management company must support the UN's Principles for Responsible Investment (PRI), must have policies or principles for systematic sustainability work and must regularly follow up its mutual funds. Funds that integrate sustainability and have an active process for engagement and corporate governance work are favoured in the selection.

Exclusion

Companies that our funds exclude
We exclude companies that do not act in line with the values which we at Handelsbanken respect and that, in various ways, represent a risk of hindering the work towards meeting the targets of the 2030 Agenda and the Sustainable Development Goals.

Consequently, our funds with enhanced sustainability criteria, which constitute 90 per cent of the total fund volume, exclude the controversial sectors listed in the table below, as well as excluding companies which are deemed to be in breach of international norms and conventions regarding, among other things, the climate, environment, human rights, corruption and working conditions.

In addition to the above, our funds have long excluded companies involved in banned weapons, nuclear weapons and coal mining.

Examples of companies that we exclude are published at handelsbanken.com/responsible-investments.

Sector	0% of income from production of:	Max. 5% of income from production of:	Max. 5% of income from distribution of:
Alcohol		•	•
Tobacco	•		•
Cannabis		•	•
Commercial gambling		•	•
Weapons and military equipment		•	•
Pornography	•		•
Fossil fuels*		•	•

* For our actively managed funds, the exclusion of a company with operations in the fossil fuel industry can be exempted if the company meets our requirements for qualification as a company in transition. One example could be a power company making the transition from fossil fuel energy production to renewable, thus reducing its environmental impact.

On a daily basis, the fund management companies' risk control function monitors that the funds follow the provisions regarding the exclusion of companies. The monitoring refers to excluded sectors and also to the companies that do not comply with international norms and conventions.

Mutual funds that Handelsbanken Liv excludes
Handelsbanken Liv avoids mutual funds that invest in companies with significant operations within the mining of coal for combustion or in power companies that use coal for combustion as a major source of energy. In addition, Handelsbanken Liv avoids funds that invest in companies involved in the manufacture or distribution of nuclear weapons and weapons banned under international law, such as cluster munitions, anti-personnel mines, chemical weapons and biological weapons. In 2019, stricter fund selection criteria were implemented for fossil fuels to ensure that the managed assets are directed to investments that contribute to a carbon-neutral society. The criteria will be implemented in 2020 with a fixed adaptation period.

Active engagement

Dialogues
Engagement is an important way for us to contribute to sustainable development. This applies both to proactive dialogue aimed at encouraging companies to improve their sustainability activities and to dialogue with companies that we feel do not comply with the international norms and conventions that we are committed to. We pursue the engagement process on our own through direct contact with companies as well as in collaboration with other asset owners and through sector initiatives.

In 2019, we engaged with 563 companies through dialogues on specific sustainability topics. A list of these companies is published at handelsbanken.com/responsible-investments. These dialogues have covered topics such as corruption, environmental destruction and labour laws.

Targeted dialogues
During the year, we held 37 targeted dialogues intended to proactively influence how companies work with sustainability. We also gather information about sustainability work through our regular contacts with company management and research analysts. In 2019, our asset managers had meetings with some 1,500 companies, to monitor the companies' performance and their business methods and opportunities.

Dialogues together with other investors
Working with other investors, we engage companies through joint dialogues. Co-operation means strength and sends a clear signal to the companies that we expect these issues to be taken seriously. The impetus for these dialogues is often suspected or confirmed violations of international norms and conventions, with the focus on the UN Global Compact's core areas: human rights, labour law, the environment and anti-corruption. In 2019, we participated in 145 such dialogues.

Collaborations and industry initiatives
We also take part in dialogues within the framework of international collaboration and sector initiatives such as PRI and FAIRR. The dialogues often focus on specific topics, such as the climate, deforestation or reduced use of antibiotics in food. In 2019, we participated in 381 such dialogues.

Engagement with fund providers
Handelsbanken Liv strives to influence fund providers to pursue sustainable development. By analysing and comparing the working methods of the fund management companies, Handelsbanken Liv can encourage fund providers to advance their own sustainability efforts. All funds on offer are regularly screened to identify holdings in companies that systematically violate international norms in areas such as the climate, environment, human rights, working conditions and corruption. If the evaluation of a mutual fund indicates non-compliance with these norms, a dialogue is initiated with the fund manager with the aim of influencing them to review the fund's holdings. If the dialogue with the asset manager does not lead to a change, the mutual fund may be excluded from the offering as a result. In addition to the regular screening, Handelsbanken Liv also works on certain focus areas, such as the climate and gender equality. During the year, fund providers have been analysed in terms of their climate-related work in both their management and reporting. These fund management companies have also been analysed in terms of their work to promote gender equality within the company and the asset management organisation, and have been asked to report the carbon footprint of their funds and to draw up ESG profiles. The result of these analyses constitutes supporting documentation for the annual follow-up of the fund provider.

Handelsbanken Liv's fund selection committee compiles such reviews and prepares supporting documentation to determine which mutual funds will be included or removed from its range of funds. Decisions are made by the subsidiary's Chief Executive.

Corporate governance
Conscious, active and responsible governance in the companies we select for our mutual funds is an important part of our assignment as an asset manager. As a shareholder, we have the opportunity to influence the operations of a company through corporate governance. In addition to dialogues, this mainly takes the form of voting at shareholders' meetings, as well as representation on nomination committees. The goal is that the companies achieve optimum value performance in the long term, benefitting our fund savers.

Shareholders' meetings
Our mutual funds invest globally in a great many companies spread over many markets. Shareholders' meetings are one of our most useful means of influencing the majority of companies in which our funds invest. In general, we support shareholder proposals that promote corporate sustainability and greater transparency in recording

and reporting the company's climate impact and its work with human rights and labour law.

In 2019, we voted at 814 ordinary and extraordinary shareholders' meetings distributed over 48 countries. Votes were cast either in person at the meetings or through proxies via electronic voting. Proxy voting enables us to reach more companies and markets and thus influence companies' development to a greater extent. We also voted in favour of several shareholder proposals on sustainability, such as for better climate reporting and analysis based on the two-degree target.

Nomination committees

The most direct impact we can have as owners is by serving on nomination committees. In Swedish companies where our actively managed mutual funds are a major shareholder, we exercise a particularly active ownership role, most notably by influencing the composition of the companies' boards through work in their nomination committees. Guidelines for nomination committee work are sent to all companies that offer us a seat on their committee. The guidelines cover the analysis of board expertise and needs, the importance of sustainability expertise, and a focus on achieving diversity and gender equality on the boards.

Ahead of annual general meetings in 2019, Handelsbanken Fonder participated in the work of 34 nomination committees. The boards proposed by these committees saw only a marginal increase in the proportion of women, from an average of 34 per cent of board members in 2018, to 35 per cent in 2019. Although the average figure remains relatively unchanged, there were major changes in many of the companies. The proportion of female board members increased in seven of the companies but, unfortunately, decreased in nine. Going into the 2020 nomination committee season, we will be increasing our focus on improving the gender equality on the companies' boards. Handelsbanken Fonder appointed women to 65 per cent of the nomination committees we served on in 2019. We believe that this gives us a sound footing to increase the momentum towards achieving gender-equal boards, but we remain humble, considering the size of the task.

Corporate governance	2019	2018	2017
Nomination committees*	34	36	33
Shareholders' meetings**	814	631	267
Handelsbanken Fonder	*473*	*382*	*142*
Xact Kapitalförvaltning	*341*	*156*	*70*

* Refers to Handelsbanken Fonder.

** No. of occasions. Each fund management company votes independently. Thus, the total number of instances may include shareholders' meetings at which more than one fund management company voted. The totals for 2017 and 2018 include Luxembourg. The fund management operations in Luxembourg were discontinued in December 2018.

For a summary of our voting activity, see the report at handelsbanken.com/responsible-investments.

Incentive programmes

It has become more common for boards to propose incentive programmes for senior management and employees in their companies. Incentive programmes with share-related components must always be decided by the shareholders' meeting. These programmes can be complex and, in many cases, are not sufficiently transparent. Together with Institutionella Ägares Förening – IÄF (Institutional Owners Association for Regulatory Issues in the Stock Market), Handelsbanken Fonder has prepared a document with guidelines for how these programmes should be presented. The demands include clear-cut goals, a transparent structure and outcomes, and other existing programmes and remuneration. We receive many enquiries from companies about these programmes before they are presented at the shareholders' meeting, and we have detailed discussions about them. Before the 2019 meetings, we had 25 dialogues on this subject. In addition, we analysed around 30 other programmes before voting.

Disputes and settlements

It may transpire that companies that the fund management companies invest in, breach the regulations in some way. This may be, for example, a violation of the marketplace rules, a breach of competition regulations, or activities which constitute corruption. Such violations may result in legal proceedings being brought against the companies, often as a class action. These processes are most often resolved through a settlement, with the company being compelled to compensate shareholders for losses incurred. Settlements may also include demands for changes in the company's governance structure, in the form of changes to the board of directors, or, for example, new or amended internal rules or control activities. The aim of monitoring and participating in such processes and settlements is that the investing funds receive compensation. In 2019, a number of the funds managed by the fund management company received a total of around SEK 30 million from eight settlements in class actions in the US.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Handelsbanken has published climate reports in accordance with the TCFD recommendations. Reports have been prepared for Handelsbanken Liv, Handelsbanken Fonder and Xact Kapitalförvaltning. The climate reports describe how each organisation takes into consideration climate change in the areas of governance, strategy, risk management, targets and metrics. The results are presented in the climate reports available at handelsbanken.com/responsible-investments. Read more under Facts: The Bank as an investment, on page 69.

Facts: The Bank as an employer

Handelsbanken's values and strong corporate culture are vital to our success. Our concept of how to run a successful bank is based on trust and respect for the individual – both customers and employees. The Bank's decentralised way of working creates commitment and opportunities for every employee to make an impact on the Bank's operations.

STAFF TURNOVER

The Bank takes a long-term approach to relationships with customers and employees. It sees each recruitment as important and long term. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers. External staff turnover was low for the six home markets, at 4.9 per cent (3.8), and 3.7 per cent (3.0) for Sweden. For the Group, it was 5.0 per cent (3.9).

Handelsbanken promotes long-term employment by offering professional development for every employee and opportunities to develop on a personal level in different roles. If employment ceases for any reason other than retirement, the Bank can offer outplacement with the help of external partners.

CONSTANT DEVELOPMENT

Employees must have the necessary skills to help our customers in the best way possible, to provide advice based on customers' needs, and to comply with the current policies and regulations. Each year, an individual competency mapping is performed to identify any need for professional development, based on current duties.

In 2019, several training programmes were mandatory for all employees in the Group, covering anti-corruption, prevention of money laundering and terrorist financing, and the General Data Protection Regulation. New employees are required to complete the Ethics and Sustainability training course, which all other employees are required to complete every second year.

HEALTH AND WORK ENVIRONMENT

Our overall goal for health and the work environment is that employees should be able to feel good, develop and perform at optimal capacity. To achieve our work environment goal, we target a number of health factors.

The work environment survey is based on our eight health factors, with five questions per factor. Each question is answered on a scale from one to four, where one means 'Definitely not' and four means 'Yes definitely'. See the table of key figures on pages 57–58 for results from the Group's work environment surveys in 2019.

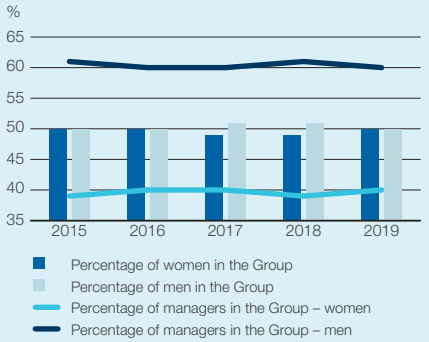
Guidelines and procedures are available for dealing with and support in cases of poor health, sickness or crisis situations. If additional expertise is needed, the Bank has special agreements with external service providers.

During 2019, 22 (26) cases of harassment were investigated.

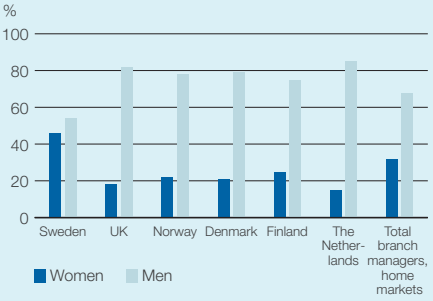
SICKNESS ABSENCE

The sickness absence rate for staff in the Bank's six home markets was 2.7 per cent (2.6). For staff in Sweden, the rate was 3.0 per cent (3.1), of which 1.2 per cent (1.3) referred to those on long-term sick leave.

Gender breakdown – Group



Gender breakdown – branch managers 2019



Salary contributions to defined contribution pensions 2019

%	Sweden[2]	UK	Norway[3]	Denmark	Finland[4]	The Netherlands
Salary contribution by employers[1]	2	15.3	7/20	11	17.2	10.5
Salary contribution by employees, average	0	1.8	0	5.3	6.8/8.3	0

Salary contributions to defined contribution pensions 2018

%	Sweden[2]	UK	Norway[3]	Denmark	Finland[4]	The Netherlands
Salary contribution by employers[1]	2	15.3	7/20	11	17.8	14.2
Salary contribution by employees, average	0	1.8	0	5.3	6.4/7.9	0

[1] In Sweden, the UK, Norway and the Netherlands, less than 100 per cent of salary is pension-qualifying, as there is an upper limit.
[2] In Sweden, retirement pension plans are 'defined benefit'. The premiums stated refer to defined contribution supplementary pensions.
[3] For salaries corresponding to 0–7.1 Norwegian base amounts/For salaries corresponding to 7.1–12 Norwegian base amounts.
[4] Salary contributions refer to statutory public pensions. Salary contributions by employees are for up to/from 53 years of age.

Defined benefit pensions, pension commitments, and pension assets according to IAS 19[1]

	31 December 2019		31 December 2018	
	SEK m	%	SEK m	%
Pension commitments	35 724	100	31 969	100
Earmarked pension assets	36 378	102	28 743	90
Assets part of Handelsbanken's general resources	-	-	3 226	10

[1] For more detailed information, see the 2019 Annual Report, note G8.

GENDER EQUALITY

The promotion of gender equality and diversity is part of our core values and must be a natural and integral part of our daily work. We aim to have an inclusive work environment, where we respect and appreciate our different backgrounds, competencies and experiences. The goal is also to create and maintain an even gender balance within different professional roles, working groups and units.

At year-end, 40 per cent (39) of managers in the Group as a whole were women; the corresponding figure for Sweden was 48 per cent (46). Of the total number of employees in the Group, 50 per cent (49) were women; the corresponding figure for Sweden was 52 per cent (52). All managers at Handelsbanken have personnel responsibility.

A few years ago, the Bank signed the Women in Finance Charter in the UK, an initiative from HM Treasury, entailing a commitment to work for a more even gender balance in the financial sector. Handelsbanken in the UK has set goals for women in managerial positions: 30 per cent by 2021 and 40 per cent by 2026. In 2019, the proportion of women managers in the UK increased from 24 per cent to 26 per cent.

REMUNERATION AND BENEFITS

Handelsbanken aims to be an attractive employer and offers competitive terms of employment for all employees – temporary as well as permanent. In addition to the benefits stipulated by law, regulations, collective bargaining agreements and other local agreements, we offer benefits that promote our view of long-term employment, gender equality and participation in Handelsbanken's results.

An attractive employer

Handelsbanken aims to meets its employees' needs during various phases of their life in a flexible way. Collective bargaining agreements are the foundation of the conditions the Bank offers to both temporary and permanent employees. At Handelsbanken, we have individual salaries which are set in the salary dialogue review between manager and employee conducted every year. Conditions and benefits differ within the Group and are adapted to the markets where the Bank operates and to the collective agreements which have been entered into.

Employees' total remuneration should help to develop the Handelsbanken Group's competitiveness and profitability by attracting, retaining and developing skilled staff, and ensuring the Bank's management succession. This is stated in the Bank's remuneration policy, determined by the Bank's Board. The Board is responsible for the policy being applied and takes decisions to follow up on it. Once a year, the Bank's remuneration committee must make an assessment of the policy and the remuneration system and report it to the Board.

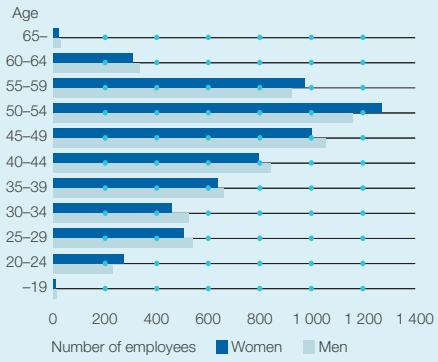
Benefits and pensions

Handelsbanken offers various types of competitive benefits, for both permanent and temporary employees of the Group; these differ between the countries. In 2019, the proportion of permanent employees was 94 per cent (94).

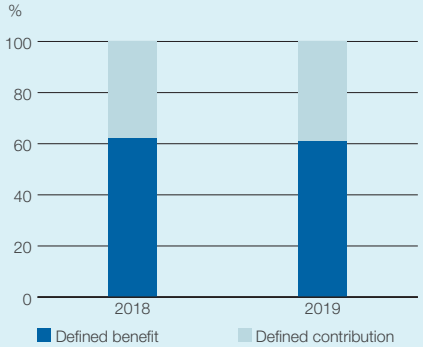
Handelsbanken aims to make it easier for all employees to combine employment with parenthood. The Bank subsidises home and family services for employees in Sweden who have children under the age of 12. In addition to current social insurance regulations for parental leave, in most of its home markets Handelsbanken provides remuneration in accordance with local regulations. This means that parents receive between 80 and 100 per cent of their salaries over a limited period. Employees who take parental leave have the same right to salary dialogue reviews as other staff. Of those who took parental leave in 2019 in the Bank's home markets, 60 per cent (61) were women and 40 per cent (39) men. Almost all of these employees returned to work.

In the Bank's home markets, employees are offered credits on special terms. These credits are mainly granted for financing residential property. The terms and conditions differ between countries

Age and gender breakdown 2019



Proportion of employees in Handelsbanken's home markets who are covered by a retirement pension plan[1]



[1] Retirement pension plan refers here to both (statutory) national retirement pensions and occupational pension plans under local laws and regulations.

depending on local circumstances, and in several countries they are a taxable benefit.

Our employees' health and their work environment are vital to ensuring that they feel good, develop and perform at optimal capacity. The Bank encourages this by granting subsidies for various leisure activities.

Other forms of benefits offered include insurance and company cars.

Pensions are part of the total remuneration to employees of Handelsbanken. The pension terms in the countries where the Bank conducts its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

An occupational pension plan can include a retirement pension, disability pension and surviving family member protection. Employees can be offered pension solutions that are defined benefit, defined contribution or a combination of the two.

Oktogonen – the Bank's profit-sharing scheme

Our goal is to have better profitability than the average of peer competitors in our home markets. In every year but four since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees. An allocation is made following the Board's overall assessment of the Bank's performance. The funds are managed by the Oktogonen Foundation.

Allocations are subject to Handelsbanken achieving its corporate goal. Each employee receives an equal part of the allocated amount, regardless of their position, form of employment or tasks. The profit-sharing scheme is long term, given the general rule that payments cannot begin until the employee turns 60, at the earliest. 98 per cent (98) of the Group's employees are covered by Oktogonen.

		2019				2018				2017			
		New employees by home market, age group and gender		Staff turnover* by home market, age group and gender		New employees by home market, age group and gender		Staff turnover* by home market, age group and gender		New employees by home market, age group and gender		Staff turnover* by home market, age group and gender	
		Number	%**	Number	%**	Number	%**	Number	%**	Number	%**	Number	%**
Sweden		299	4	291	3.7	596	7.6	238	3.0	619	8.2	295	3.9
UK		299	12	146	5.6	288	11.8	122	5.0	219	9.7	103	4.6
Norway		44	5	41	5.1	41	5.1	25	3.1	41	5.3	34	4.4
Denmark		58	9	68	10.2	55	8.0	41	6.0	54	7.9	53	7.7
Finland		48	7	41	6.4	23	3.7	37	5.9	79	11.9	43	6.5
The Netherlands		51	14	42	11.3	48	13.5	16	4.5	57	17.4	20	6.1
Total home markets		**799**	**6**	**629**	**4.9**	**1 051**	**8.3**	**479**	**3.8**	**1 069**	**8.7**	**548**	**4.5**
Group total		**816**	**6**	**656**	**5.0**	**1 076**	**8.2**	**509**	**3.9**				
men	< 30 yrs old	123		61		185		49		215		52	
	30–50 yrs old	260		206		299		150		320		182	
	> 50 yrs old	42		84		75		50		63		63	
women	< 30 yrs old	125		55		179		45		178		49	
	30–50 yrs old	210		166		245		139		252		144	
	> 50 yrs old	39		57		68		46		41		58	

* Staff turnover refers to the proportion of employees who have left the Bank (excluding retirements and deaths) in relation to all employees.
** Percentage of the number of employees in each home market.

	2019				2018				2017			
Employees by form of employment	**Number**	**%**	**Men %**	**Women %**	**Number**	**%**	**Men %**	**Women %**	**Number**	**%**	**Men %**	**Women %**
Regular employment												
Full-time	*10 957*	*83*	*54*	*46*	*10 831*	*83*	*54*	*46*	*10 455*	*82*	*54*	*46*
Part-time	*1 477*	*11*	*19*	*81*	*1 503*	*11*	*19*	*81*	*1 475*	*12*	*18*	*82*
Temporary employment	817	6	45	55	748	6	45	55	725	6	46	54
Group total	**13 251**				**13 082**				**12 655**			

	2019				2018				2017			
Average number of employees	**Number**	**%**	**Men %**	**Women %**	**Number**	**%**	**Men %**	**Women %**	**Number**	**%**	**Men %**	**Women %**
Sweden	7 394	59	48	52	7 262	59	48	52	7 010	60	48	52
UK	2 442	19	56	44	2 319	19	58	42	2 151	18	58	42
Norway	777	6	53	47	771	6	53	47	750	6	54	46
Denmark	651	5	51	49	659	5	50	50	653	6	51	49
Finland	617	5	44	56	635	5	43	57	623	5	42	58
The Netherlands	336	3	67	33	313	3	69	31	284	2	69	31
Other countries	331	3	46	54	348	3	48	52	361	3	46	54
Group total	**12 548**		**50.2**	**49.8**	**12 307**		**50.5**	**49.5**	**11 832**		**50.5**	**49.5**

Sickness absence by home market 2019	2019			2018			2017		
%	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**	**Men**	**Women**	**Total**
Sweden	1.9	4.0	3.0	2.1	4.0	3.1	2.0	3.9	3.0
UK	1.4	1.7	1.5	0.7	1.1	0.9	0.6	1.4	1.0
Norway	3.0	5.5	4.2	2.5	5.3	3.8	2.0	4.2	3.0
Denmark	1.6	2.9	2.3	1.0	1.5	1.2	0.8	1.2	1.0
Finland	1.8	2.1	2.0	1.1	2.7	2.0	1.3	2.3	1.8
The Netherlands*			2.3			2.7			2.8
Total sickness absence	**1.8**	**3.5**	**2.7**	**1.7**	**3.3**	**2.6**	**1.6**	**3.3**	**2.5**
of which long-term absence, Sweden	*0.6*	*1.8*	*1.2*	*0.7*	*1.9*	*1.3*	*0.5*	*1.4*	*1.0*
of which long-term absence, home markets excluding the Netherlands	*0.6*	*1.5*	*1.0*	*0.5*	*1.4*	*1.0*			

* National legislation does not permit the reporting of sickness absence broken down by gender.
Sickness absence is stated as a percentage of total normal working hours. Long-term absence is a period of absence of 60 days or more.

For many years, the Oktogonen Foundation has been one of the Bank's largest shareholders, and is represented by two members on the Central Board of Handelsbanken. Oktogonen's holding also entitles the Foundation to a seat on the Bank's nomination committee.

A basic idea in managing the Foundation is that the funds are invested in shares in Handelsbanken.

RELATIONSHIPS WITH UNIONS

Handelsbanken's traditionally good relationships and cooperation with unions are a valuable component of the Bank's culture. The Bank promotes the right of all employees to join a trade union or employee organisation. There is an ongoing, close dialogue between union representatives and managers concerning changes to the operations – such as organisational changes, new products or the appointment of new managers.

All employees in Denmark, Finland, Germany, Luxembourg, Norway and Sweden – comprising 76 per cent (77) of the Bank's employees – are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. In addition to collective agreements, there are also other types of agreements with local employees' organisations, such as works councils in the UK and the Netherlands.

In Sweden, Handelsbanken's part-ownership of BAO, the Employers' Association of the Swedish Banking Institutions means that, for matters relating to, for example, the work environment and pensions, the Bank is bound by collective agreements with Finansförbundet (Financial Sector Union of Sweden) and various associations which are affiliated to Saco, the Swedish Confederation of Professional Associations. BAO also has collective agreements with the Swedish Hotel and Restaurant Workers' Union and the Swedish Building Maintenance Workers' Union. The Bank has also reached local agreements with Finansförbundet and Saco regarding the forms of influence and co-determination. There is also a work environment agreement between Handelsbanken and Finansförbundet, regulating areas including security issues, roles and the allocation of responsibilities, and the work environment organisation. At the local level, there are joint work environment committees comprised of members representing both the Bank and Finansförbundet. At the central level, there is a joint work environment and security committee, with representatives from the Bank, Finansförbundet and Saco.

There are also work environment agreements in Denmark, Finland and Norway. Similarly, these agreements regulate security issues, roles and the allocation of responsibilities, and the organisation of the work environment.

As well as matters dealt with in a dialogue with the union organisations at national level in each country, there is also Handelsbanken's European Works Council (EWC), which serves as a forum for joint and cross-border questions in the countries in Europe where the Group has operations. The EWC consists of employee representatives from nine countries: Denmark, Finland, Germany, Luxembourg, the Netherlands, Norway, Poland, Sweden and the UK.

Facts: The Bank's business culture

Handelsbanken upholds good business ethics and works systematically to take into account new requirements and expectations, as well as to integrate new regulations in daily operations.

Handelsbanken has a number of policies that describe the Bank's common view on, and approach to, a variety of issues. The Bank's website also has the full texts of the policy for sustainability, policy for ethical standards, policy for management of conflicts of interest and policy against corruption as well as summaries of other policies in the Handelsbanken Group. In addition, a selection of guidelines adopted by Handelsbanken's Group Chief Executive is available on the Bank's website.

COMPLIANCE AND CONFIRMED INCIDENTS

Banking operations are regulated and governed by extensive laws and regulations. If a bank does not comply with these, the responsible supervisory authority can decide on administrative fines and, in the worst case, revoke the banking licence. Administrative fines may be imposed on banks for breaches such as corruption, faulty product or service information or labelling, or non-compliance with laws or regulations in the social or economic spheres. In 2019, 0 (1) confirmed incidents occurred. The European Securities and Markets Authority (ESMA) decided in 2018 that Handelsbanken had issued credit ratings without being authorised to do so, and imposed a fine of EUR 495,000. The Bank appealed against the decision. The Board of Appeal found in March 2019 that the Bank had not acted negligently, and ruled that the fine amount was to be refunded.

POLICY FOR ETHICAL STANDARDS

The policy for ethical standards is reviewed at least once a year by the Board. The review begins with any changes made in the relevant legislation but also covers changes in external expectations, the Bank's experience from ongoing internal work, and observations from the Bank's comprehensive internal control.

GUIDELINES FOR MANAGING TAXES

Handelsbanken's actions regarding tax-related matters must be responsible and transparent and must comply with prevailing laws and regulations.

At Handelsbanken, high ethical standards must always be observed, as regulated in policy documents from the Board.

Internal and external transactions carried out by the Bank within the framework of its own operations must always have a business purpose and must not be carried out for tax purposes only. Services and products provided by the Bank must always have a business purpose, and the Bank must never provide products or services where the primary purpose is to obtain tax benefits in conflict with the intent of tax regulations. The Bank must not participate in transactions with customers, through granting credits or otherwise, which constitute a step in tax evasion or in transactions with no business purpose, undertaken only to obtain tax advantages in conflict with the objective of the tax regulations. This also applies in relation to suppliers and other business partners. If there is doubt, Handelsbanken must refrain from participating.

POLICY FOR SUSTAINABILITY

In 2016, Handelsbanken's Board adopted a policy for sustainability that sets the direction for the Bank's work and clearly sets out the Bank's view of sustainability. The policy applies throughout the Handelsbanken Group and encompasses all activities in relation to customers, suppliers and other business partners.

WORK TO PREVENT FINANCIAL CRIME

At least once a year, Handelsbanken's Board and CEO establish a Group-wide policy and guidelines that serve as the framework for the Bank's actions to prevent financial crime, which include anti-money laundering and terrorist financing. The function responsibility for work to prevent financial crime is held by a central department which must ensure that there is competency in and awareness of these areas throughout the Group. The operational responsibility for work to prevent financial crime lies with each country's general manager.

CONFLICTS OF INTEREST, CORRUPTION, BRIBERY AND IMPROPER INFLUENCE

Handelsbanken has established procedures for managing conflicts of interest with the aim of preventing negative impact on customers' interests. The Bank's policy for management of conflicts of interest provides further guidance for the

CONDUCT OF EMPLOYEES

The following are extracts from codes of conduct included in policies and guidelines and refer to human resources.

Handelsbanken's employees

- must not be in a position where they may be suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work
- must be familiar with legislation concerning trading in financial instruments and observe the Bank's rules for employees' private securities and currency transactions
- must, in their work at the Bank and in their private affairs, refrain from business transactions that violate the Bank's rules or current legislation
- must refrain from transactions or other commitments that could seriously jeopardise their personal financial position
- are not permitted to process transactions in which they, or persons closely associated with them, have a personal interest – this also applies to companies in which employees, or persons closely associated with them, are involved
- must notify compliance or Group Audit if they suspect irregularities at the Bank. Handelsbanken's separate whistleblowing system provided by an external supplier may be used as well as these reporting channels
- must notify the Bank of assignments outside the Bank and obtain approval – this also applies to secondary occupations and certain posts in clubs, societies and the like.

Bank's work in this area, for example, by listing areas where conflicts of interest could arise in our operations. The policy includes details on the procedure for identifying and managing conflicts of interest. For example, potential conflicts of interest, as well as how they have been managed, must be reported each year by units deemed to have a greater probability of conflicts of interest.

All unit heads must annually review with their employees the regulations applying to bribery and improper influence. The regulations must be followed in all contexts, such as gifts, corporate hospitality and other events. The department responsible for actions to prevent financial crime performs a Group-wide risk assessment at least once a year in the area of financial crime, which includes corruption. Areas where the risk of corruption is assessed to be higher than for normal customers are, for example, customers who operate in countries or sectors where corruption occurs more frequently, and also products and services used by these customers, such as cross-border payments. In addition, at least once a year every unit must perform a self-assessment of operational risk which includes the area of corruption. Security reviews are also performed every year and contain a training and information section on corruption.

Handelsbanken's anti-corruption policy states that all Bank employees must complete a course on corruption, bribery and improper influence on an annual basis. Each year, the Bank's employees complete a training programme on ethical standards and sustainability that has sections dealing with conflicts of interest, corruption, and anti-money laundering and counter-terrorist financing (AML/CTF). Handelsbanken's Central Board and the boards of the Bank's subsidiaries have also received training.

SUPPLIERS

The Group's purchases can largely be categorised as property and premises, external IT costs, communications, travel and marketing, purchased services, procurement of materials or other expenses. External IT costs and communications are purchased centrally, chiefly from suppliers which operate internationally. Other categories are usually purchased mainly from local suppliers. We work to co-ordinate the Bank's purchases over national borders, to take into account cost effects, quality and environmental impact.

The Bank holds ongoing dialogues with suppliers where sustainability is a key factor. Among other things, we research whether the supplier has collective agreements and policies regarding the work environment, anti-corruption and environmental impact. In 2016, Handelsbanken implemented a code of conduct for major suppliers in Sweden, which is now also being rolled out to the other home markets. The code defines the expectations we have of our suppliers and their subcontractors. Most of these expectations are based on internationally accepted standards, starting with the UN Global Compact. Among other things, the Bank requires that suppliers eliminate and combat all forms of human trafficking, modern slavery and compulsory labour, that they are not involved whatsoever in any form of child labour, and that they ensure that they do not violate human rights. Results have been promising, and many of the Bank's major suppliers have signed the code. For the Swedish operations, a project is under way to ensure that all suppliers providing facility services sign the Bank's code of conduct.

We see a positive link between the code and our relationships with suppliers as well as its direct impact on our sustainability activities.

Handelsbanken's Supplier Code of Conduct is available at handelsbanken.com/sustainability.

PRINCIPLES WHEN GRANTING CREDIT

Sustainability aspects are a vital part of the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high demands for sound ethical standards. When granting credit, Handelsbanken must assess and evaluate the customer's approach to the principles and agreements supported by the Bank. This can result in Handelsbanken ultimately declining to grant credit to companies that do not apply these principles.

Facts: The Bank as an investment

PUBLIC LIMITED COMPANY

Handelsbanken is a Swedish public limited company, which means that the public can invest in the Bank by buying and selling shares on the open market. Handelsbanken's shares are traded on several different marketplaces. Turnover is largest on Nasdaq Stockholm (the Stockholm stock exchange), but for several years, the shares have also been traded on other stock exchanges. Handelsbanken has over 120,000 shareholders.

DIVIDEND

The Bank's dividend policy is that the dividend level must not lead to the capital ratios falling below a level of one percentage point above the requirements communicated by the Swedish Financial Supervisory Authority. For more than 25 years, including during the most recent financial crisis, Handelsbanken has paid a dividend to its shareholders.

CREATING SHAREHOLDER VALUE

During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 25 billion. Market capitalisation has decreased by SEK 33 billion, while the Bank has paid out SEK 58 billion in dividends to shareholders. Dividends of SEK 10.9 billion (10.7) are proposed for 2019.

TCFD – TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Climate change caused by global warming is one of the greatest challenges of our age. Global emissions of greenhouse gases have to be reduced if their effects are to be prevented. For this to be possible, major changes are required to global consumption patterns, transport and energy production, which will have an increasingly significant impact on the global economy. This will, in turn, have consequences for companies in numerous sectors, including financial services. Climate change means that companies and whole sectors are exposed to new types of risks, climate-related risks, but the transition to a low-carbon economy as envisaged in the Paris Agreement also gives rise to business opportunities. Increased transparency, with more information on how companies work with and manage these risks and opportunities, is thus becoming more and more important for both customers and investors. This information is needed, alongside traditional financial disclosures, to assess a company's value and position in the market. Supervisory authorities and legislators are also emphasising the importance of companies adding information on climate-related risks to their reporting. In recent years, supervisory authorities have more clearly included climate-related risks in their supervision of banks and other financial institutions. The TCFD recommendations have become a global guidepost in the work with climate-related information. The recommendations were published in 2017 by the TCFD international working group, together with a presentation on how companies are to report information relating to their work on the management of climate-related risks and opportunities.

The recommendations are based on four core elements:

Governance	Description of how climate-related matters are managed by the company's board and management.
Strategy	Description of the company's strategy for climate change and the transition to a low-carbon society, as well as the risks and opportunities identified, including scenario analyses.
Risk management	Description of processes used to identify, assess and manage climate-related risks and business opportunities.
Metrics and targets	Reporting of relevant metrics and targets.

Handelsbanken endorses the TCFD's recommendations, and both Handelsbanken Asset Management and Handelsbanken Liv have published climate reports in line with the recommendations. Read more on page 63 under Facts: Responsible investment.

As the first stage of the work to integrate the TCFD's recommendations into the Bank's credit portfolio, a review of our lending to energy production was carried out as early as 2017. Read more about the result on page 63 under Facts: Responsible financing.

In 2019, Handelsbanken continued its work to map and review the Bank's various processes for the assessment, management and reporting of climate-related risks and opportunities, in order to identify work outstanding to fully align with TCFD's recommendations. The Bank has engaged external experts to provide ancillary support in this work. The future work mainly entails reformulating and adding to policy documents and instructions to increase the level of awareness regarding climate-related risks – both physical risks and transition risks – and how they affect different sectors, as well as calculating the climate impact of the Bank's credit portfolio.

Content, restrictions and indexes according to the Global Reporting Initiative

Handelsbanken reports its sustainability activities in accordance with the Global Reporting Initiative (GRI) Standards. The Sustainability Report satisfies the core level information requirements, confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually. This year's Sustainability Report is Handelsbanken's tenth in accordance with the GRI and relates to the 2019 calendar year. The preceding report was submitted in February 2019 and related to the 2018 calendar year.

The Sustainability Report contains information relating to the Group unless otherwise stated. The information presented in the Report covers the largest and most important parts of the operations, with the focus on banking operations. Any limitations are indicated in the Report where applicable.

No major corrections or amendments to previous information provided in previous years' sustainability reports have been made in this report.

The table below contains the disclosures deemed relevant to Handelsbanken's operations, including disclosures from the GRI Financial Services Sector Supplement (FSSS).

If there is supplementary sustainability information in the Annual Report, this is indicated in a separate column in the table. References are made to the in-depth sustainability information in the Sustainability Report but not to the corresponding section in the administration report of the Annual Report which the Bank's statutory sustainability report.

GRI STANDARD	DISCLOSURE		PAGE SR[1]	PAGE AR[2]	RELEVANT SUSTAINABLE DEVELOPMENT GOALS
	Organisational profile				
GRI 102: General disclosures 2016	102-1	Name of the organisation	1	3	
	102-2	Activities, brands, products, and services	Inside front cover, 8–9	Inside front cover	
	102-3	Location of headquarters	Back cover	244	
	102-4	Location of operations	Inside front cover	246–252	
	102-5	Ownership and legal form	69	40–41	
	102-6	Markets served	Inside front cover	26–39	
	102-7	Scale of the organisation	60	22	
	102-8	Information on employees and other workers	67	136	Goal 8
	102-9	Supply chain	55, 69	140	
	102-10	Significant changes to the organisation and its supply chain	2–3		
	102-11	Precautionary principle or approach	Handelsbanken applies the precautionary principle in accordance with Global Compact and Swedish legislation		
	102-12	External initiatives	1,5, 6–7, 19, 21, 29–30, 32, 48–49, 54, 62		
	102-13	Membership of associations	48–49		
	Strategy and analysis				
	102-14	Statement from senior decision-maker	2–3	4–5	
	Ethics and integrity				
	102-16	Values, principles, standards, and norms of behaviour	19, 29, 32, 41–43, 53, 69	70–72	Goal 16
	Governance				
	102-18	Governance structure	41–43, 53–56	64–66	
	Stakeholder engagement				
	102-40	List of stakeholder groups	54–55		
	102-41	Collective bargaining agreements	68		Goal 8
	102-42	Identifying and selecting stakeholders	54		
	102-43	Approach to stakeholder engagement	54–55		
	102-44	Key topics and concerns raised	10–11, 54–55		
	Reporting practice				
	102-45	Entities included in the consolidated financial statements	70	179	
	102-46	Defining report content and topic boundaries	10, 55		
	102-47	List of material topics	10–11, 55		
	102-48	Restatements of information	70		
	102-49	Changes in reporting	70		
	102-50	Reporting period	70		
	102-51	Date of most recent report	70		
	102-52	Reporting cycle	70		
	102-53	Contact point for questions regarding the report	75		
	102-54	Claims of reporting in accordance with the GRI Standards	70		
	102-55	GRI content index	70–72		
	102-56	External assurance		241	

[1] SR Refers to the 2019 Sustainability Report.
[2] AR Refers to the 2019 Annual Report.

SPECIFIC STANDARD DISCLOSURES

MATERIAL TOPICS	GRI STANDARD	DISCLOSURE		PAGE SR[1]	OMISSIONS/ COMMENTS	RELEVANT SUSTAINABLE DEVELOPMENT GOALS
Economic						
ECONOMIC PERFORMANCE *Handelsbanken's material topics:* – Financial sustainability – Creating shareholder value – Salaries and remuneration – The Bank as a taxpayer	GRI 201: Economic performance 2016	103-1/2/3	Management of material topics	4–7, 10–11, 22–23, 45–47, 53		
		201-1	Direct economic value generated and distributed	23, 58, 60		
		201-3	Defined benefit plan obligations and other retirement plans	66		
		201-4	Financial assistance received from government	23		
INDIRECT ECONOMIC EFFECTS *Handelsbanken's material topics:* – Local presence and community engagement	GRI 203: Indirect economic impacts 2016	103-1/2/3	Management of material topics	4–7, 10–11, 18		
		203-1	Infrastructure, investments and services supported	18, 20, 61		Goal 9, 11
		203-2	Significant indirect economic impacts	23		
ANTI-CORRUPTION *Handelsbanken's material topics:* – Counteract financial crime	GRI 205: Anti-corruption 2016	103-1/2/3	Management of material topics	10–11, 42–43, 53, 56, 68–69		
		205-1	Operations assessed for risks related to corruption	43, 56, 68		Goal 16
		205-2	Communication and training about anti-corruption policies and procedures	43, 56, 58, 69		Goal 16
		205-3	Confirmed incidents of corruption and actions taken	68		Goal 16
Environmental						
ENERGY AND EMISSIONS *Handelsbanken's material topics:* – Minimise environmental and climate impact	GRI 302: Energy 2016	103-1/2/3	Management of material topics	5, 7, 10–11, 18, 26–28, 29–32, 53, 56, 62–63		
		302-1	Energy consumption within the organisation	61–62		Goal 8, 13
	GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	61		Goal 13
		305-2	Energy indirect (Scope 2) GHG emissions	61		Goal 13
		305-3	Other indirect (Scope 3) GHG emissions	61		Goal 13
Social						
EMPLOYMENT *Handelsbanken's material topics:* – Salaries and remuneration – Responsible employer	GRI 401: Employment 2016	103-1/2/3	Management of material topics	10–11, 37–39, 54, 65–68		
		401-1	New employee hires and employee turnover	67		Goal 5, 8
LABOUR/MANAGEMENT RELATIONS *Handelsbanken's material topics:* – Employee commitment	GRI 402: Labour/ management relations 2016	103-1/2/3	Management of material topics	10–11, 37–39, 65–68		
		402-1	Minimum notice periods regarding operational changes	67–68	The negotiation procedure concerning material changes is regulated in the collective bargaining agreements for Sweden	Goal 8
OCCUPATIONAL HEALTH AND SAFETY *Handelsbanken's material topics:* – Work environment, working conditions and union rights	GRI 403: Occupational health and safety 2016	103-1/2/3	Management of material topics	10–11, 37–39, 65–68		
		403-4	Health and safety topics covered in formal agreements with trade unions	68		Goal 8
TRAINING AND EDUCATION *Handelsbanken's material topics:* – Responsible employer – Leadership and development – Employee commitment	GRI 404: Training and education 2016	103-1/2/3	Management of material topics	10–11, 37–39		
		404-2	Programmes for upgrading employee skills and transition assistance programmes	37–38, 65		Goal 8
		404-3	Percentage of employees receiving regular performance and career development reviews	58		Goal 8
DIVERSITY AND EQUAL OPPORTUNITY *Handelsbanken's material topics:* – Gender equality and diversity	GRI 405: Diversity and equal opportunity 2016	103-1/2/3	Management of material topics	6, 10–11, 37–39, 53		
		405-1	Diversity of governance bodies and employees	53, 58, 65–67	Handelsbanken currently reports by gender, age, and nationality	Goal 5, 8, 16

[1] SR Refers to the 2019 Sustainability Report.

MATERIAL TOPICS	GRI STANDARD	DISCLOSURE		PAGE SR[1]	OMISSIONS/ COMMENTS	RELEVANT SUSTAINABLE DEVELOPMENT GOALS
NON-DISCRIMINATION *Handelsbanken's material topics:* – Gender equality and diversity	GRI 406: Non-discrimination 2016	103-1/2/3	Management of material topics	6, 10–11, 37–39, 53		
		406-1	Incidents of discrimination and corrective actions taken	39, 58		Goal 5, 8, 16
INVESTMENT *Handelsbanken's material topics:* – Responsible investment	GRI 412: Human rights assessment 2016	103-1/2/3	Management of material topics	10–11, 29–35, 56, 63–65		
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	29, 32, 57		
LOCAL COMMUNITIES *Handelsbanken's material topics:* – High availability – Local presence and community engagement	GRI 413: Local communities 2016	103-1/2/3	Management of material topics	8–9, 10–11, 13, 18, 20		
		413-1	Operations with local community engagement, impact assessments, and development programmes	18, 57		
PRODUCT AND SERVICE LABELLING *Handelsbanken's material topics:* – Responsible advisory services	GRI 417: Marketing and labelling 2016	103-1/2/3	Management of material topics	10–11, 13, 35, 54		
		417-1	Requirements for product and service information and labelling	59		
		417-2	Incidents of non-compliance concerning product and service information and labelling	68		Goal 16
CUSTOMER PRIVACY *Handelsbanken's material topics:* – Integrity and confidentiality	GRI 418: Customer privacy 2016	103-1/2/3	Management of material topics	10–11, 15, 41–43, 56, 59		
		418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	59		Goal 16
COMPLIANCE *Handelsbanken's material topics:* – Counteract financial crime – Responsible advisory services	GRI 419: Socioeconomic compliance 2016	103-1/2/3	Management of material topics	10–11, 41–43, 53, 56, 59, 68–69		
		419-1	Non-compliance with laws and regulations in the social and economic area	68		Goal 16
Financial Services Sector Supplement (FSSS)						
FINANCIAL SERVICES SECTOR SUPPLEMENT (FSSS) *Handelsbanken's material topics:* – Responsible investment – Responsible lending	GRI 103: Management approach 2016	103-1/2/3	Management of material topics	10–11, 26–35, 57–58, 62–65		
PRODUCT PORTFOLIO *Handelsbanken's material topics:* – Responsible investment – Responsible lending – Responsible financing – Sustainable products	GRI 103: Management approach 2016	103-1/2/3	Management of material topics	10–11, 26–35, 57–58, 62–65		
		FS6	Percentage of the portfolio for business lines by specific region, size and by sector	63		
		FS8	Monetary value of products and services designed to deliver a specific environmental benefit	1, 29, 57–58, 63		
ACTIVE OWNERSHIP *Handelsbanken's material topics:* – Responsible investment	GRI 103: Management approach 2016	103-1/2/3	Management of material topics	10–11, 26–35		
		FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	31, 57, 64		
		FS11	Percentage of assets subject to positive and negative environmental or social screening	57		
LOCAL COMMUNITIES *Handelsbanken's material topics:* – High availability – Local presence and community engagement	GRI 103: Management approach 2016	103-1/2/3	Management of material topics	8–9, 10–11, 18		
		FS13	Access points in low-populated or economically disadvantaged areas	13, 57		
		FS14	Initiatives to improve access to financial services for disadvantaged people	6, 13, 57		

[1] SR Refers to the 2018 Sustainability Report.

Definitions and explanations

2030 AGENDA FOR SUSTAINABLE DEVELOPMENT
The 2030 Agenda is a concrete action plan with 17 Sustainable Development Goals to be achieved by 2030, and was adopted by world leaders at the UN General Assembly in September 2015.

CARBON FOOTPRINT
A calculation of the total emissions of greenhouse gases (GHG) caused by an organisation, event or product.

CBI
The Climate Bonds Initiative is an international, non-profit organisation that gathers information about green bonds and works to mobilise the market.

CDP
Formerly the Carbon Disclosure Project, CDP is an independent, non-profit organisation that manages the world's biggest database of first-hand information about companies' environmental work.

COMMON EQUITY TIER 1 CAPITAL
Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill and other intangible assets etc. and also for the difference between an expected loss and provisions made for probable credit losses.

COMMON EQUITY TIER 1 RATIO
Common equity tier 1 capital in relation to total risk exposure amount.

COMPANIES IN TRANSITION
Companies that are in the process of restructuring their operations to become more sustainable. One example could be a company making the transition from fossil fuel energy production to renewable.

CRD IV
The EU's directive on credit institutions is Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

CREDIT RISK
The risk that a debtor will not be able to repay a loan. In order for lenders to prevent this from happening, a credit assessment is needed that specifies how much money the debtor will be able to borrow.

EQUATOR PRINCIPLES
A framework for risk management adopted by international financial institutions to establish, assess and manage environmental and social risks in projects.

ESG
Environmental, Social and Governance comprises criteria applying to environmental and social responsibility as well as corporate governance.

GREEN BOND IMPACT REPORT
An annual report that monitors the reduced environmental impact of projects funded using capital from a green bond.

GREEN BONDS
Interest-bearing securities where the funds raised are used for projects targeting the environment and climate change.

GREEN FINANCING
Environment-oriented finance intended to contribute to a more sustainable society, such as through green loans and green bonds.

GREENHOUSE GAS PROTOCOL (GHG)
GHG is the most widely used standard for estimating and reporting company emissions of greenhouse gases.

GREEN LOANS
Loans for implementing measures to improve the environment.

GREEN MORTGAGE LOAN
A mortgage loan with a lower interest rate for energy-efficient or environmentally certified housing.

GRI (GLOBAL REPORTING INITIATIVE)
GRI is an international standard for sustainability reporting.

ISSUER
An institution that issues a security, such as a bank that issues a bond.

MODERN SLAVERY ACT 2015
The UK's law against modern slavery requires that each year certain organisations state the actions that they have taken to ensure that modern slavery and human trafficking do not occur in their organisations or supply chains.

NGO
NGO stands for non-governmental organisation. The term is sometimes used for organisations that have cross-border operations. An NGO is independent of any government and could have either non-profit or commercial goals for its activities.

PARIS AGREEMENT
At the climate conference held in Paris in late 2015, countries agreed to a new climate accord that is binding for all countries and will take effect no later than 2020. The governments agreed to keep the global average temperature to well below two degrees Celsius above pre-industrial levels and to strive to limit the increase to 1.5 degrees Celsius.

PHYSICAL CLIMATE RISKS
Physical climate risks arise as a consequence of global warming brought about by increased greenhouse gas emissions. This results in increased occurrences of extreme weather events, as well as rising sea levels, coastal erosion and similar consequences.

PRB (PRINCIPLES FOR RESPONSIBLE BANKING)
The PRB are the UN Principles for Responsible Banking. The purpose of PRB is to raise awareness of and highlight the banking sector's contributions to sustainable development and to emphasise the need to ensure that the financial sector is being governed in line with the Paris Agreement and the 17 Sustainable Development Goals.

PRI (PRINCIPLES FOR RESPONSIBLE INVESTMENT)
The PRI are a UN initiative for responsible investment. The goal is to increase knowledge of and understanding for the significance of sustainable development in the investment management sector.

SCOPE (1, 2 AND 3)
Categories of emissions in the GHG protocol, for example, direct or indirect emissions.

SKI/EPSI
Svenskt Kvalitetsindex (SKI, or Swedish Quality Index) is a part of the EPSI Rating Group that carries out surveys of customer satisfaction in various sectors throughout the Nordic region and in other parts of Europe.

STRANDED ASSETS
Assets which, from a longer-term perspective, are deemed to be highly exposed to climate-related risks and risk losing their entire value, are often referred to as stranded assets.

SWEDISH RESOLUTION FUND
Since February 2016, Sweden has had new rules for managing failing banks, that is, resolution cases. Under the new law, a failing bank must be managed financially primarily by the bank's shareholders and creditors bearing the losses and expenses for the bank's recapitalisation. In extraordinary circumstances, though, outside funding may be necessary. A government-managed resolution fund therefore exists, funded by fees from the banks.

TCFD (TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE)
TCFD is an international working group that the G20 countries have tasked with formulating recommendations for correcting deficiencies in information on companies' work on and management of climate change and its consequences.

THE SUSTAINABLE DEVELOPMENT GOALS
The Sustainable Development Goals are part of the 2030 Agenda for Sustainable Development. The 17 Sustainable Development Goals comprise 169 targets. In the Goals, world leaders have pledged to eradicate extreme poverty, reduce inequality and injustice in the world and stop climate change by the year 2030.

TRANSITION RISKS
Transition risks are risks that arise through changes to legislation, changes in the demand for products and services, changed customer behaviour or other structural shifts which take place as part of society's attempts to transition to a climate-neutral economy.

WHISTLEBLOWER
An employee who discovers or suspects internal fraud or other irregularities in the Group can use, when other channels are not appropriate, Handelsbanken's special system for whistleblowing, in which identity protection can be guaranteed as far as is legally possible.

Would you like to know more?

More information about Handelsbanken and the latest news about our sustainability work is available at handelsbanken.com/sustainability.

The Bank and its customers
More information about the Bank and its customers is available at handelsbanken.com.

Here, for example, you can read about how we develop our availability, digitalisation and how we work with responsible advisory services.

The Bank's role in the community
More information about the Bank's roles in the community is available at handelsbanken.com/sustainability.

Here, for example, you can read about how we work with human rights and about our environment and climate work. Here you will find, for example:
- Environment and climate change – Handelsbanken's guidelines
- Supplier Code of Conduct.

More policies and guidelines are available at handelsbanken.com/policy-documents.

Responsible financing
More information about responsible financing at Handelsbanken is available at handelsbanken.com/responsible-financing.

Here, for example, you can read about how we integrate sustainability aspects into our lending. Here you will find, for example:
- Sustainability summary for Handelsbanken – lending to corporates.

More information about green financing is available at handelsbanken.se/en/corporate/financing/sustainable-finance. Here, for example, you can read about our criteria for green loans.

Material relating to Handelsbanken's green bonds can be found at handelsbanken.com/handelsbankens-green-bonds. This includes:
- Handelsbanken's Green Bond Framework
- Green Bond Impact Report
- An independent evaluation of Handelsbanken's Green Bond Framework.

Responsible investment
More information about responsible investment at Handelsbanken is available at handelsbanken.com/responsible-investments. Here you can read about how we work with responsible investment, for example:
- Policies and guidelines for responsible investment
- List of excluded companies
- Vote summary
- Sustainability and corporate governance report
- Carbon footprint
- Sustainability report Svanen (the Swan) – the Nordic Council's environmental certification
- Climate reports.

The Bank as an employer
More information about Handelsbanken as an employer is available at handelsbanken.com/en/careers.

Here, for example, you can read about how Handelsbanken works with gender equality, diversity and an inclusive culture. It also includes information about Handelsbanken's Student Programme.

The Bank's business culture
More information about the Handelsbanken's business culture is available at handelsbanken.com.

Information available here includes ethical standards at Handelsbanken and how we work to prevent financial crime. Here you will find, for example:
- Policy for ethical standards in the Handelsbanken Group
- Policy for sustainability in the Handelsbanken Group
- Policy for management of conflicts of interest.

The Bank as an investment
More information about Handelsbanken as an investment is available at handelsbanken.com/ir.

Here, for example, you can read about business model and the various sustainability indexes which include Handelsbanken.

At handelsbanken.com/ir you can find information about the Handelsbanken share, financial results and other investor information. Here you will find, for example:
- Annual reports
- Interim reports
- Presentations and fact books.

PLEASE CONTACT US
If you would like to ask questions about our sustainability work or if you have opinions to share, feel free to contact us at sustainability@handelsbanken.se.

Auditor's Limited Assurance Report on Svenska Handelsbanken AB (publ)'s Sustainability Report and the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To Svenska Handelsbanken AB (publ), corporate, identity number 502007-7862

INTRODUCTION

We have been engaged by the Board of Directors of Svenska Handelsbanken AB (publ) (Handelsbanken) to undertake a limited assurance engagement of Handelsbanken´s Sustainability Report for the year 2019 on pages 43–61 in Handelsbanken's annual report and the separate Sustainability Report on pages 4–72 for the year 2019. We refer to these publications collectively as the "Sustainability Report".

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, which are explained on page 70 in the separate Sustainability Report and are the parts of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or mistake.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and provide an opinion on the statutory sustainability report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, with the application of RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Handelsbanken´s in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Consequently, the procedures performed as part of a limited review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures performed in the limited assurance engagement are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 12 February 2020

Ernst & Young AB

Jesper Nilsson
Authorised Public Accountant

Marianne Förander
Expert Member of FAR

Nordic Swan Ecolabel, printed matter, 3041 0298

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