

# Sustainability Report 2018

**Handelsbanken**



# This is Handelsbanken



Handelsbanken has a decentralised way of working and a strong local presence.

The Bank has a nationwide branch network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank regards these countries as its home markets.

Handelsbanken was founded in 1871 and has operations in more than 20 countries.

Almost  
**800**  
branches.

More satisfied  
customers

than the sector average  
in all of our six home markets.\*

\*Source: SKI/EPSI 2018.

**47**  
years

running with higher profitability  
than the average of peer banks in  
home markets.

## About this report

This report describes how Handelsbanken works on its most important sustainability topics. The Sustainability Report covers activities and results in 2018. 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 information about sustainability.

The Sustainability Report covers the Group as a whole, unless otherwise stated, and constitutes the statutory sustainability reporting in accordance with the Swedish Annual Accounts Act for companies subject to the reporting requirement.

This is Handelsbanken's ninth Sustainability Report in accordance with the Global Reporting Initiative (GRI) guidelines for reporting. Handelsbanken's Sustainability Report was prepared in accordance

with the 'Core' level of GRI Standards for sustainability reporting and was reviewed by the Bank's external auditors. See the auditor's report on page 67.

A comprehensive GRI index can be found on pages 64–66. The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact.



# Contents

The Group Chief Executive's comments	2
Sustainability at Handelsbanken	4
The Bank's concept and working methods	6
Material sustainability topics	8
The Bank and its customers	10
The Bank's role in the community	14
Responsible financing	22
Responsible investment	25
The Bank as an employer	32
The Bank's business culture	38
The Bank as an investment	41
Initiatives, collaborations, awards, surveys and sustainability indexes	44

## IN-DEPTH INFORMATION ABOUT SUSTAINABILITY

<b>Governance, key figures and facts</b>	49
Summary of corporate governance	49
Organisational structure for sustainability	50
Handelsbanken and the Sustainable Development Goals	50
Sustainability risk	50
Stakeholder dialogue	51
Key figures for sustainability	52
Facts: The Bank and its customers	54
Facts: The Bank's role in the community	54
Facts: Responsible financing	57
Facts: Responsible investment	58
Facts: The Bank as an employer	60
Facts: The Bank's business culture	62
Facts: The Bank as an investment	63
Global Reporting Initiative indexes	64
Auditor's report	67
Definitions and explanations	68

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

This report is also available in Swedish. Every care has been taken in this translation into English. In the event of discrepancies, the Swedish original will supersede the English version.

# Long-term relationships – our success factor

For another year, Handelsbanken's combination of personal service, local presence and excellent digital services has proven to be widely appreciated. In survey after survey, customers rate Handelsbanken more highly than our competitors – a sure sign of the effectiveness of our business model.

New digital solutions allow us to make time for more customer meetings and provide more advisory services. In an age when personal service is increasingly scarce, this strengthens Handelsbanken's position in the competition for new customers and more good business.

In summarising 2018, I must say that it was a year of some turbulence in our business environment. Falling share prices, trade war, signs of a slowdown in the global economy, uncertainty surrounding the UK's exit from the EU and declining housing prices in several of our home markets were just a few of the factors that shaped developments in our environment. The Swedish stock market went down by 11 per cent during the year and the Stockholm stock exchange bank index declined by 13 per cent. Handelsbanken's class A share was 12 per cent down. Including dividends, the share decreased by 6 per cent. Since the turn of the millennium, Handelsbanken's share price has increased by 176 per cent, while the Stockholm stock exchange has risen by 18 per cent. In spite of the turbulent business environment, and in contrast to the negative share price performance, Handelsbanken has made steady progress – for the 47th year in a row, we achieved our corporate goal of a higher return on equity than the average of our competitors.

Handelsbanken's business model has been unchanged for almost 50 years, with decentralised decision-making, low risk tolerance and an unyielding focus on costs among its key principles. A long-term approach is another of our cornerstones. We believe in building long-term relationships with our customers, with our employees, and also with the communities and markets where we are active. We always want to be close to the communities we call home, so we believe in a decentralised business model where the local branch is the hub of the customer relationship, based on personal meetings combined with digital services and solutions.

---

“Our market shares are growing,  
not only in our new home markets,  
but also in Sweden, where we have  
been active for almost 150 years.”

---

## LONG-TERM CUSTOMER RELATIONSHIPS

As I see it, to build long-term, positive customer relationships, we must be responsive to customers' needs and demands, and how these change over time. Nowadays, most of our contact with customers takes place in digital meeting places. We are constantly enhancing our digital services to ensure that customers can carry out their banking business whenever and wherever they want. These services are often greatly appreciated by our customers, according to independent assessments of customer satisfaction, which we pay careful attention to.

At the same time, we do not believe that even the best digital services can replace the need to meet with a real live representative of the Bank from time to time – whether at a branch, by phone or a remote meeting. In our experience, the digitalisation of our banking services has by no means eliminated the need for personal contact.

Our combination of personal service, local presence and high-quality digital services remains popular among customers. In its customer satisfaction surveys for the year, the independent research company EPSI Rating (which includes the Swedish quality index SKI) found that Handelsbanken's customers are distinctly more satisfied than the average banking customer in each of our six home markets. This applies to private customers and corporate customers alike. What's more, in the UK and the Netherlands, we lead our competitors by a wide margin. This is perhaps not too surprising: Handelsbanken is a relative newcomer in the UK and the Netherlands, markets where our business model is still perceived as totally new and different. But even in our oldest home market, Sweden, satisfaction among our customers rose sharply last year, and our lead over our competitors is bigger than it has been for a very long time. This pleases me greatly – I see it as further validation that our business model works in our established markets as well as in newer markets.

The winning combination of local, personal and digital has further strengthened Handelsbanken's position over the past year. Our customers genuinely like their bank, so they trust us with more of their business. Our market shares are growing, not only in our new home markets, but also in Sweden, where we have been active for almost 150 years.

In this context, it feels natural to invest more in IT development and in digitalisation, to reinforce our relevance to our customers in the future. At the same time, we are also making sure to safeguard customers' access to local and personal service by maintaining our comprehensive branch network in our home markets. Without a doubt, this gives us a clear competitive edge, particularly at a time when many other banks are drastically reducing the number of physical meeting places they offer. Access to personal service is rapidly becoming scarce throughout the banking sector, putting us on a solid footing to compete for new, high-quality customers.

In other words, Handelsbanken's market position is unique. Our customers are satisfied with the care we show them and the services we offer. Digitalisation and the automation of internal administrative processes are enabling us to free up time for more customer meetings and to provide more advisory services. This gives us the right conditions for further growth.

One example is the correlation between advisory meetings and new savings in our mutual funds. In Sweden, 6 out of 10 customers choose to increase their mutual fund savings after an advisory meeting, and in 2018 the number of such meetings increased significantly compared with 2017. The digital advisory tool that facilitated this increase illustrates how we invest in technology to improve efficiency, creating time for us to provide better customer service and do more business. And we are continuing to enhance this tool, preparing to launch it in additional home markets. Other examples of such investment include harnessing artificial intelligence to review financial advice and digitalising the mortgage loan process.

## LONG-TERM CONTRIBUTION TO THE COMMUNITY

A long-term approach is important not only in relationships with our customers, but also in terms of our role in society. According to the major rating agencies, Handelsbanken is one of the world's most stable and financially robust banks. Thanks to our ability to keep credit losses at a low



level over time, we have built up a financial strength that allows us to always be an asset to – rather than a burden on – the communities in which we operate. For example, Handelsbanken is one of the largest payers of corporate tax in Sweden.

The market research company Kantar Sifo conducts an annual survey in Sweden measuring public perception of the country's companies. In 2018, Handelsbanken was ranked as one of the most respected companies overall, and the clear leader among banks.

A long-term approach and sustainability go hand in hand. So it is entirely natural for us as a company to integrate sustainability into all aspects of our business operations. This applies to our day-to-day activities at our workplaces and to the development of the products and services that we offer to our customers.

During the year, we continued to develop our offerings in fund and asset management and in green financing. One example of this is the 'sustainable multi-asset strategies' we made available to our asset management customers in the UK. Another is the Nordic Swan Ecolabel earned by the XACT Sverige index fund, the first of its kind to receive this certification. Handelsbanken also issued its first green bond in 2018. The proceeds from the bond will be used to finance customer assets and projects that help counteract climate change or that mitigate its effects.

Handelsbanken's continued support for and work with international initiatives for corporate sustainability, such as the Sustainable Development Goals in the 2030 Agenda, the United Nations Global Compact and the Principles for Responsible Investment (PRI) are unwavering. They are also completely in line with Handelsbanken's way of working.

The UK is one of our largest home markets, with a nationwide network of more than 200 branches. Handelsbanken's volumes for lending, deposits and asset management in the UK have multiplied during the past decade. Handelsbanken is the most recommended bank among small and medium-sized companies, according to the UK's Competition and Markets Authority. However, our market share remains small, so the opportunities for continued growth are almost boundless. In 2018, we reorganised our operations in the UK, transitioning from an international branch to a subsidiary. We have thus laid the foundation for a long-term presence in the country, and consequently also for the possibility of generating more business with existing customers and of welcoming many new private and corporate customers to Handelsbanken.

#### LONG-TERM EMPLOYEE RELATIONSHIPS

One of Handelsbanken's fundamental values is a firm belief in each individual's capacity to make informed decisions, and in doing so, to contribute to the success of the Bank. Many of us have spent more or

less our entire working lives at the Bank, which is something to be proud of. For us, every employee is important, so we are highly protective of our inclusive culture where responsibility is delegated.

Gender equality and diversity are two of our core values. By attracting, recruiting and developing employees with different experiences and backgrounds, we can become an even better bank and enhance our ability to adapt to a constantly changing society. That men and women are given the same opportunities to succeed and develop at Handelsbanken is non-negotiable, and we have worked systematically over a number of years to become a more gender-equal company. We are working hard to attain an even gender balance in the various professional roles, working groups and units at the Bank, and we have come a long way. In Sweden, for example, half of all managers are women.

---

**“But gender equality is not just about numbers. It is also a matter of values and how we treat each other.”**

---

But gender equality is not just about numbers. It is also a matter of values and how we treat each other. That's why we stressed the importance of working continuously on our core values relating to gender equality, diversity and an inclusive culture during the year. And we will continue with this work.

I would like to take this opportunity to thank all my colleagues throughout the Bank who have, yet again, this year, enabled the long-term, successful development of Handelsbanken.

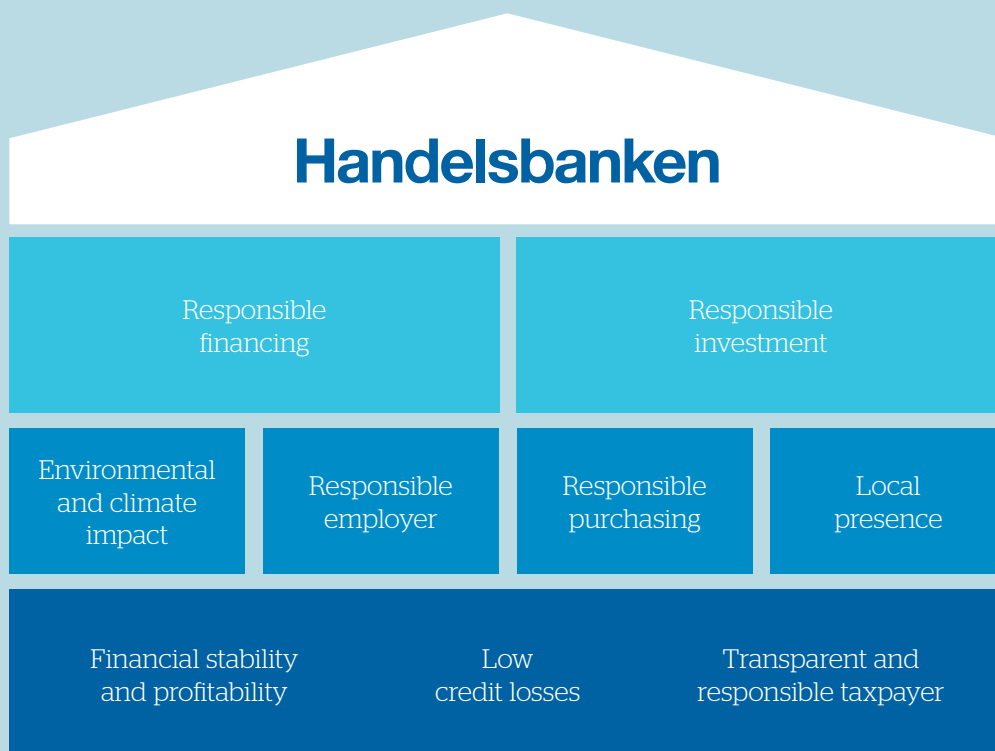
And finally, I would like to thank all of Handelsbanken's customers for the trust and confidence you continue to place in us. We will continue to do our utmost to live up to – and hopefully exceed – your expectations over the coming years.

Stockholm, February 2019

Anders Bouvin, President and Group Chief Executive

# Sustainability at Handelsbanken

*As a bank, we aim to contribute to sustainable development, chiefly through our business operations, our products and services. We have a significant responsibility, and we are committed to taking that responsibility.*



Long-term business relationships, low risk-taking and cost-awareness are cornerstones of Handelsbanken's business culture. Thus 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

147<sub>years</sub>  
of availability.



THE GLOBAL GOALS  
For Sustainable Development

Handelsbanken is  
working with the 2030  
Agenda and the Sustainable  
Development Goals.

SEK 1.8 billion  
in green loans granted.

44%  
of mutual fund volume  
is fossil-free and managed  
under the Bank's Criteria  
fund framework.

relationship, built upon personal meetings coupled with digital services and solutions. The value we place on long-term relationships, with our customers and with our employees, is reflected in a high degree of customer satisfaction and low staff turnover.

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 jointly 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.

Banking operations themselves have a relatively minor 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, refraining from unnecessary air and car travel, and instead promoting remote meetings using technology are good ways to reduce our negative impact. Digital solutions help us and our customers reduce our footprint in this respect, too.

And yet, Handelsbanken's greatest opportunities to assist and influence sustainable development are 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 risks, such as environmental and climate risk and their approach to human rights. Handelsbanken also develops new products, for example green loans to finance projects that promote greener and more sustainable communities. We also have a responsibility when we lend to private individuals, to protect customers from running into financial difficulties due to excessive indebtedness. 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 that have sustainable business models and avoid companies that have a harmful impact on sustainable development. Sustainable investment is one way for the Bank and our customers to act responsibly.

It is important for us to be receptive and open, and to adapt to the expectations of our customers, employees, investors and society as a whole. Through dialogue, we are constantly learning and can prioritise our sustainability efforts. We must clearly convey to stakeholders how we contribute and the role we play in society. Through the products and services that we offer, we want to be a link in a sustainable value chain.



# Our concept and working methods

Our goal is to have higher profitability than the average of peer banks 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 relationships, low risk-taking and cost-awareness are fundamental to successful banking operations run in a responsible, sustainable manner that earns customer trust.

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

### Decentralised

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

The Bank'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 makes 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

When customers contact us, the encounter should be simple and unbureaucratic. Our customers should be able to do the same type of business with us whether we meet at a local branch or via 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. With the branch's solid knowledge of its customers, we can produce digital solutions that live up to what our customers demand.

### 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.

### Products and services

A prerequisite for successful customer meetings is that Handelsbanken offers a broad range of products and services to meet the various financial needs of its customers.

### 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.

By running our business more efficiently than peer banks in our home markets, we achieve high profitability and can accordingly also keep costs low for our customers.



# Focus on essentials

## Materiality analysis

Handelsbanken wants 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. In 2018, we carried out a comprehensive materiality analysis. 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. The Bank's influence through its products and services, chiefly investment and financing, has increased significantly in recent years. As a result of the more detailed stakeholder dialogue, we have grouped our material sustainability topics in 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	<ul style="list-style-type: none"> <li>– High availability</li> <li>– Responsible lending</li> <li>– Responsible advisory services</li> <li>– Integrity and confidentiality</li> </ul> <p>Read more on page 10.</p>	<ul style="list-style-type: none"> <li>– Local presence and community engagement</li> <li>– Financial sustainability</li> <li>– The Bank's social responsibility</li> <li>– The Bank as a taxpayer</li> <li>– Inform and educate</li> <li>– Minimise environmental and climate impact</li> </ul> <p>Read more on page 14.</p>	<ul style="list-style-type: none"> <li>– Responsible lending</li> <li>– Responsible financing</li> <li>– Sustainable products</li> </ul> <p>Read more on page 22.</p>
<b>Why is this material to Handelsbanken?</b>	For Handelsbanken, the starting point is always 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 strict 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 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 want 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 wants to be a leader on the environment and climate. Our goal is to minimise our impact on the environment and climate.	Handelsbanken's lending must be responsible and meet high demands 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 energy production, transport, consumption and more. 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.
<b>Outcome 2018</b>  For key figures, page 52–53.	<ul style="list-style-type: none"> <li>– Handelsbanken's private and corporate customers are more satisfied than the average for its sector in all six home markets.</li> <li>– Our digital services earn high rankings in independent surveys.</li> <li>– 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 (0.08) of lending.</li> <li>– In 2018, 93 per cent of Handelsbanken employees in Sweden who are licensed to provide advisory services on financial instruments completed the course 'Sustainability in our investments'.</li> <li>– Our operations are aligned with the EU regulations that took effect in 2018, which strengthen protection for individuals.</li> </ul>	<ul style="list-style-type: none"> <li>– We have almost 800 local branches.</li> <li>– We have broadcast more than 500,000 hours of financial news from our news channel EFN.</li> <li>– Stable finances can be measured by the capital ratio, which shows if a bank can adequately withstand the risks that might arise in its operations. At year-end, the Bank had a common equity tier 1 ratio of 16.8 per cent, meeting the capital requirements set by the Swedish Financial Supervisory Authority.</li> <li>– For 2018, Handelsbanken's total taxes and government fees are estimated to exceed SEK 11 billion.</li> <li>– The Bank is one of the largest payers of corporate tax in Sweden.</li> <li>– Total CO<sub>2</sub> emissions in the Bank's six home markets decreased by 5 per cent.</li> </ul>	<ul style="list-style-type: none"> <li>– Handelsbanken arranged green bonds for SEK 20 billion in 2018.</li> <li>– We developed technical criteria for green loan products.</li> <li>– Handelsbanken granted green loans for SEK 1.8 billion.</li> </ul>
<b>Sustainability risk</b>  Read more on page 50.	Information security and IT security.	Environment and climate. Financial crime.	Human rights, living and working conditions. Environment and climate.
<b>Relevant SDGs</b>			

	 <b>Responsible investment</b>	 <b>The Bank as an employer</b>	 <b>The Bank's business culture</b>	 <b>The Bank as an investment</b>
<b>Material topics</b>	<ul style="list-style-type: none"> <li>– Responsible investment</li> <li>– Sustainable products</li> </ul> <p>Read more on page 25.</p>	<ul style="list-style-type: none"> <li>– Responsible employer</li> <li>– Work environment, working conditions and union rights</li> <li>– Employee commitment</li> <li>– Leadership and development</li> <li>– Gender equality and diversity</li> </ul> <p>Read more on page 32.</p>	<ul style="list-style-type: none"> <li>– Counteract financial crime</li> <li>– Salaries and remuneration</li> <li>– Responsible purchasing</li> <li>– Openness and transparency</li> </ul> <p>Read more on page 38.</p>	<ul style="list-style-type: none"> <li>– Creating shareholder value</li> </ul> <p>Read more on page 41.</p>
<b>Why is this material to Handelsbanken?</b>	<p>Handelsbanken plays a key role through its assignment to manage customers' savings. We want to generate a healthy return on savings capital while striving for a sustainable future. That is why Handelsbanken works to promote – in all of its mutual fund, asset and pension management – financially, environmentally and socially sustainable development in the companies in which the Bank invests on behalf of customers.</p> <p>Climate change is one of the biggest challenges to economic development and indeed humanity, and as an investor Handelsbanken aims to contribute to more sustainable financial markets.</p>	<p>Handelsbanken's values and strong corporate culture are vital to our success. Our idea of how to run a successful bank is based on trust and respect for the individual – both customers and employees.</p>	<p>Handelsbanken's success depends on the confidence of our customers and society at large. This confidence is based on our acting according to high ethical standards and taking responsibility for long-term sustainable development. We aim to work proactively to prevent all criminal activity: 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.</p> <p>We have a sound remuneration model. 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.</p>	<p>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.</p> <p>The Bank'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.</p> <p>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 CO<sub>2</sub> emissions.</p>
<b>Outcome 2018</b>  For key figures, page 52–53.	<ul style="list-style-type: none"> <li>– The number of Handelsbanken's mutual funds meeting specific sustainability criteria increased to 44, representing SEK 311 billion in total assets under management.</li> <li>– XACT Sverige (UCITS ETF) became the world's first Nordic Swan Ecolabelled index fund.</li> <li>– Handelsbanken Asset Management intensified its active corporate governance by participating in and voting at 136 per cent more AGMs.</li> <li>– The number of women on boards where Handelsbanken Fonder serves on the nomination committee increased to 39 per cent.</li> </ul>	<ul style="list-style-type: none"> <li>– External staff turnover was 3.9 per cent in the Group.</li> <li>– The total sickness absence rate for employees in the Bank's six home markets was 2.6 per cent.</li> <li>– The proportion of managers in the Group who are women was 39 per cent at year-end.</li> <li>– In the Group-wide work environment survey conducted in 2018, 97 per cent of participants responded that they feel respected for who they are.</li> </ul>	<ul style="list-style-type: none"> <li>– Employees completed mandatory training in 2018 on ethical standards and sustainability at Handelsbanken, including a module on anti-corruption.</li> <li>– 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 in specific sectors sign our code of conduct regardless of purchase volume.</li> <li>– The principle of only having a fixed salary applies to more than 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.</li> </ul>	<ul style="list-style-type: none"> <li>– The Bank has paid a dividend to its shareholders every year for more than 20 years.</li> <li>– Handelsbanken is included in several sustainability indexes.</li> <li>– Average growth in equity, including dividends and share repurchases, has been 15 per cent per year since 2007. The low variation confirms the Bank's low risk tolerance and is a measure of the stability of value creation.</li> <li>– The Bank was included in Robecoram's Sustainability Yearbook 2018 as a 'Sustainability Yearbook Member'.</li> <li>– Handelsbanken issued a EUR 500 million green bond.</li> </ul>
<b>Sustainability risk</b>  Read more on page 50.	Human rights, living and working conditions. Environment and climate.	Human rights, living and working conditions.	Financial crime.	
<b>Relevant SDGs</b>	     	 		 



# The Bank and its customers



Handelsbanken attaches great importance to being available for our customers – being there whenever and wherever 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.

### SATISFIED CUSTOMERS

For Handelsbanken, the starting point is always meeting individual customers' needs. In this way we build a trusting, long-term relationship with every customer.

All important business decisions should be taken 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. By gaining its customers' confidence, Handelsbanken becomes their natural choice.

#### Satisfied customers in all our home markets

Handelsbanken considers customer satisfaction surveys very important and follows up customer satisfaction through its own surveys as well as public ones. Each year, EPSI Rating – which includes SKI (Swedish quality index) – conducts independent customer satisfaction surveys in the Nordic region and the rest of Europe. This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. In Sweden, Handelsbanken has had the most satisfied private customers for 30 years running, according to SKI. In recent years, the Bank has extended its lead over the other three major banks, and over the average of the sector as a whole, with additional gains made in 2018. Customers also gave the Bank's digital services high marks in this year's

survey. In a digitalised world, the ability to achieve a feeling of familiarity is increasingly important, and human relationships play a significant role in customer satisfaction at Handelsbanken.

These independent surveys of customer satisfaction show that the Bank's consistent, constant efforts to nurture long-term customer relationships work.

Having loyal customers is just as important as having satisfied customers – the benefits are numerous. For example, loyal customers are less likely to get dissatisfied and change banks. In EPSI and SKI's annual 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 very satisfied, the results for 2018 show that they are also very loyal. 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 EPSI and SKI surveys.

Handelsbanken supports a research project at the Stockholm School of Economics that studies and analyses the key factors in creating customer satisfaction and monitors the link between customer satisfaction and profitability.

#### Relevant SDGs



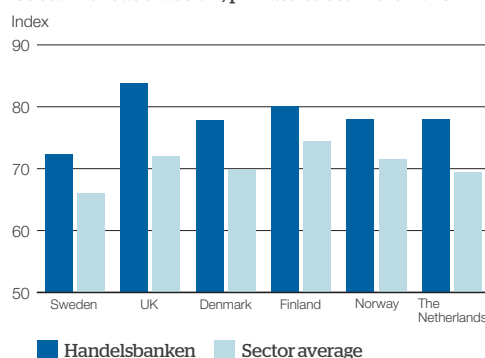
Meeting our customers and creating the best circumstances possible for them through our business decisions generates many benefits for society as a whole. This contributes to the healthy conditions for private enterprise and entrepreneurship in goal 8 and promotes the economic growth and development 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.

#### Examples:

Goal 8: In 2018, in Sweden we launched the 'My expenses' function in the private app, where private customers can review a breakdown of their expenditures into categories. Goal 9: In a pilot project, we offered customers remote meetings with advisors, by telephone or Skype, thus increasing availability and promoting economic growth. Goal 13: Paper communications posted to customers in Sweden have decreased by 23 per cent since 2013.

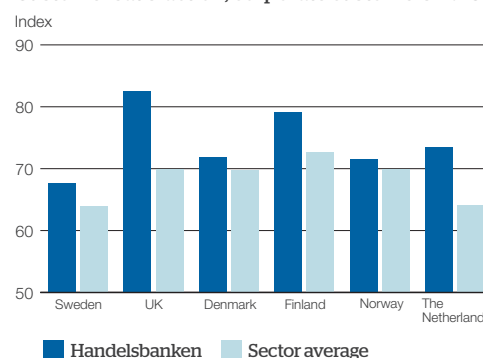
**This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets.**

Customer satisfaction, private customers 2018



Source: SKI/EPSI 2018.

Customer satisfaction, corporate customers 2018



Source: SKI/EPSI 2018.



### Good reputation

According to the Kantar Sifo Reputation Index for 2018, 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 seen as a good workplace and a financially stable company that looks to the long term and acts accordingly. 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.

### THE CUSTOMER IN FOCUS

We have our branches where our customers are, close to their everyday lives and day-to-day circumstances. We aim for as many business decisions as possible to be taken locally, close to the customer. This creates a cost-effective and flexible organisation, which is also based on the customer's needs and makes it possible to adapt to local conditions and to react quickly to shifts in the market. In financial advisory services provided when granting credit, recommending investments or mediating insurance, the Bank always considers the customer's overall situation and financial circumstances. Using this knowledge, we can provide guidance on financing, payments or investments that is adapted to each customer's individual needs. We focus on the customer's needs – not individual products or services.

Advice from the Bank always prioritises the customer's interests. Our advice is professional, adheres to high ethical standards and is provided in compliance with current laws and regulations.

The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term. With this as our starting point, the individual customer is protected from running into



financial difficulties due to excessive indebtedness, which also benefits the Bank and society at large.

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.

### AVAILABLE FOR OUR CUSTOMERS – BOTH LOCALLY AND DIGITALLY

Although Handelsbanken is continuously expanding its digital offering, we set a premium on human relationships – the personal touch and local presence – as we always have. Being 'personal and digital' is our way of describing Handelsbanken in this digital age. We invest in digital solutions, resulting in even better offers for customers and lower costs for the Bank.

By combining our local presence with digital solutions, we can always offer personal customer meetings with full advisory services – whether the customer prefers to meet us at the local branch or through digital channels. To complement advisory sessions at the branch, we have carried out a pilot project in the savings business in Sweden and Finland that offers customers the option of remote meetings. Remote advisory services play a vital role in the Bank's local and digital business model

*"Collaborations enable us to strengthen our customer relationships in a natural way. Handelsbanken plays an active role in the expanding world of international fintech. Our customers' needs and expectations are always the foundation for our actions."*

*Stephan Erne, Chief Digital Officer, Handelsbanken*



Group head  
office functions

Group  
business areas

Country  
organisations  
and regional  
head offices

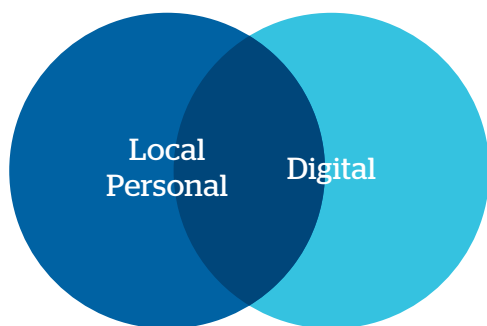
Branches

CUSTOMER

### 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.





and help reduce environmental and climate impact. As a further step to enhance availability for our customers, the Bank has initiated a project to digitalise the Swedish mortgage process, enabling customers who do not request advisory services or need special analysis to manage their mortgage loan transactions digitally. Customers who request advisory services or need special analysis can meet face-to-face with a person at their local branch, just as before, within the framework of our decentralised work method.

#### On the customer's terms

Most of our bank branches in Sweden are accessible to customers with reduced mobility. Because our branch network is nationwide, we can offer customers different branches 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. Accessibility is a cornerstone in all our development work, and our efforts are based on internationally recognised standards as well as our own guidelines. Our membership in the International Association of Accessibility Professionals enables us to expand our knowledge and consequently create even better conditions for everyone who visits our digital meeting places. This membership also gives us opportunities to share our own experience with work for increased accessibility.

#### INFORMATION SECURITY AND IT SECURITY

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

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. In addition, it must be possible to determine afterwards who has read or changed the information, when it was changed and which changes were made. The financial sector 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 actors.

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.

#### Looking forward ►

We will continue to work on digitalising the mortgage process, enabling our customers in Sweden to handle straight-forward loan applications completely digitally, from application to loan disbursement.

In further developing our advisory tool, we aim to ensure that each customer's sustainability preferences are taken into account when investment advice is provided.

*"A good digital relationship also needs to be personal. Businesses that succeed in combining a digital presence with a personal touch are rewarded with more satisfied customers. This is a pattern we've observed for several years. Never before has it been more important to be prepared to take a different approach and choose your own path, and Handelsbanken has succeeded in this respect."*

SKI (Swedish quality index) 2018.

## More secure banking transactions and greater transparency

In 2018, the EU issued several new regulations aimed at improving protection for the individual. They are also intended to make savings products easier to understand, such as through regulations that enhance transparency and make information clearer.

- The General Data Protection Regulation (GDPR) is intended to improve protec-

tion for the individual when personal data is processed.

- New regulations based on the second Payment Services Directive (PSD2) are aimed at strengthening consumer protection and improving the conditions for secure and efficient payments.
- MiFID II and the Insurance Distribution Directive increase protection in

securities trading and regarding insurance products. They also aim to make it easier for customers to understand how a product works and what it costs. The goal is for consumer protection to be equally strong for all types of financial advisory services.

# The Bank's role in **the community**

As a bank with stable finances and a local presence, Handelsbanken is a responsible business in society. By focusing on our customers' needs and managing risks so that as few customers as possible have payment difficulties, we contribute to economic development in the community.

## Handelsbanken in the local community

Our basic concept is that business decisions are made as close to the customer as possible, based on local information. This is why we have a strong local presence through our nationwide networks, with almost 800 branches.

The local branch manager is responsible for all the Bank's business in its geographical area of operations. Our decentralised organisation means we are a central part of each community where we operate and we consider it vital to contribute in various ways to those communities.

As part of the Bank's sustainability efforts, through our branches we get involved in various initiatives and activities carried out by local associations and charities.

For example, the branches share their financial expertise in courses at schools and universities, advise young entrepreneurs and participate in various mentor programmes. They also support various associations, sports clubs and local integration projects, such as by offering trainee positions to recently arrived immigrants.

### Contributions to economic research and higher 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.

## Services for the public good

A bank's fundamental tasks are to manage the money of those that wish to save and postpone their spending, and to lend money to companies and households that wish to invest and spend today. Together, banks must also 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.

The increased use of cards and mobile apps for executing payments is simplifying everyday tasks for our customers while reducing our direct environmental and climate impact. Handelsbanken also sees a growing need for new forms of services and offers connected with digital payment solutions and has contributed to such development, often in collaboration with others.



### Children's digital piggy bank

Handelsbanken Barn, a children's app launched in Denmark and Sweden in 2018, is one way that we as a bank can help parents who want to teach their children how to manage money. The app works like a digital piggy bank which allows children and parents to manage pocket money and set saving goals together. It helps children learn about savings and pocket money in a playful way. The Swedish personal finance magazine Privata Affärer named Handelsbanken Barn the app of the year 2018.

### 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.

### Examples:

Goal 8: Handelsbanken funds a professorial chair in accounting at the Stockholm School of Economics and provides financial support to the Swedish House of Finance (SHoF). Goal 9: Handelsbanken has launched a website and developer portal for Open Banking. In the portal, external parties can try out the Bank's API, an application programming interface for creating innovative services for banking customers. Goal 13: Handelsbanken has adopted a new guideline for company cars in Sweden which stipulates that an employee may choose a car that is not electric or a plug-in hybrid only in exceptional cases. Goal 16: Handelsbanken's total taxes and government fees are estimated at more than SEK 11 billion for 2018.

## Reducing our environmental and climate impact

Handelsbanken's goal is to minimise its own environmental impact by constantly developing its environmental activities. To achieve this, we are boosting resource efficiency and recycling, for example, and taking environmental impacts into account in purchasing and travel. The Bank's own CO<sub>2</sub> emissions are to be reduced over time, well in line with the Paris Agreement. As part of the Bank's efforts for the environment, we purchase carbon offsets for the CO<sub>2</sub> 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 22–24 and Responsible investment on pages 25–31.



In 2018, the Bank's total CO<sub>2</sub> emissions decreased by 5 per cent, emissions per employee by 9 per cent.



Since 2013, the Bank's yearly CO<sub>2</sub> emissions have decreased by more than 7,700 tonnes. This is equivalent to the average annual CO<sub>2</sub> emissions produced by 1,200 EU citizens.



Since 2013, annual electricity consumption has decreased by more than 9,000 kWh. This is equivalent to the average amount of energy consumed by 420 single-family homes in a year.

## Corporate social responsibility

Responsible lending and advisory services, as well as our efforts to satisfy customers and be an attractive employer, all factor into Handelsbanken's corporate social responsibility. In our own operations as well as in our business relations with external service providers and when investing customers' funds and lending to companies, we strive to prevent or limit negative impact on human rights and working conditions.

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.

### 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

risk tolerance, and the Bank's strict approach to risk means that we deliberately avoid high-risk transactions, even if the customer is willing to pay a high interest rate. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The credit losses ratio provides an indication of how responsibly a bank runs its operations. When banks have a negative impact on their environment, the problems are often due to high credit losses, or an expectation that the credit losses will rise sharply. If a bank suffers high credit losses, most of its stakeholders are negatively affected.

For many years, Handelsbanken has had much lower credit losses than peer banks. In the 1998–2018 period, the average credit loss ratio at Handelsbanken was 0.05 per cent, as compared to the average of 0.18 per cent for the five other major banks in the Nordic countries.



*"By enhancing expertise and sharing information about how our products and services could be misused by perpetrators, we can help obstruct and prevent the sexual exploitation of children. Our collaboration in the Financial Coalition and with ECPAT means that we can make a difference in our day-to-day business, which is part of Handelsbanken's long-term sustainability efforts."*

*Elisabet Jamal Bergström, Chief Communications and Sustainability Officer, Handelsbanken.*

## Collaboration and commitment to support children's rights

For many years, Handelsbanken has participated in many different collaborations to promote the rights of children, a commitment that reflects the Bank's principles and the importance of this issue.

Together with the children's rights organisation ECPAT Sweden, we work to obstruct and prevent payments connected with materials depicting sexual abuse of children. This is an example of how, in our operations, we can help strengthen the rights of children.

Another organisation working to prevent payments for such materials from being transferred through the financial system is the Swedish Financial Coalition against Commercial Sexual Exploitation of Children, in which Handelsbanken has been a member since 2009.

Since 2013, Handelsbanken has taken part in Global Child Forum, a non-profit foundation which serves as an independent forum to exchange best practices and stimulate discussion on children's rights. The Forum brings together leaders from business, government, academia and civil society to collaborate on this same theme.

The World Childhood Foundation is yet another initiative that the Bank supports. This organisation works worldwide to prevent exploitation of children. One example of local commitment is the Bank's Odengatan branch, in Stockholm, which welcomes customers to an event on 'Childhood Day' every year and donates the proceeds to the World Childhood Foundation.





## 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.

Handelsbanken's news channel 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.

Personal finance is an area where many people may feel their knowledge is lacking. At the same time, demands are steadily growing as to what we need to do, be aware of and know. EFN has a vital role to play and offers independent guidance on economic issues to our customers and the public.

Through news reports, in-depth programmes and features, EFN explains complex subjects and relationships and highlights events around the world. EFN gives viewers the opportunity to deepen their knowledge of their own finances and of broader international issues. The service is free of charge, carries no advertising and is accessible by everyone using a computer or smartphone.

Every year since 2016, EFN has been acclaimed Sweden's best financial news TV channel by the research company Hallvarsson & Halvarsson and Financial Hearings. EFN was named one of Sweden's

five best news sites, in the Topp100 2018, by International Data Group (IDG) publisher of Computer Sweden, CIO, Techworld and other periodicals.

### 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. Their 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 engages and activates

During 2018, almost 7 million videos were played, and viewers spent more than 500,000 hours with EFN's content – equal to more than 50 years. On average, viewers watch more than 70 per cent of a programme (by length), which indicates that EFN offers high quality and engages its audience.

Handelsbanken owns EFN AB via a subsidiary but has no control over its content. All video clips are subtitled.



## Involvement in the global community

**One person can't do everything - but everybody can do something. So says Henrik Ragnarsson, Branch Manager in Falun and one of the originators of the culture and aid project Ge vatten (Give water), which has involved large parts of the local community in a global issue.**

The Ge vatten project began in spring 2018. Via its own website, a Facebook page, a music video produced in-house and uploaded to YouTube, and other activities, the project raised money for Solvatten, a company that produces portable, solar-powered containers for heating and purifying water.

"This is a vital, tangible issue that everyone can understand, and Solvatten is forthright and transparent about where the money is going," Henrik says.

With the help of a wide contact network and its ability to execute large projects, the branch

worked with more than 100 Falun residents to arrange a variety of events - from concerts, to a charity dinner, to a golf tournament and an art auction where works by local artists were sold.

Culture, entertainment and assistance have been the common themes in this local project that was also intended to show how you can have fun while raising money for a good cause.

"We had such a fantastic response, and so many have turned out and lent a hand in so many ways - from our private and corporate customers, to the cultural association, property owners and the municipal energy company. One person knew somebody else, and then it just spread," Henrik says.

The SEK175,000 collected during the months that the project was under way will be enough for about 175 water containers that can provide clean water to as many as 1,750 people in Tanzania.

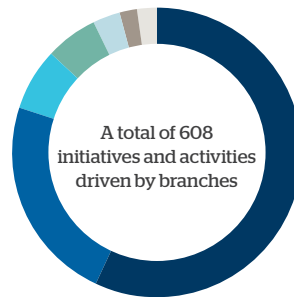
*"One water container can purify up to 40 litres of water a day."*



Henrik Ragnarsson,  
Branch Manager, Falun



## Many branches get involved in local activities and other initiatives



Charitable purposes	57%
Sports and culture	23%
Local business community	7%
Children and schools	6%
Gender equality, diversity and integration	3%
Research, universities and colleges	2%
Other	2%

## Looking forward

EFN's task of educating people on economic issues continues. The goal is to help people to make their day-to-day finances sustainable. We are also increasingly local: work continues with editorial teams in Stockholm, Gävle, Gothenburg, Malmö and Umeå. The purpose of covering local news is to stimulate interest in entrepreneurship and the business community all over Sweden. Our coverage of sustainability will also get a boost with new programmes and content about local, sustainable enterprise.



## Involvement in the local community

Respect, justice and care. Those are the watchwords of a not-for-profit organisation that works to help people at risk in Norway. It has received assistance from Handelsbanken's branch in Bergen for more than 20 years.

"It started when we wanted to donate money to charity instead of giving Christmas presents. Today we partner with the organisation and, besides a fixed amount, we contribute to their traditional Christmas concert in town," says Monica Vågen Nordahl, Deputy Branch Manager in Bergen Sentrum.

The organisation, Kirkens Bymisjon (Church City Mission), is found in more than 30 locations across Norway and offers a broad range of activities. They do everything - from serving as a meeting place for families with small children or a café for substance abusers, to various employment initiatives such as a bicycle

workshop and cafés, to free legal assistance and multicultural initiatives that facilitate integration.

"This is how we help people in need in our community. We are also proud of working with such a professional and inspiring organisation," Monica says.

"During the autumn, all Handelsbanken employees in Norway were able to get involved in the annual telethon on Norwegian TV, with the money raised going to Church City Mission. The money is collected with the help of 3,000 volunteers and will go to efforts to create a warmer and more inclusive society."

*"Twenty years of co-operation for social integration."*



Monica Vågen Nordahl,  
Deputy Branch Manager,  
Bergen Sentrum

# 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

To ensure that banks are sufficiently resistant to the risks arising in their operations, but also to protect customers' assets and interests, the public authorities have established capital requirements. These are rules for the minimum amount of capital a bank must have in order to run its operations. 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. 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. One condition for customers putting money in a bank is that they have confidence in the bank. 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.

#### Funding in capital markets

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 that is structured to safeguard the Bank's commitments to customers and investors, 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.

### VALUE CREATION IN 2018

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. That means the bank can grow and meet customers' future needs, such as for loans.

Since 1973, in every year but three, Handelsbanken has allocated part of its profits to the employee-owned profit-sharing foundation Oktogonen. One condition for the allocation is that Handelsbanken meets 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 61.

In 2018, Handelsbanken's profit before taxes and government fees was SEK 28,9 billion. This created value was distributed as follows: SEK 11,5 billion in taxes and government fees, SEK 10,7 billion in proposed dividends, to be paid to shareholders in the spring of 2019, and the remaining amount 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.

***“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.”***

Rating	Long-term	Short-term	Counter-party risk assessment
at 31 December 2018			
Standard & Poor's	AA-	A-1+	AA-
Fitch	AA	F1+	
Moody's	Aa2	P-1	Aa1
DBRS	AA (low)		



*“Handelsbanken is the largest player in terms of lending to companies in Sweden.”*

The Bank's policy for sustainability contains a section on taxes that is a starting point 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. In addition, Handelsbanken adheres to the OECD Guidelines for Multinational Enterprises, whose purpose is to encourage and facilitate corporate sustainability. In the UK, Handelsbanken has adopted the code of conduct for banks issued by HM Revenue & Customs, the UK tax authority. Handelsbanken also publishes a summary of the Bank's guidelines for managing taxes, in compliance with guidance from HM Revenue & Customs on making public corporate 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. Historically, it has been the largest payer to the Swedish resolution reserve (formerly the Stability Fund) for the financial system and one of the largest payers to the state deposit guarantee scheme. Value-added tax (VAT) represents a significant expense for Handelsbanken, because the Bank cannot recover all input VAT that it pays when buying external products and services. This is because a large part of our business is not subject to VAT, that is, the Bank's customers do not pay VAT on financial services. Handelsbanken's total taxes and government fees for 2018 are estimated to exceed SEK 11 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 the Swedish government's capital support or guarantee programme. Nor has Handelsbanken received 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.



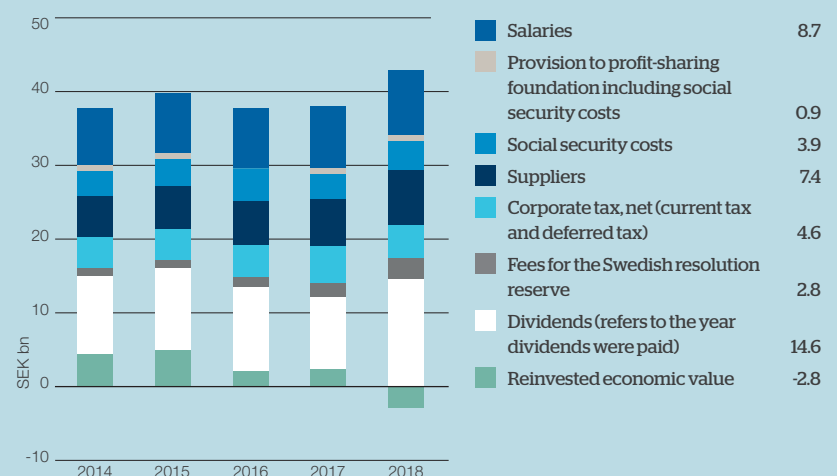
#### DIRECT ECONOMIC VALUE

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

#### INDIRECT ECONOMIC EFFECTS

Through its lending to companies in the Bank's 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 almost one quarter of household mortgage loans in Sweden.

### Distribution of economic value





# Responsible financing

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





A woman wearing a purple scarf and a dark coat is walking on a paved path in a park. The path is surrounded by green grass and scattered yellow autumn leaves. In the background, there are several trees, including a large tree on the right and a weeping tree on the left. A building with large windows is visible in the distance. The overall scene is peaceful and scenic.

# Responsible investment



# Responsible financing

The greatest opportunity a bank has to influence its business environment and contribute to sustainable development is through its business operations. By means of responsible financing and lending, we can contribute to the transition of the economy and society as a whole that is needed to achieve the Sustainable Development Goals.

## Responsible lending

Lending to households and companies makes up a large part of Handelsbanken's core business. The Bank considers it paramount that lending be based on an assessment of each customer's repayment capacity, so we do 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 good collateral. Our approach prevents individual customers from running into financial hardship due to excessive indebtedness – which also benefits the Bank, the customer and society at large.

At Handelsbanken, responsibility for the customer always lies with the branch in whose area of operations the customer is located. At branch level, responsibility for a customer and their credits are connected. The branch responsible for a customer is also responsible for all of the customer's credits.

### PRINCIPLES WHEN GRANTING CREDIT

Sustainability is 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 that aim to encourage and facilitate corporate sustainability. In our lending we must 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 damage the company's repayment capacity. The branch responsible for the customer assesses the credit risk. Thus the branch also assesses how factors such as environmental risks or the customer's approach to human rights will affect 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

### Relevant SDGs



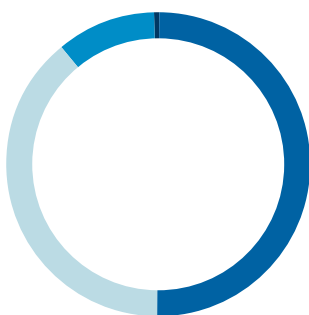
Handelsbanken contributes to the Sustainable Development Goals primarily indirectly, through the financial services and products in our core business. Lending and financing, such as through green loans, contribute to goals 11 and 13.

### Examples:

Goal 8: Handelsbanken has built up a green registry consisting of credits that finance green projects.  
Goal 11: Handelsbanken has financed green mortgage loans for multi-family dwellings for housing co-ops.  
Goal 13: To ensure that the environment and climate are taken into consideration when a green loan is used for financing, Handelsbanken has developed technical criteria that must be satisfied by all green loan products.

At year-end 2018, Handelsbanken's loans to the public totalled SEK 2,189 billion; SEK 851 billion of this was credit to companies.

Loans to the public



Private individuals	50.1%
Corporates	38.9%
Housing co-operative associations	10.5%
Sovereigns and municipalities	0.5%

Breakdown of corporate lending



Property management companies	70.3%	Construction	2.5%
Manufacturing	3.2%	Electricity, gas and water	2.4%
Retail	2.6%	Agriculture, forestry	1.8%
Hotel and restaurant	1.1%	Other services	2.8%
Sea transport	0.8%	Holding, investment and insurance companies	8.9%
Other transport and communication	1.7%	Other corporate lending	1.9%





## 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 corporates. The sustainability overview is published at [handelsbanken.se/sustainability](https://handelsbanken.se/sustainability).

good documentation for other levels in the Bank when they must evaluate credit risk and monitor that branches are factoring sustainability criteria into risk assessments.

For a long time, Handelsbanken has taken a restrictive approach to risk. This risk culture and expertise on the part of staff is best maintained and developed in day-to-day work and learning at the branches.

To make our approach to sustainability in the credit process clearer and more transparent, we have also

updated procedures for assessing sustainability risk in connection with lending to companies. Our assessment and documentation of sustainability aspects cover the majority of credit limit volumes granted to companies in the Bank. Branches also have tools to facilitate these tasks, such as access to independent research to help them make their own assessments.

A follow-up study in 2018 showed that the branches had accepted the procedures and that they help branches focus more on sustainability.

## Looking forward ➡

Handelsbanken is developing a green mortgage loan as part of our goal to counteract climate change and support sustainable cities and communities.



**The wind power park in Torkkola is one of the most energy-efficient in Finland. The venture has been financed by Handelsbanken's branch in Vaasa and is helping the customer reduce its carbon footprint.**

The Finnish energy company behind the wind power park is one of many companies that want to invest in a sustainable manner and use green financing. The company produces about 4 per cent of the electricity consumed in Finland and has long been a customer of Handelsbanken.

"They have gone from coal-fired power to wind power and have reduced their carbon dioxide emissions by two thirds since 2010. That counteracts global warming and fits our approach to the environment," says Frej Björse, Branch Manager in Vaasa.

When the wind power park was going to be built, there were several potential financiers. Handelsbanken's decentralised way of working, enabling rapid decisions to be made at the local branch, proved decisive.

"That was a big advantage in this transaction, for example when payments and guarantees were needed," Frej says.

The transaction has also contributed to an upswing in the local community. During the year that construction was under way, until the wind power park was commissioned in 2015, about 100 jobs were created, and about 10 local companies took part in the project.

*"Sixteen wind turbines in Torkkola generate electricity equal to the energy needed to heat 10,000 single-family homes for a year."*



Frej Björse,  
Branch Manager, Vaasa

# Green financing

## Green loans at Handelsbanken

The development of new criteria and products progressed in 2018, and new green loan products were launched for solar energy and multi-family dwellings. These are crucial areas for a transition in line with the Paris Agreement, whose key elements include a renewable energy system and less impact from the construction and property sector on climate and the environment. To ensure that the environment and climate are taken into consideration when a green loan is used for financing, Handelsbanken has developed technical criteria that must be satisfied by all green loan products. Green loans totalled about SEK 1.8 billion in 2018.

## Green bonds

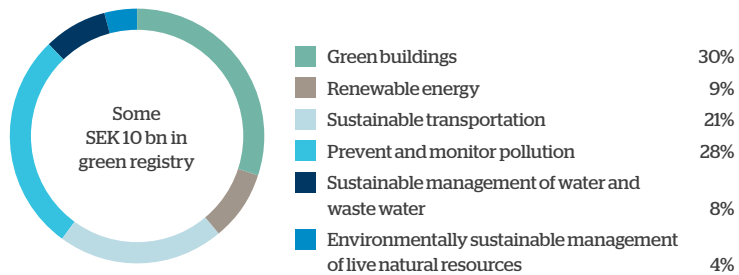
Driven by many new borrowers, the Nordic market for green bonds expanded strongly in 2018. For example, the volume issued in Swedish kronor reached SEK 70.2 billion, representing growth of almost 90 per cent. Handelsbanken is very active as an advisor to new and existing issuers of green bonds, in formulating terms and conditions as well as in issuing green bonds. During the year, Handelsbanken expanded its co-operation with the Climate Bonds Initiative, which published a Nordic market report with the support of the Bank. Green bonds are firmly established in the Nordic region and in 2018 accounted for about 13 per cent of total Swedish kronor borrowing in Swedish capital markets.

Read more on our website:  
[handelsbanken.se/sustainablefinance](https://handelsbanken.se/sustainablefinance)

## Green registry

Handelsbanken has built up a green registry, consisting of credits that finance green projects that comply with the requirements and criteria stipulated in Handelsbanken's green bond framework. When Handelsbanken's first green bond was issued in June 2018, credits in the green registry were some SEK 10 billion, distributed among the six categories below.

Breakdown of credits  
in green registry



*"For a long time, green financing was limited to the bond market, where only the biggest players can borrow money. That is why it is important that the financial services sector expand access to such financing. And this is what Handelsbanken is doing with green loans. We maintain a high degree of transparency and have clear criteria for the projects to be financed, to ensure that they contribute positively to a green transition."*

*Tobias Lindbergh, Head of Sustainable Finance at Handelsbanken Debt Capital Markets.*





# Responsible investment

Our assignment to manage customers' savings entails a great opportunity to contribute to sustainable development. For Handelsbanken, the objectives are self-evident: We want to generate a healthy return on savings capital while contributing to the Sustainable Development Goals.

## The starting point for all our investments

Responsible investment is part of our core business. It is an area where we have major opportunities to influence the transition to a sustainable financial sector. In addition to financial criteria, the investment process should integrate criteria related to the environment and climate, corporate governance and social issues. By factoring sustainability risk and opportunity into the investment decision, Handelsbanken can offer a wide range of mutual funds and other sustainable savings, pension and insurance products that meet the expectations of our customers and the world around us.

### A common value base

All our investments are based on the same core values, which are summarised in our policies for responsible investment. Consequently, all asset management is conducted on the basis of international norms and conventions which cover the environment, human rights and working conditions, and corruption. We have also adopted several voluntary frameworks, such as the UN Global Compact and the UN Principles for Responsible Investment (PRI).

### Three possible paths

Inclusion, exclusion and engagement are three methods for integrating sustainability into the investment process. 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-related offerings. The choice of asset class and management focus may also influence the approach.

### OUR APPROACH TO ENGAGEMENT

Engagement is an important way for us to influence companies in which we are shareholders. This includes both proactive dialogue aimed at encouraging companies to improve their sustainability activities, and engagement with companies which we have identified as not compliant with the international norms and conventions that we

respect. 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.

### How we engage with companies:

- Targeted dialogues with direct contact between our portfolio managers and companies.
- Dialogues with other investors.
- Co-operation and sector initiatives, often through international collaboration such as the Global Compact, PRI or CDP.
- Engagement through active corporate governance.

### Dialogues with companies

In 2018, we engaged with a total of 507<sup>1</sup> companies through dialogues on specific sustainability topics. The dialogues concerned corruption, environmental destruction, labour laws and other issues. A list of these companies is published at [handelsbanken.se/responsibleinvestments](https://handelsbanken.se/responsibleinvestments).

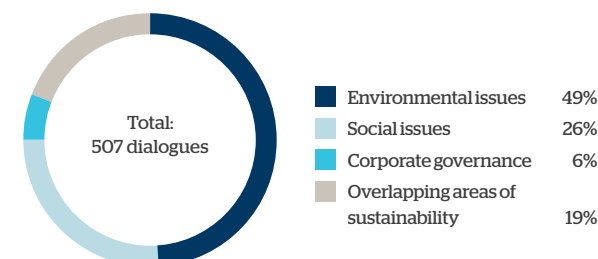
<sup>1</sup> Refers to the number of companies affected by all types of dialogue.

### Examples of targeted dialogues



Handelsbanken Fonder is one of four investors that, as a group, have initiated a dialogue with a Chinese company, within the Climate Action 100+ initiative. The company has been identified as one of the world's biggest emitters of CO<sub>2</sub>. The purpose of this dialogue is to persuade the company to reduce its negative climate impact.

### Engagement through dialogue



### Asset management

Nordic mutual fund operations are run in two separate companies. Actively managed funds are offered by Handelsbanken Fonder AB, while index and rules-based funds are offered by Xact Kapitalförvaltning AB.

Handelsbanken also conducts asset management activities in the UK through Heartwood Investment Management and in the Netherlands through Optimix. All fund management companies are subsidiaries of Svenska Handelsbanken AB (publ).

### Handelsbanken Liv

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

### Three possible paths



#### Inclusion

We integrate sustainability in our investment process by choosing the right company, the right index or the right mutual fund, depending on the type of asset management.



#### Exclusion

We exclude companies whose business operations are incompatible with our policies for responsible investment and companies which do not meet our specific sustainability criteria. We also exclude companies whose sustainability work we assess as inferior and where we consider our possibilities for influencing them in the right direction to be too limited.



#### Engagement

We engage with companies through dialogue to influence them to comply with international norms and conventions. We also take a proactive approach to influence companies to improve their sustainability efforts in general or on specific issues. Through our corporate governance work, we influence companies by participating in nomination committees and by voting at shareholder meetings.



## SUSTAINABLE SAVINGS PRODUCTS

### Funds with specific sustainability criteria

For many years, Handelsbanken has worked actively to offer funds that adhere to specific sustainability criteria in their investment strategy. These funds are included in the framework we call Criteria, and exclude investments whose main activities are in controversial sectors such as alcohol, tobacco, commercial gambling, munitions, pornography and fossil fuels.<sup>1</sup> These funds also exclude companies that are regarded as contravening international norms and conventions. The range comprises index funds, actively managed funds, fixed income funds and allocation funds that have a special investment focus.

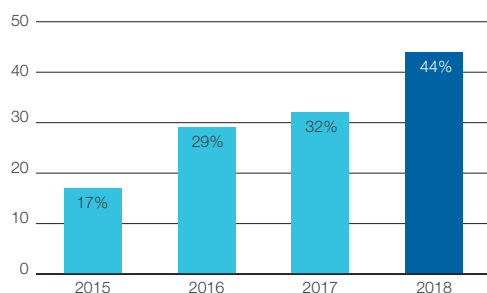
The number of funds and the amount of capital under management in our Criteria range continue to grow. The Bank now offers a total of 44 mutual funds with specific sustainability criteria. At year-end, the total assets managed in these funds were SEK 311 billion, corresponding to more than 44 per cent of the total fund volume, up 12 percentage points.<sup>2</sup>

<sup>1</sup> According to the Swedish Investment Fund Association's definition, investments in a company qualify as 'fossil-free' only if no more than 5 per cent of company turnover is attributable to such products or services.

<sup>2</sup> The fund volume is based on Handelsbanken's own mutual funds in the Nordic market and mutual funds managed by Optimix.

### Percentage of Handelsbanken's total fund volume in the Criteria range 2015-2018

% of fund volume



### Ecolabelled funds

In the Nordic countries, the Swan is an official ecolabel intended to help guide consumers to choices that benefit the environment. In October 2018, XACT Sverige ('XACT Sweden', a UCITS ETF) became the first index fund to receive this certification. XACT Sverige tracks the SIX Sweden ESG Selection index. This index includes companies with high ratings for sustainability and excludes companies with verified violations of international norms or with operations in certain controversial sectors. Handelsbanken now offers two Ecolabelled mutual funds – Hållbar Energi (sustainable energy) and XACT Sverige – which both fulfil the Nordic Swan Ecolabel's 25 mandatory criteria for exclusion, inclusion, transparency and engagement.



### Structured investment products

In 2018, Handelsbanken issued nine structured investment products based on the 17 Sustainable Development Goals (SDGs). The investments track indexes that are exposed to companies that, through their behaviour and their products, contribute to the SDGs. The structured products target companies with sustainable business models. This increases the long-term growth potential while reducing the risk in the investment. The total value of these investments exceeded SEK 89 million.

### Relevant SDGs



Handelsbanken contributes to the Sustainable Development Goals primarily indirectly, through the financial services and products in our core business. In the management of mutual funds, pension funds and other assets, our products are clearly linked with several SDGs, such as 5, 8, 9, 11, 13 and 16.

### Examples:

Goal 5: Handelsbanken Fonder has carried out a thematic analysis of companies' performance in gender equality. The analysis will serve as a basis for targeted dialogues focused on gender equality.

Goal 8: Handelsbanken's Criteria fund called Tillväxtmarknad Tema (emerging market theme) invests in companies that specialise in microfinance, whose operations aim at enhancing access by small-scale businesses to financial services in emerging markets.

Goal 9: Handelsbanken Fonder AB invests in companies based on select themes, one of which is infrastructure. In many parts of the world, the need for infrastructure is great. Infrastructure investments include roads and airports as well as education and solutions linked to digitalisation.

Goal 11: Together with a group of Swedish investors, Handelsbanken Fonder invested in a sustainable development bond issued by the World Bank. The bond will finance projects and programmes for sustainable development in the World Bank's member countries, focusing on sustainable cities.

Goal 13: Xact Kapitalförvaltning, which provides Handelsbanken's index and rules-based funds, has voted in favour of many shareholder proposals aimed at influencing companies to publish analyses based on the two-degree target. Xact Kapitalförvaltning has also voted in favour of shareholder proposals on reporting and targets related to emissions.

Goal 16: Within the framework of joint dialogues with other investments, 25 dialogues have been conducted with companies linked to the issue of corruption. Corruption is one of the Global Compact's four focus areas, and combating corruption is target 16.5 in the 2030 Agenda.



## RESPONSIBLE INVESTMENT AND THE SDGS

As an asset manager and insurance company, Handelsbanken can contribute to achieving the Sustainable Development Goals (SDGs). We strive to increase investments in companies that offer solutions to



**THE GLOBAL GOALS**  
For Sustainable Development

global sustainability challenges, at the same time as we try to minimise the negative impact of our investments on the environment and the climate. In 2018, we strengthened our thematic investing process, which identifies structural changes that have a long-term impact on companies' profitability. In this process, we also illuminated and strengthened links to the 2030 Agenda and the SDGs.

### Climate action



For the first time, Handelsbanken has published climate reports in accordance with recommendations from the Task Force on Climate-related Financial Disclosure (TCFD). Reports have been completed for Handelsbanken Liv, Handelsbanken Fonder AB and Xact Kapitalförvaltning AB. The climate reports describe how each organisation takes into consideration climate change in the areas of governance, strategy, risk management, targets and metrics.

One important contribution to goal 13 is to invest in solutions for a sustainable energy system. For several of our actively managed funds, energy efficiency has long been an investment theme. One example is the Hållbar Energi (sustainable energy) fund, focused solely on sustainability. The fund invests only in companies that develop or utilise methods and technologies to limit global warming and in companies that can contribute to more efficient energy use. In 2018, Handelsbanken Liv also focused on goal 13 and expanded its offering of mutual funds that avoid investments in fossil fuels, from 21 per cent to 38 per cent. In Handelsbanken Liv's

traditionally managed portfolios, investment in green bonds grew significantly compared to the preceding year. Starting in 2018, Handelsbanken Liv is also disclosing climate risk in its reports, including the company's carbon footprint.

### Increased gender equality



Gender equality is one of the goals that Handelsbanken Fonder AB has examined more closely from an investment perspective. This relates to companies that might have operations related to women entering the workforce, pre-school and other educational activities, temporary and permanent staffing, and women's financial inclusion in the formal economy, such as through access to bank accounts, debt financing and microfinance.

During the year, Handelsbanken launched Pension Guide, its tool for investment advisory services, which shows the effects of pension saving based on a customer's particular circumstances. Handelsbanken Liv also wants to spread awareness of how gender inequality in the labour market affects a person's pension.

## More information about sustainability in mutual funds

Sustainability profiles for most of our mutual funds are available online and in our mobile app, where you can read more about how the funds work with sustainability and how you can select a fund based on sustainability criteria.

Handelsbanken reports the carbon footprint for most of its equity funds. The carbon footprint provides more information about the companies' environmental and climate risks and helps investors understand better how the composition of a fund affects its footprint. Read more at [handelsbanken.se/responsibleinvestments](https://handelsbanken.se/responsibleinvestments).



## Transition to more sustainable pension savings

**Coming to grips with pension saving is much more important than many people believe. From the day that you no longer have the energy, desire or ability to work, your money will have to last you the rest of your life.**

"Sustainability in pension saving can mean any number of things: saving in sustainable mutual funds, saving enough to maintain your standard of living, or creating a buffer for living expenses should an accident occur," says Linda Haraké, Head of Sustainable Investments and Markets, Handelsbanken Life and Pension.

To simplify investing for sustainability, we examine all mutual funds offered to unit-linked insurance customers to determine how each

fund deals with financial, social and environmental sustainability in their management process.

"Besides financial criteria, we make demands on systematic sustainability work with due consideration of international norms and conventions. We also examine each fund management company's own ability to integrate sustainability into their asset management activities," Linda says.

As a result of this work in 2018, mutual funds selected for the range had a sharper focus on sustainability, and the evaluation process was expanded with an in-depth climate analysis.

*"In 2018, the proportion of mutual funds that are offered for insurance products and exclude fossil fuels increased, from 21 per cent to 38 per cent."*



Linda Haraké, Head of Sustainable Investments and Markets, Handelsbanken Life and Pension



## Financial inclusion and microfinance

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. Our evaluation process found that they are thorough in managing their fund, a fund with good potential for returns and a sound risk-return balance. This fund's investments provide an opportunity for microfinance institutions to lend money to people mainly in developing countries. Through BlueOrchard's fund, Handelsbanken's allocation management has invested significant amounts in microfinance during the past year. We continue to regard financial inclusion as an interesting area where we can expand our investments.



## Heartwood Investment Management

Heartwood Investment Management launched globally diversified sustainable multi-asset strategies in 2018.

The investment strategy practises exclusion of controversial sectors and inclusion based on sustainability criteria. Thematic investments such as climate change and renewable energy are also included.



In September 2018, Optimix created two equity baskets with a thematic management focus that are included in all discretionary customer portfolios. Companies are selected based on their contributions to the SDGs, with a focus on goals 6, 7, 9, 11, 12 and 13. Optimix requires its external fund managers to develop their activities in responsible investment. For example, all external fund managers are encouraged to sign the UN Principles for Responsible Investment (PRI).



## Looking at future trends

Handelsbanken Fonder produces a podcast which takes listeners behind the scenes as fund managers examine connections, highlight trends and discuss their possible impact on the performance of companies and sectors. The first episode was available in June 2018. To date, discussions have dealt with topics such as the 2030 Agenda for Sustainable Development, cities of the future, investing in health and Womenomics.



## Investing in the Sustainable Development Goals

The 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) aim to eradicate poverty and hunger and to achieve human rights for everyone. In addition, they aim to accomplish gender equality and empower all women and girls, and also to protect the planet and its natural resources in the long term.

“As investors, we naturally see investment opportunities in the 2030 Agenda. We see that it will create demand for and benefit sectors and companies that provide solutions that relate to the SDGs,” says Karin Askelöf, Head of Responsible Investments at Handelsbanken Fonder AB.

Investment opportunities connected with the SDGs revolve around long-term structural

changes and fit well into the fund management company's thematic investment process.

Starting from a common global analysis, the fund managers have looked at the 17 goals and 169 targets and invest in companies that focus on those: education, banking services for financial inclusion, healthcare and climate solutions.

“Perhaps the biggest issue is the enormous need for finance in general and the huge need to mobilise private capital, because traditional financing – public finance and in some cases foreign aid – will not be enough. By investing in companies with solutions, we can play a part, contribute private capital and deliver a return to our customers and future generations,” Karin says.

*“At the end of 2018, more than 80 per cent of all actively managed equity and fixed income mutual funds were fossil-free.”*



Karin Askelöf, Head of Responsible Investments at Handelsbanken Fonder AB

## Some key events

### 2005-2009

The first mutual fund in the Criteria framework, Handelsbanken Sverige Index Etisk (Sweden ethical index), launched in June 2005.

Handelsbanken Hållbar Energi (sustainable energy) launched in February 2008.

Handelsbanken signs the UN Principles for Responsible Investment in 2009.

### 2013

Optimix signs the UN Principles for Responsible Investment.

### 2015

Montréal Carbon Pledge signed, an initiative by which fund management companies undertake to measure and report their carbon footprint.

Europa Hållbarhet (Europe sustainability, an equity-linked bond) launched as Handelsbanken's first structured investment product focusing on sustainability.



## Human rights

Respect for human rights is essential to long-term value creation at Handelsbanken. We support and respect the protection of human rights in our operations.

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

Two of the conventions and principles which are relevant to us are the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

## Equity and credit research

Handelsbanken is working to integrate sustainability in the equity and credit research that we offer professional investors who are our institutional customers. All companies face risks and opportunities related to sustainability. As ever more companies integrate sustainability in their day-to-day operations, we find it natural to integrate sustainability in our day-to-day analysis. We believe it is vital for companies to monitor and manage risks and opportunities related to sustainability so they can be profitable in the long term. At present, the Bank publishes standardised sustainability analyses for almost all of the more than 200 listed Nordic companies that we follow. In these reports, we survey each company's sustainability activities and relevant risks and opportunities. The Bank also collects sustainability data and related key performance indicators – such as CO<sub>2</sub> emissions, waste per unit of sales, proportion of staff who are women – on an annual basis for companies it covers. We compile this data in a sustainability database that customers have access to.

## 2016

Mutual funds' sustainability ratings first appear on the Bank's website, in the table of fund data.

Guidelines issued regarding business relations with companies with operations in fossil fuels.

## 2017

Decision taken to transfer all international index funds to indexes excluding controversial businesses.

The Hållbar Energi fund (sustainable energy) receives the Nordic Swan Ecolabel.

Stricter sustainability criteria applied to the range of mutual funds offered in insurance.

Together with the 2° Investing Initiative, Handelsbanken performs an initial analysis of the Bank's mutual funds based on a two-degree scenario.

## 2018

Handelsbanken Auto Criteria launched, a fund of funds developed for sustainable saving via smartphones.

XACT Sverige becomes the world's first index fund awarded the Nordic Swan Ecolabel.

Heartwood Investment Management launches sustainable multi-asset strategies.

Optimix creates two new equity baskets, with companies included based on their contributions to the SDGs.

*"The Intergovernmental Panel on Climate Change (IPCC) has declared that we need to restrict global warming to 1.5 degrees to avoid devastating consequences. But that demands quick action of a kind never seen before. As a bank and financial institution, we need to take the lead. We must support the transition from fossil fuels to renewable energy sources by devising new products and services and developing our existing range."*

**Kristian Bjursell, Chief Sustainability Officer  
Handelsbanken Capital Markets**



## Looking forward

- In 2018, Handelsbanken Asset Management began adapting most of the mutual funds in its range to the criteria applied in the Criteria framework, efforts that will continue in 2019.

We are making this transition because we believe the sectors that we exclude might well, in various ways, work counter to the aims of the 2030 Agenda and the SDGs and thus are incompatible with our role as a responsible investor.

Handelsbanken Liv has also begun to adapt its range of mutual funds in insurance products to contribute to sustainable development in line with the climate goals of the Paris Agreement. This work will be ongoing in 2019.


- In equity and credit research, the goal is to further integrate sustainability topics in research and company valuations.

Another goal is for our sustainability database to grow in scope, from the roughly 95 per cent of companies we currently cover, to 100 per cent. We also aim to arrange more seminars and company presentations on relevant sustainability themes and to expand our dialogue with the companies about their sustainability strategies.





# The Bank as an **employer**



Decentralised working methods and belief in the individual are integral to our corporate culture. This applies no matter where in the world Handelsbanken operates or opens new branches. In 2018, Handelsbanken had over 12,300 employees, working in more than 20 countries, and more than 40 per cent were employed outside Sweden.







### AN ATTRACTIVE, LONG-TERM EMPLOYER

Handelsbanken's values and strong corporate culture are vital to our success. Our idea 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. 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.

Handelsbanken's guidelines for employees are based on the Bank's corporate culture, working methods and fundamental view of people. We work with one another through dialogue and trust.

### CONSTANT DEVELOPMENT

Handelsbanken has a well-established and structured process for the development of its operations and its employees. One aspect of this is that all employees take part in their unit's business planning process. After the plan is set, each manager carries out individual planning dialogues and performance reviews with their employees, resulting in personalised action plans with both short- and long-term goals and activities, a means of developing both the employee and the Bank. The action plan is followed up continually and forms the basis of an annual salary dialogue review between manager and employee.

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

Handelsbanken's strength is derived from the combined expertise of our employees. We believe in day-to-day learning and that employees contribute to developing the business, themselves personally and their colleagues.

### LABOUR MARKET AND 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: 3.9 per cent in the Group and 3.0 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.

### Relevant SDGs



Handelsbanken must be a company where women and men 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.

### Examples:

Goal 5: The Diversity Council includes members from the management teams in all home markets, Handelsbanken Capital Markets, Group IT and Group HR. In 2018, the Council focused on integrating gender equality and diversity in business planning for each country and unit.

Goal 8: In Sweden, the mandatory work environment training for managers and union representatives was revised to sharpen its focus on inclusiveness, work adaptation and rehabilitation.

### 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.



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. During the year, Handelsbanken started a reverse mentoring programme in which young employees at the Bank serve as mentors to experienced managers. The purpose is to share experience as well as provide fresh perspectives and approaches to various key issues, to develop operations in the best way possible. Managers at Handelsbanken must be exemplary cultural ambassadors, which is why most are recruited internally. In 2018, 96 per cent of all managers in the Group were recruited internally. For Sweden, the corresponding figure was 99 per cent. It is important that those who work at branches have natural links to and good knowledge of their community and local market.

Handelsbanken has a Student Programme in Sweden and Norway aimed at young people studying at university or college. The purpose is to attract and recruit young employees to support Handelsbanken's management succession and competency planning and to promote gender equality and diversity. As part of this programme, each student works at the Bank during their years at school, takes relevant professional development courses and learns about the Bank's culture, to be able to develop at Handelsbanken.

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

*"I've gained a deeper understanding of the entire operation and been able to influence things and see how I can contribute to the Bank becoming a more attractive employer for my generation."*

**Erik Mattsson, Hedesunda, mentor in the reverse mentoring programme.**



union representatives or employee representatives and managers. Valuable information and experiences are exchanged at the very early stages of pending changes or new services, for example. Handelsbanken also has a European Works Council (EWC), with representatives from senior management and employee representatives from the countries, which serves as a forum for information and discussion on joint cross-border topics in the European countries where the Group operates.

#### EQUALITY, DIVERSITY AND INCLUSIVENESS

Gender equality, diversity and an inclusive corporate culture are part of our core values and must be a natural part of our daily work. The goal is an even gender balance within different professional roles, working groups and units in a work environment that enables each person to make the most of their skills. We trust and respect one another, allow and appreciate differences, share knowledge and experiences, take new approaches and are open to new perspectives.



**At Handelsbanken, we strive to create a positive work environment and to promote good health. Our goal is for all our employees to feel good.**

During the year, Handelsbanken UK has introduced a number of initiatives aiming to improve knowledge about and prevent stress-related illnesses among both managers and employees. One of the activities is an employee training course - Mental Health First Aid (MHFA) - led by experts in the field. The course is intended to increase awareness as to how mental health-related problems can be prevented and managed.

"To give our employees the best possible conditions for them to perform, we realise that we have to focus more on health and well-being, not just on professional competencies. By facilitating a continuous dialogue between

manager and employee, we can listen, adapt, and implement improvements in the working environment to create a more sustainable working life," says Kajal Sheth, Head of Retail Banking Compliance.

"We are seeing increasing instances of absence for mental health-related reasons and are working proactively to address the underlying causes. The training course is directed at both managers and employees and is a key initiative in this area. We have also introduced a system which ensures that employees have certified mental health first aiders to turn to when needed," explains Kajal, who is herself a certified first aider.

While a number of employees at Head Office have already become accredited as Mental Health First Aiders, the intention is to roll out the scheme to staff across the entire UK during 2019.

*"Thirteen employees in London and Manchester completed their training in Mental Health First Aid during spring 2018."*



**Kajal Sheth, Head of Retail Banking Compliance**

Several of the Bank's managers and employees are active in various external mentor programmes and networks to contribute to activities that promote integration and diversity. Through various collaborations in Sweden, the Bank offers internships for recently arrived immigrants.

Handelsbanken's Diversity Council is a Group-wide forum for gender equality and diversity whose members come from the management teams in all home markets, Handelsbanken Capital Markets, Group IT and Group HR. In 2018, the Council focused on integrating gender equality and diversity in business planning for each country and unit.

Within the Group, various initiatives are carried out to increase gender equality and awareness of how social and cultural norms affect attitudes and behaviours in everyday life. In Sweden, for example, training programmes on gender and gender equality are conducted periodically for members of management teams, HR specialists and union representatives. In the UK, there are mentor programmes to encourage more women to choose the management track. In Finland, gender equality and diversity are being integrated in all internal management training and in orientation courses for new employees. Handelsbanken Capital Markets has conducted several activities for managers and employees focused on the work environment, attitudes, culture and values. Several of these courses were conducted together with external partners with specialised knowledge.

### EQUAL PAY

The Bank is working to rectify unwarranted pay differentials between women and men. In Sweden, this work progressed for several years in co-operation with the union organisations and is now 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.

### HEALTH AND WORK ENVIRONMENT

Handelsbanken keeps a steady focus on issues concerning employees' health and the work environment. Our overall goal for the work environment is that it should enable employees to feel good, develop and perform at optimal capacity. To achieve our work environment goal, we target a number of health factors. An ongoing dialogue between employees and their managers makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run. All employees are responsible for their own health and for contributing to a positive work environment.

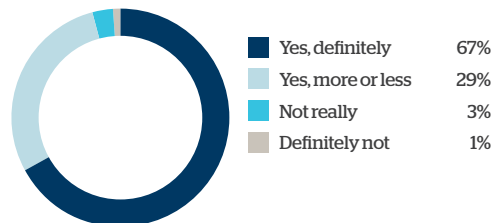
Each manager is responsible for performing regular work environment surveys, based on our health factors, with their employees and union representative or employee representative. The survey questions relate to the situation in the workplace, covering the psychosocial and physical work environment, security, gender equality, diversity and inclusiveness.

#### Health and the work environment at Handelsbanken

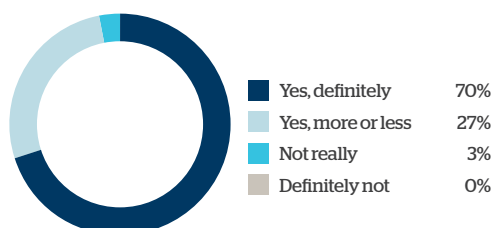


Handelsbanken's overall goals for health and the work environment are that employees should feel good, develop and perform at optimal capacity. Our efforts for the work environment focus on several health factors that are collectively the prerequisites for a positive, respectful and inclusive work environment.

#### I'm proud to work at Handelsbanken



#### I feel respected for who I am



*“Handelsbanken has a transparent and explicit **zero-tolerance approach to discrimination, harassment, sexual harassment and victimisation.**”*

The surveys provide an opportunity for all employees to express their opinions on what is working well and what improvements need to be made. 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 their work environment, sickness absence rate and reported incidents for all employees in a joint health and safety forum involving employee and employer representatives. As of 2017, every country and department can follow up the results of completed work environment surveys at an aggregate level, by health factor, by question and by gender identity.

In Sweden, the mandatory work environment training for managers and union representatives was revised to sharpen its focus on inclusiveness, work adaptation and rehabilitation.

In 2018, UK operations focused in particular on health, as managers completed training programmes aimed at raising awareness of how stress-related illnesses can be prevented. In addition, all employees have access to guidance and counselling by external parties, and several employee volunteers have completed training on mental health first aid.

#### **Discrimination and victimisation**

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. Constantly striving for a respectful and inclusive culture is integral to our systematic work environment efforts. Handelsbanken has a transparent and explicit zero-tolerance approach to discrimination, harassment, sexual harassment and victimisation. Our guidelines, procedures and instructions clearly define the responsibilities for investigating and handling such incidents.

In the Group-wide work environment survey conducted in 2018, 97 per cent of participants responded that they feel respected for who they are.

During the year, a sharper focus has been directed at strengthening our procedures and guidelines in this area to safeguard our culture.

Incidents reported are followed up regularly in each country and department and at the Group level. With the aim of simplifying reporting and investigations and to improve follow-up, a new system has been introduced for work environment incidents. If an incident is reported to the national Equality Ombudsman or a corresponding official body, it is also followed up at Group level.

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

#### **HEALTH AND LEISURE**

Balancing work and leisure helps foster the conditions for good health. Handelsbanken offers a large number of subsidised health-promotion and recreational activities. One sports and leisure association in Sweden dates back to 1919 and has 4,600 members. Denmark and Finland have similar associations. Sweden also has an art association with two sections: an art section with 3,500 members and a crafts and design section with 2,500 members. Handelsbanken's Historical Association, whose aim is to spread knowledge about and preserve the Bank's cultural heritage, has 1,200 members.

In 2018, health and leisure efforts were stepped up to expand initiatives so that they reach even more employees. A Group-wide health network has been formed for sharing experiences, collaborating and co-ordinating health initiatives for all employees.

#### **Staff magazine**

The staff magazine *Remissan* started in 1948: for, about and by the employees of Handelsbanken. *Remissan*'s task is to create a sense of community, belonging and commitment among the employees and to reflect the culture throughout the Group. *Remissan* is now a digital site, with an English- and a Swedish-language version, accessible to all current and retired employees of the Group.

#### **OKTOGONEN FOUNDATION**

One condition for achieving the Bank's corporate goal of higher profitability than the average of peer banks in its home markets is that the Bank's employees outperform their peers in the sector. In every year but three since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

One condition for an allocation to be made is that Handelsbanken meets 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. Now, 98 per cent of the Group's employees are covered by Oktogonen.

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

#### **Looking forward** ➡

- A new platform for learning and professional development will illuminate the connection between competency requirements and the need for professional development for current and future roles at the Bank. Part of this work is to improve the process for planning dialogues and performance reviews for both employees and managers.
- The Bank will conduct a global health activity focusing on physical activity, lifestyle and recovery.
- To raise awareness of and foster constructive dialogue about how we behave towards one another, discussion materials will be produced.



# The Bank's **business culture**

Handelsbanken's success depends on the confidence of our customers and society at large. This confidence is based on our acting according to high ethical standards and taking responsibility for long-term sustainable development.

## Corporate philosophy

Confidence in the Bank and our operations is based on ethical actions and high moral standards in everything we do. We believe in always being accountable. Also, by living up to our commitments – as a financial institution, employer and a part of the local and international business community – we want to make a positive difference in the local community where we operate.

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



## Business ethics at Handelsbanken

The values managed by Handelsbanken are extensive and it is vital that we do this 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. To ensure good administrative order, of course, our employees must comply with 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 has its own policies and guidelines as well 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. Also, the Bank's Group Chief Executive has 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 business 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.

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. To maintain this confidence, the Group's sustainability activities must be transparent.

### Managing tax-related matters

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. The Group's policy for sustainability and policy on ethical standards, as well as a summary of the guideline for managing taxes, are available on the Bank's website.

## Handelsbanken's **policy on ethical standards** means that we:

- observe high ethical standards
- follow laws, regulations and guiding principles
- support international initiatives and guidelines
- counteract financial crime
- treat customers with respect, such as when providing advisory services
- counteract conflicts of interest
- as employees stay abreast of relevant laws and regulations
- deal with reports from employees who suspect internal fraud or other irregularities
- protect confidentiality.

*"The work of combating financial crime is not only a legal matter but also a vital issue related to the Bank's business, reputation and customer satisfaction. We must never be associated with fraudulent operations or risk customers or the Bank losing money."*

**Hannu Saari, Chief Financial Crime Prevention Officer, Handelsbanken.**



## Efforts to prevent financial crime

Handelsbanken has a Group-wide department dedicated to preventing financial crime. An important starting point is the body of external regulations on combating money laundering and terrorist financing. Headed by a member of the Bank's Senior Management, the department works to prevent, thwart and detect use of the Bank's products and services for money laundering, terrorist financing, tax evasion, corruption, fraud or breaches of international sanctions. This is a prerequisite for our being able to conduct secure and sound banking operations.

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 get to know 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, employees and managers are to 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 as part of 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.

### Relevant SDG



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.

### Examples:

Goal 16: 95 per cent of the Bank's employees and managers have completed the annual mandatory training programme on combating money laundering and terrorist financing. The Bank has performed risk assessments in the area of financial crime, which includes corruption.



## Our core values

Our core values mean that we:

- focus on the customer's needs - not individual products
- encourage independent decision-making
- are innovative and proactive
- take responsibility for our own personal development
- have high ethical and moral standards
- like keeping good administrative order
- work together towards common goals
- contribute to the development of our operations and our colleagues.

## 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 any negative impact on customers' interests. 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 those units deemed to have a greater 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 a suspected breach 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. Corruption must also be taken into account in the self-evaluation of operational risk that each unit must perform annually. 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 Sweden. 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 the 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.



### Looking forward ►

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



# 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 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 publicly traded banks in Europe that has generated a positive total return for its shareholders since the financial crisis began a little 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 164 per cent. This can be compared with the European index for bank shares, Euro STOXX Bank, which produced a total return of -81 per cent during the same period.

## A BUSINESS MODEL THAT CREATES SHAREHOLDER VALUE

In Handelsbanken's decentralised organisation, our customers' needs are at the centre. The Bank works on the basis of a well-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. Every year since 1972, the Bank has achieved its financial goal of higher profitability than the average of peer banks in its home markets.

## 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).

## Examples:

Goal 8: Our way of conducting banking operations with low risk and low credit losses enables us to contribute to economic growth throughout the business cycle.

Goal 13: The capital raised through the issue of Handelsbanken's green bond will be used for lending to clearly definable investments that lead to low CO<sub>2</sub> emissions and a climate-sustainable future.



*“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.”*

### **Profitability**

Profitability is a keyword at Handelsbanken. For more than four decades, the objective has been to generate shareholder value – but not at just any cost. Value creation must be sustainable. In addition to Handelsbanken's financial goals, the Bank aims to act as a responsible business 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**

Another key concept that aptly describes Handelsbanken's actions is 'long term'. The Bank takes a long-term view of its business operations and its relationships with customers. Handelsbanken views every recruitment of a new employee as significant and long term. External staff turnover is low, and all members of Handelsbanken's Senior Management have been recruited internally, most having spent their entire working life in the Bank. Handelsbanken favours long-term investors as shareholders.

These approaches intersect 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**

Yet another key phrase for Handelsbanken is 'customer satisfaction'. The Bank 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. Handelsbanken was included in the Sustainability Yearbook 2018 as a 'Sustainability Yearbook Member'. That means Handelsbanken scored in the top 15 per cent of all banks in the world with respect to sustainability.

About 30 investment banks have research analysts who regularly monitor Handelsbanken and its shares. In addition, Handelsbanken was in contact with sustainability analysts from about 10 independent research firms in 2018.

During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 47 billion. Market capitalisation has decreased by SEK 10 billion, while the Bank has paid out SEK 57 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 rating of 'Dark Green Shade' – the highest possible – from Cicero, the 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 over-subscribed.

The capital raised through the issue of Handelsbanken's green bond will be used for lending to clearly definable investments that lead to low CO<sub>2</sub> emissions and a climate-sustainable future. Examples of this are clean transport, sustainable forest management, green buildings, renewable energy and sustainable water management.

At the time of issue, about SEK 10 billion in assets were in the green registry. We expect this volume to grow significantly in the future. Our home markets already show a great need for financing of green and sustainable projects, and that demand is unlikely to decrease in the future.

### SUSTAINABILITY INDEXES

ECPI

Ethibel Sustainability Index

FTSE4Good

OMX GES Sustainability

SIX Sweden SRI Index

STOXX Global ESG Leaders

### COMPILED BY

ECPI

Forum Ethibel

FTSE

Nasdaq OMX/GES

SIX Finance Information

STOXX

ECPI  Sense in sustainability



FTSE4Good





## Initiatives, collaborations, awards, surveys and sustainability indexes

As a member 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 for important exchange 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



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

#### PRI

Signatory of:



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 more than 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 Methane Engagement** is an initiative aimed at increasing investors' understanding of methane risk exposure in global portfolios and of best practices for managing risks related to methane.  
**PRI Sustainable Palm Oil** is an initiative where PRI has acted as coordinator and formed a work 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.  
**Montréal Pledge** is an initiative in which asset owners and investment managers have undertaken to measure and report the carbon footprint in their portfolios. Handelsbanken has been part of the initiative since 2015 and reports the carbon footprint for most of its equity funds. A list of these funds is published at [handelsbanken.se/sustainability](https://handelsbanken.se/sustainability).

#### UNEP FI



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.

#### 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 those 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 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. More than 5,600 organisations in more than 90 countries worldwide measure and report their environmental impacts through CDP.

CDP acts on behalf of more than 800 institutional investors; Handelsbanken has been one since 2015 and reports to CDP annually.

#### 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.

#### IIGCC



The mission of the Institutional Investors Group on Climate Change 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.

#### 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 combating 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 materials 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.

#### FINANCIAL COALITION AGAINST COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN



Since 2009, Handelsbanken has been a member of this Financial Coalition, which works to obstruct and prevent trade in images of child sexual abuse. Membership in the Coalition means that the Bank proactively takes a stand and increases awareness of the problem in order to contribute to preventive efforts within the Coalition.

**GLOBAL CHILD FORUM**

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

**WORLD CHILDHOOD FOUNDATION**

Since 2010, Handelsbanken has supported the World Childhood Foundation, which works to prevent violence against and sexual abuse of children. The Foundation wants to ensure that all children have the opportunity to develop into strong, confident, responsible people. Its work focuses on those children who are often forgotten: children who live on the streets, in institutions or in a family where the parents are unable to give them what children need most – trustworthy adults.

**PERSONAL FINANCE FOR YOUNG PEOPLE**

Handelsbanken supports initiatives to improve young people's knowledge of personal finance by supporting information campaigns and contributing know-how. Ung Privatekonomi ('Young Personal Finances') is a schools information project that teaches Swedish upper secondary school students and teachers about personal finances and savings.

**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 been a CBI partner since 2017.

**SUSTAINABLE VALUE CREATION**

Since 2009, Handelsbanken Asset Management has collaborated with other major Swedish investors on the Sustainable Value Creation project. The aim of the project 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, Sustainable Value Creation conducts surveys and organises seminars and round-table discussions.

In its capacity 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 services sector can learn and exchange best practices and experience within the 2030 Agenda. The objective is to explore, from various angles and perspectives, the role of the long-term investor in the 2030 Agenda and to 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 that work with sustainable investment in Sweden. Their activities aim 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 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](http://swesif.org/swesif/hallbarhetsprofilen-english). Since spring 2016, Handelsbanken Asset Management 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**

ROYAL SWEDISH ACADEMY OF ENGINEERING SCIENCES

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 the resource-effective, circular society. 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.

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

**The Swedish Bankers' Association** represents banks in Sweden and fosters conditions so that they can 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 finance sector in the United Kingdom. The association has about 300 members in the UK, providing credit, banking, marketing and 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, not-for-profit forum for organisations that work with sustainable investment in Sweden. Their activities aim 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.

## AWARDS

BEST PRIVATE BANK – FINANCIAL TIMES  
AND INVESTORS CHRONICLE WEALTH  
MANAGEMENT AWARDS

Handelsbanken in the UK has been named 'Best Private Bank' in the Financial Times and Investors Chronicle Wealth Management Awards for the

sixth time. The judges' decision was based on a survey in which the readers of the magazine related their experiences and provided opinions about their banks.

## SERVICESCORE 2018



For the seventh consecutive year, Handelsbanken received the award for best service among

banks in Sweden from ServiceScore. The Bank was applauded for its business model, anchored in the branch, where customers feel they can talk with the person who makes the decisions. ServiceScore is based on assessments of companies in 22 sectors, by some 3,300 people, of the level of service that customers feel they receive, based on their expectations.

BUSINESS BANK OF THE YEAR AND  
SWEDEN'S SMALL ENTERPRISE  
BANK 2018

Handelsbanken has once again been voted Business Bank of the Year – for the eighth year running – and Sweden's Small Enterprise Bank – for the seventh year running. The survey showed that Handelsbanken is appreciated by small as well as large companies. The Bank achieved the highest rating in the categories: customer satisfaction, quality of advisory services, service and customer treatment, electronic services and the range of products and services. The survey showed that personal service and local presence are greatly appreciated in an increasingly digitalised society.

Finansbarometern is one of Sweden's largest independent market surveys, focusing on how companies view their banking relationships. The survey compiles the responses of about 1,500 persons, from companies and organisations with more than 100 employees or turnover of at least SEK 100 million, as well as small enterprises with 1–20 employees. Respondents are CEOs, CFOs or other people in a position to influence the company's choice of banking services.

## SURVEYS

## GLOBAL FINANCE



Handelsbanken is one of eight banks scoring the most points on the 2018 list of the world's safest commercial banks, according to Global Finance's annual ranking. The interna-

tional 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.

## SUSTAINABLE BRAND INDEX



SUSTAINABLE  
BRAND INDEX

The 2018 results of Scandinavia's largest annual brand study focusing on sustainability – Sustainable Brand Index™ – show that Handelsbanken enjoys a top position among banks in Sweden, among consumers (B2C) as well as decision-makers (B2B). In these studies, 40,000 consumers and 1,000 decision-makers assessed the sustainability of each brand.

Based on the operating environment, people and brand, the studies seek to understand why a brand is perceived in a certain way and how sustainability influences purchasing decisions.

## KANTAR SIFO REPUTATION INDEX 2018

**KANTAR SIFO** Handels-

banken placed 11th among companies in Sweden with the best reputation, according to the 2018 survey by Kantar Sifo, which every year asks the Swedish public how much confidence they have in various companies. Around 4,300 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.

## SATISFIED CUSTOMERS



In 2018, Handelsbanken had more satisfied private and corporate customers than the average for the banking sector in all of

the Bank's six 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.

## THE SUSTAINABILITY YEARBOOK 2018

Handelsbanken is one of the most sustainable banks in the world, according to the research firm Robecosam. In every year since 2004, the sustainability analysts at Robecosam have listed in their Sustainability Yearbook those companies they consider the most sustainable. In 2018, Handelsbanken was included as a 'Sustainability Yearbook Member', which means that Handelsbanken scored among the top 15 per cent of all the banks in the world with respect to sustainability. The evaluations of the research analysts 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 80 (new method, 77).



## UNIVERSUM Students



According to Corporate Barometer 2018 – a survey carried out by Universum, an employer branding consultancy – Handelsbanken was the top bank in Sweden and ninth 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 criteria: reputation and image, people and corporate culture, remuneration and opportunities to advance, and job characteristics.

## Young professionals



In Universum's 2018 Career Barometer survey, Sweden's young professionals named their ideal employers. 'Young professionals' refers to people under 40 with an academic background and one to eight years' experience of working life. Among professionals working in business, Handelsbanken placed 27th of 100 companies in total.

In this survey, too, participants responded to questions about what a good employer is based on the criteria: reputation and image, people and corporate culture, remuneration and opportunities to advance, and job characteristics. These two rankings show that Handelsbanken is regarded as one of Sweden's most attractive employers according to Universum's surveys.

## ACADEMIC WORK



In the 2018 Young Professional Attraction Index survey by Academic Work, Handelsbanken was regarded as having the best reputation in the Banking and finance category – at the top of its sector. The results are based on more than 13,700 responses from university and college students and persons with a university degree who have worked five years or less after graduating in Sweden. To measure total reputation, participants were asked to respond to the survey based on three parameters: the employer's reputation in the market, the employer's perceived success and whether or not the respondent wanted to work for the employer.

## SUSTAINABILITY INDEXES

Handelsbanken is analysed and assessed by both customers and financial market players. The results and the assessment of the Bank show how well Handelsbanken lives up to their expectations.

### 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 Euro Ethical Equity, 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, and in September 2018 the Svenska Handelsbanken A share was reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe.

### FTSE4GOOD



#### FTSE4Good

Handelsbanken was also selected for the FTSE4Good Index during 2018. The index is independent and is based on analyses of companies' work with environmental, social and governance (ESG) practices. Handelsbanken has been part of the index since 2001.

### OMX GES SUSTAINABILITY

Together with GES Investment Services, a research company, the Nasdaq Stockholm stock exchange launched a sustainability index that provides investors with a universe of companies that fulfil sustainability requirements. Handelsbanken has qualified for the OMX GES OMXS30 Ethical Price Index and the OMX GES Sustainability Sweden index as well as the OMX GES Sustainability Nordic index.

### SIX SWEDEN SRI INDEX

The SIX Sweden SRI Index is a collaboration between SIX Financial Information and ISS-Ethix. The index consists of companies listed on the 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. SRI screening is also applied to other indexes, such as the SIX30 SRI Index and SIX60 SRI Index. The Handelsbanken share is also included in these indexes.

### 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.

# In-depth information about sustainability

## CONTENTS

<b>GOVERNANCE, KEY FIGURES AND FACTS</b>	<b>49</b>	<b>FACTS: RESPONSIBLE INVESTMENT</b>	<b>58</b>
		Investment process	58
<b>SUMMARY OF CORPORATE GOVERNANCE</b>	<b>49</b>	Climate-related financial disclosures	59
Principles for corporate governance at Handelsbanken	49	<b>FACTS: THE BANK AS AN EMPLOYER</b>	<b>60</b>
Recruitment and diversity-related work by the Board	49	Staff turnover	60
Internal control	49	Constant development	60
<b>ORGANISATIONAL STRUCTURE FOR SUSTAINABILITY</b>	<b>50</b>	Gender equality	60
		Health and work environment	60
<b>HANDELSBANKEN AND THE SUSTAINABLE DEVELOPMENT GOALS</b>	<b>50</b>	Sickness absence	60
		Remuneration and benefits	60
<b>SUSTAINABILITY RISK</b>	<b>50</b>	Relationships with unions	61
<b>STAKEHOLDER DIALOGUE</b>	<b>51</b>	<b>FACTS: THE BANK'S BUSINESS CULTURE</b>	<b>62</b>
Our stakeholders	51	Compliance and confirmed incidents	62
Materiality analysis	52	Policy on ethical standards	62
<b>KEY FIGURES FOR SUSTAINABILITY</b>	<b>52</b>	Guidelines for managing taxes	62
		Policy for sustainability	62
<b>FACTS: THE BANK AND ITS CUSTOMERS</b>	<b>54</b>	Work to prevent financial crime	62
Satisfied customers	54	Conflicts of interest, corruption, bribery and improper influence	63
Integrity and confidentiality		Suppliers	63
– Information security and IT security	54	Principles when granting credit	63
<b>FACTS: THE BANK'S ROLE IN THE COMMUNITY</b>	<b>54</b>	<b>FACTS: THE BANK AS AN INVESTMENT</b>	<b>63</b>
Financial aspects	54	Public limited company	63
Modern slavery and human trafficking	55	Dividend	63
Economic research and education	56	Creating shareholder value	63
Direct environmental and climate impact	56	<b>CONTENT, RESTRICTIONS AND INDEXES ACCORDING TO THE GLOBAL REPORTING INITIATIVE</b>	<b>64</b>
Services for the public good	57	<b>AUDITOR'S REPORT</b>	<b>67</b>
<b>FACTS: RESPONSIBLE FINANCING</b>	<b>57</b>	<b>DEFINITIONS AND EXPLANATIONS</b>	<b>68</b>
Business relationships	57	<b>CONTACT DETAILS</b>	
Exposure to climate risk	58		

# Governance, key figures and facts

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. Handelsbanken knows that there are stakeholders who seek in-depth information. This part of the report, which deals with sustainability management, presents 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 45–61 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, and bond investors 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. 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 these, the Board also decides on the Bank's approach in several essential sustainability issues regarding measures against financial crime, the environment, remuneration, ethics and corruption. The Group Chief Executive also exercises governance by issuing various policy documents. The Group Chief Executive issues instructions for the managers who report directly to him and issues guidelines, some of which provide more detailed directions to complement and clarify the Board's policies. These documents are revised every year but can be adjusted more often when necessary.

However, the foundation of functioning corporate governance consists not only of 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 states 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 36 per cent, and the proportion who are nationals of a country other than the one where Handelsbanken is domiciled is 36 per cent.

Composition of the Board after election at the AGM

	2018	2017	2016	2015	2014
Total number of Board members	11	11	11	10	10
of which men	7	6	6	7	8
of which women	4	5	5	3	2
Nationality other than Swedish	4	4	5	5	3

### INTERNAL CONTROL

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

The Compliance function, besides being responsible for compliance, 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 system for whistleblowing, which means that an employee who suspects internal fraud or other irregularities can report these to a unit 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 on ethical standards

- Policy against corruption
- Policy for managing 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 handling customer complaints.

A summary of these policies can be found in the Bank's Corporate Governance Report and at [handelsbanken.com](http://handelsbanken.com).

### Selection of guidelines established by the Group Chief Executive:

- Guidelines for environmental impact 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 for managing taxes.

### Policy documents that the boards of Handelsbanken's subsidiaries have decided on:

- Corporate governance policy for Handelsbanken Fonder
- Policy for responsible investment for Handelsbanken Fonder
- Policy for 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:

- Guideline on alcohol, drugs and gambling
- Guideline on victimisation, discrimination and harassment
- Guideline on bribery and improper influence.



### More information

More information about Handelsbanken's corporate governance is also available at [handelsbanken.se/ireng](http://handelsbanken.se/ireng). The site includes the following information:

- previous corporate governance reports from 2008 onwards
- Articles of Association
- information about the nomination committee
- minutes of 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. The Bank also has a Sustainability Committee, formed in 2010. Handelsbanken's Chief Sustainability Officer chairs the Committee, is a member of Senior Management, and reports to the Group Chief Executive. The Committee consists of representatives from various operating areas throughout the Group and met regularly during 2018, a total of six times.

This year, a sub-committee was created 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 in a sustainability perspective, with regard to customers and suppliers and to the Group's own tax management.

Matters of principle relating to sustainability in asset management are the responsibility of Handelsbanken's Responsible Investment Council. The Council is represented by the Bank's two fund management companies: Handelsbanken Fonder and Xact Kapitalförvaltning. The Council'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. For example, the Council decides on what actions to take when the Bank sees signs of sustainability risk in the investments made on behalf of customers.

## Handelsbanken and 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 2030 Agenda is 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, through our strong local presence and other ways that we contribute to the community. That includes paying taxes and fees, employing staff, granting credit, offering payment solutions and providing investment services as well as other banking services. Through the Bank's operations, we can contribute long-term to these goals.

Handelsbanken's Sustainability Committee has therefore analysed the 17 goals and their 169 targets to determine which of these our operations should focus on and how we can integrate them in the framework of sub-areas in the Bank's material topics. The analysis took into account the degree of influence, both indirect and direct, the 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.

## Sustainability risk

The sustainability risks identified are related to the Bank's different roles as a lender, asset manager, service provider, purchaser or employer. Sustainability risks span areas such as human rights, working conditions, the environment, climate, financial crime, and information and IT security. It is important to anticipate and manage sustainability risk, for both financial and legal reasons, as well as for the Bank's reputation.

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

Risk areas	Risk description	Potential impact on Handelsbanken	Actions to minimise the risk	Leading conventions and guidelines
<b>Human rights, living and working conditions</b>	Our own operations or our business relations could have a negative impact on human rights. 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, such as relationships with suppliers. The risk might also be linked to the Bank's investments and lending to companies.	Impaired reputation 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.  Screening, checklists, systems support, documentation requirements.  Policy documents for responsible investment and responsible credits.	UN Universal Declaration of Human Rights, International Labour Organization's core conventions, UN Convention on the Rights of the Child, UN Guiding Principles on Business and Human Rights, Children's Rights and Business Principles, UN Global Compact, UK Modern Slavery Act.
<b>Environment and climate</b>	The transition to an environmentally sustainable economy entails risks for companies whose operations are not aligned with that transition. The risks might include changes in legislation, pricing and demand for products and services and the risk of increased damage to assets as a result of climate change.  Risks are linked primarily to the Bank's corporate lending and investments.	Increased credit losses and capital costs resulting from a weaker financial position among the Bank's customers, weaker returns on the Bank's investments. Also, risk of an impaired reputation.	Develop our ability to identify, measure and manage risks connected with the transition to an environmentally sustainable economy.  Screening, checklists, systems support, documentation requirements.  Policy documents for responsible investment and responsible credits.	UN Environment Programme Finance Initiative (UNEP FI), Recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), Equator Principles, UN Principles for Responsible Investment (PRI).
<b>Financial crime</b>	Occurrence of money laundering, terrorist financing, tax crime, various types of fraud, corruption and other serious financial crime.  These risks are chiefly associated with customers' use of the Bank's products and services for criminal activity.	Legal consequences, impaired reputation.	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.
<b>Information security and IT security</b>	Potential deficiencies in the management of personal information and company information with respect to availability, accuracy, confidentiality and/or traceability.	Weakened confidence, economic consequences.	Administrative systems, such as rules and instructions, and technical security systems.  Continuous follow-up of events inside and outside our operations, such as via collaboration in international forums.  Educate employees and customers to increase awareness of threats and risks in information security.	In accordance with ISO 27001, the International Standard of Good Practice published by the Information Security Forum.



For all goals selected, Handelsbanken can 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, and in our corporate lending we want to contribute by reducing our indirect impact on the climate and by financing companies at the forefront of 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 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.

### OUR STAKEHOLDERS

Many private individuals, organisations and companies are affected by how Handelsbanken acts in various matters. Business relationships 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,

#### 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.*

corporate social responsibility means that we live up to the expectations of these stakeholders and act 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 regulators, for example. The Bank's main stakeholder groups have been identified as those who have a material impact on Handelsbanken's operations or are materially affected by the operations. Handelsbanken also carries on 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, and schools and universities.

### 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 make well-founded decisions and 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 our almost 800 local branches around the world. These meetings arise from our desire to grow long-term relationships with our customers. They can be face-to-face, held over the phone, at digital meeting places or on social media. By maintaining close, long-term relationships with our customers, the Bank gains a better understanding of our customers' expectations on our sustainability work.

#### Employees

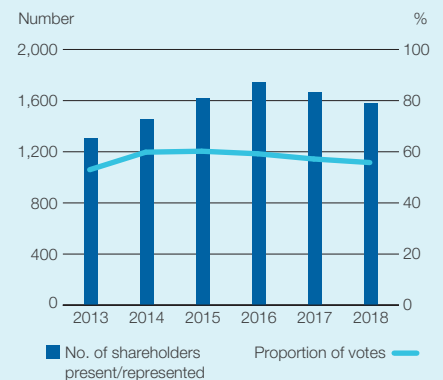
Employees are an important stakeholder group. It does not matter how good the products or services are if the Bank does not have the most suitable staff. By taking part in their own unit's annual business planning, each individual employee can play a part by contributing to and influencing the operational focus. Managers with delegated work environment responsibility are to do a work environment survey with a work environment representative and their employees at least once a year. The work environment survey is part of work done to achieve 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 senior management. Shareholders show keen interest in Handelsbanken's

annual general meetings. In the past five years, shareholders representing more than 50 per cent of the votes in the Bank have participated. 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 Group Chief Executive, CFO and Investor Relations Department held more than 500 meetings with equity and fixed income investors.

#### Attendance at AGMs 2013–2018



#### Union organisations

For a long time, Handelsbanken has had good relationships with the union organisations, 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 maintains contact with non-governmental organisations (NGOs). During the year, we had several ongoing dialogues with them, answered questions and participated in conversations and seminars to keep ourselves updated in the field of sustainability and to gather important opinions.

#### Sustainability analysts

About 30 investment banks have research analysts who regularly monitor Handelsbanken and its shares. 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 dialogue with the analyst. In 2018, Handelsbanken responded to 10 or so enquiries, surveys and analyses from various international actors.

### Suppliers

Handelsbanken purchases goods and services from many different suppliers. In the Swedish operations, 72 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 have 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.

During 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.

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 questions 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 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 makes it possible to follow up the results by stakeholder group and home market.

The last time the Bank conducted a similar materiality analysis was 2015–2016. Based on that earlier one, Handelsbanken grouped its material sustainability topics into several areas illustrating where the topics had the greatest impact on the Bank's operations, internally and externally. The 2018 stakeholder dialogue shows that responsible financing and responsible investment have greatly

increased in importance. So we have chosen to clarify how we work with these topics by forming two new areas that replace 'The Bank's indirect impact'. The material sustainability topics are thus 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 show that the Bank's most important sustainability topics are clearly linked to our core 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' firm confidence. This means that we continue to work on integrity and confidentiality, to counteract 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 8–9. The presentation includes a description of why these topics are material for Handelsbanken and the risks they are associated with.



## Key figures for sustainability

Based on the materiality analysis for defining Handelsbanken's most material sustainability topics, several 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 grouped in seven sub-areas.

### Key figures for sustainability

The Bank and its customers	2018	2017	2016	2015	2014
Customer satisfaction, private customers, SKI/EPIS index					
Sweden	72.3	68.9	67.6	72.4	74.3
UK	83.9	85.2	83.5	83.6	83.8
Denmark	77.8	76.8	77.7	77.7	76.5
Finland	80.1	79.6	80.1	81.9	81.5
Norway	78.1	77.5	74.2	75.8	74.9
The Netherlands	78.0	78.0	74.1	73.5	73.3
Customer satisfaction, corporate customers, SKI/EPIS index					
Sweden	67.7	67.5	69.4	74.1	73.4
UK	82.6	83.8	81.6	80.7	83.1
Denmark	71.8	72.3	75.7	72.2	73.2
Finland	79.1	78.7	77.5	76.4	77.0
Norway	71.5	72.5	69.9	69.7	67.6
The Netherlands	73.5	72.4	71.9	72.8	66.4
The Bank's role in the community	2018	2017	2016	2015	2014
Number of branches and meeting places	779	807	819	848	831
Number of local collaborations and activities <sup>1</sup>	> 600	> 400	> 400	-	-
Only local bank, home markets	63	66	59	68	59
Total taxes and government fees, SEK bn	11	10	8	8	8
Credit losses as a percentage of lending	0.04	0.08	0.09	0.09	0.10
Total emissions of greenhouse gases, CO <sub>2</sub> e tonnes	9 373	9 903	10 344	12 603	14 848
of which scope 1 – direct emissions	41	86	51	28	28
of which scope 2 – indirect emissions	5 238	5 587	6 328	8 527	10 264
of which scope 3 – other indirect emissions	4 094	4 230	3 965	4 048	4 557
Responsible investment	2018	2017	2016	2015	2014
Assets under management in Criteria funds, SEK bn	311	221	166	93	57
Criteria funds as a percentage of assets under management <sup>2</sup>	44	32	31	17	12
Volume of ESG-screened (norm-based) mutual funds, SEK bn	398	412	-	-	-
ESG-screened (norm-based) funds as a percentage of assets under management <sup>3</sup>	100	100	-	-	-
Total number of dialogues for engagement	507	251	140	-	-
Total volume in impact investing (externally managed fund), SEK bn <sup>4</sup>	1.8	-	-	-	-



Responsible financing	2018	2017	2016	2015	2014
Green bonds – volume arranged, SEK bn	20.0	8.3	5.2	3.0	-
Green bonds – share of Swedish market for advisory services, %	36	33	36	-	-
Green loans, SEK bn	1.8	1.0	-	-	-
Eligible green assets, SEK bn	10.1	-	-	-	-
Equator Principles					
Project financing, number of loans					
Category A	0	0	0	-	-
Category B	1	0	0	-	-
Category C	0	0	0	-	-
Project-related corporate loans, number of loans					
Category A	0	0	0	-	-
Category B	0	0	0	-	-
Category C	0	0	0	-	-
The Bank as an employer	2018	2017	2016	2015	2014
Average number of employees	12 307	11 832	11 759	11 819	11 692
Gender breakdown, percentage women/men					
All employees	49/51	49/51	50/50	50/50	51/49
Managers	39/61	40/60	40/60	39/61	37/63
Senior Management <sup>5</sup>	34/66	32/68	29/71	22/78	25/75
Percentage of managers recruited internally, Group	96	92	93	93	93
Percentage of managers recruited internally, Sweden	99	97	99	99	100
Staff turnover, Group %	3.9	4.7	4.0	3.0	3.2
Sickness absence rate, %					
Sweden	3.1	3.0	3.2	3.0	2.7
UK	0.9	1.0	1.0	1.1	-
Denmark	1.2	1.0	1.3	1.3	-
Finland	2.0	1.8	1.9	1.4	-
Norway	3.8	3.0	3.1	3.6	3.3
The Netherlands	2.7	2.8	2.9	1.8	2.2
Number of cases reported to the Swedish Equality Ombudsman or a corresponding official body	0	1	0	0	0
Percentage of staff covered by a work environment survey <sup>6</sup>	100	100	100	100	-
Number of employees who carried out a work environment survey	10 181	7 388	5 929	4 261	-
Total outcome (scale of 1–4)	3.4	3.4	3.4	3.4	-
for Trust	3.4	3.3	3.3	3.3	-
for Respect	3.5	3.5	3.5	3.5	-
for Balance	3.2	3.2	3.2	3.2	-
for Communication	3.5	3.4	3.4	3.4	-
for Security	3.7	3.6	3.6	3.6	-
for Physical work environment	3.1	3.1	3.1	3.1	-
for Competence	3.5	3.5	3.4	3.5	-
for Pride	3.5	3.5	3.5	3.5	-
Staff who are periodically evaluated for performance, %	100	100	100	100	-
Percentage of staff represented on health and safety committees	100	100	100	100	-
The Bank's business culture	2018	2017	2016	2015	2014
Suppliers that have signed the Bank's code of conduct (percentage of total purchased volume)	75	73	73	-	-
Percentage of employees who have completed training in ethical standards, sustainability and anti-corruption <sup>7</sup>					
Sweden	91	-	-	-	-
UK	96	-	-	-	-
Denmark	97	-	-	-	-
Finland	89	-	-	-	-
Norway	93	-	-	-	-
The Netherlands	80	-	-	-	-
Others	90	-	-	-	-
Total business travel, million kilometres	32.3	31.9	27.7	28.3	29.2
Business travel per employee, kilometres	2 703	2 782	2 437	2 483	2 591
Number of video conferences	129 616	41 260	21 382	16 446	-
The Bank as an investment	2018	2017	2016	2015	2014
Handelsbanken's green bond, volume, EUR mn	500	-	-	-	-
Return on equity, %	12.8	12.3	13.1	13.5	13.4
Economic value creation (in accordance with GRI), SEK bn	40.1	38.0	37.7	39.8	37.7
Sustainability analysts' assessments of Handelsbanken					
Robecosam – new method <sup>8</sup>	77	77	-	-	-
Robecosam – old method	-	80	82	73	56
Imug	-	neutral CCC <sup>9</sup>	-	neutral CC <sup>9</sup>	-
	-	neutral CC <sup>10</sup>	-	neutral CC <sup>10</sup>	-
Sustainalytics	77	74	71	69	70
ISS-oekom	C (Prime)	C- (not Prime)	C- (not Prime)	C- (not Prime)	C- (not Prime)
MSCI ESG rating	A	A	A	A	BBB

<sup>1</sup>The process for collecting information about local initiatives has become more structured, which might have helped branches report more local initiatives. <sup>2</sup>Fund volume is based on Handelsbanken's own mutual funds in the Nordic market and mutual funds managed by Optimix (the Netherlands), and the percentage of total fund volume refers to volume after eliminations on consolidation. The percentage for 2016 has been adjusted for comparability. <sup>3</sup>Refers to equity and corporate bond holdings. <sup>4</sup>Investments that generate measurable, positive impacts on society, combined with a financial return. <sup>5</sup>Senior Management includes representatives of the business-operating units, staff functions and control functions. Senior Management also includes Executive Directors, who comprise the group of executive officers as defined in the Swedish Companies Act. <sup>6</sup>Information regarding the work environment surveys for 2015 and 2016 refers to Sweden. <sup>7</sup>Percentage of employees assigned to the training programme. <sup>8</sup>The method was revised for 2018. The 2017 results are those recalculated by Robecosam using the new method. <sup>9</sup>Non-covered bonds. <sup>10</sup>Covered bonds.

## Facts: The Bank and its customers

### SATISFIED CUSTOMERS

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

#### Customer satisfaction at Handelsbanken 2018

	Private customers	Sector average	Corporate customers	Sector average
Sweden	72.3	66.1	67.7	63.9
UK	83.9	72.1	82.6	70.0
Denmark	77.8	69.9	71.8	69.8
Finland	80.1	74.4	79.1	72.7
Norway	78.1	71.6	71.5	69.9
The Netherlands	78.0	69.4	73.5	64.1

Source: SKI/EPSI 2018.

### 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 decides to pursue the matter, each regional bank in each home market has a designated complaints officer. In addition, there are complaints officers at the Group level. Complaints officers at the Group level regularly report to Senior Management and product owners. Information about how the Bank manages complaints is easily available on the Bank's websites.

### Financial advisory services

In financial advisory services provided when granting credit and in insurance mediation, the Bank always considers the customer's overall situation and financial circumstances. Using this knowledge, we can provide guidance on financing, payments or investments that is adapted to each customer's individual needs. 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 as well as 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. During the year, the systems support used in Sweden and Finland to document advisory services and insurance mediation was expanded to contain more information about how Handelsbanken works with sustainability and which products the Bank offers with specific sustainability criteria.

The regulations for financial advisory services and insurance mediation require that all employees who advise customers on 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 about 4,800 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.

The knowledge update for 2018 included the mandatory training module 'Sustainability in our investments'. Its purpose is to boost expertise on how we work in this area, so the advisor can provide information adapted to the customer's preferences concerning sustainability. This training was mandatory in 2018 for all employees licensed to provide advisory services in Sweden on financial instruments.

### 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 is based on the Bank's policy for products and services and adheres to a checklist that describes 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. If processing were to prove faulty, 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 in 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. This means that any risks are identified on a regular basis and that internal rules are produced so that the information is protected over time.

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

In 2018, 26 incidents (18) relating to customer privacy or poor management of customer data were reported. None of the reports was received via government authorities. A total of 25 were

complaints received from customers and were found to be substantiated by the Head of Information Security, and one was identified internally. All cases have been managed with the parties affected. This data does not include cases under the new 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 where most of the largest companies in the world are 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 IRAM method (ISF's Information Risk Analysis Methodology).

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

Handelsbanken's Annual Report contains 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 52–53.

### Lower credit losses

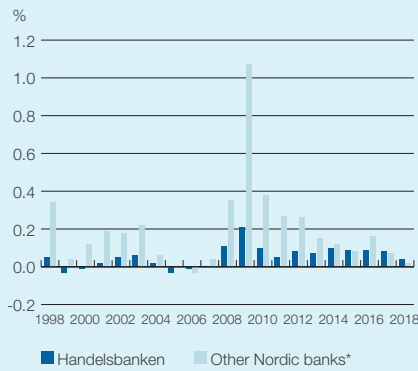
Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

### Outcome

Credit losses were SEK -881 million (-1,683). Credit losses as a proportion of lending were 0.04 per cent (0.08). For the most recent 10-year period – that is, since 2009 – the Bank's average credit loss ratio has been 0.09 per cent. This can be compared to the average for the other major Nordic banks during the same period: 0.24 per cent.

Handelsbanken Group	2018	2017
Profit before credit losses, SEK m	22 880	22 694
Net credit losses, SEK m	-881	-1 683
Operating profit, SEK m	22 013	21 025
Return on equity for total operations	12.8%	12.3%
Credit loss ratio	0.04%	0.08%

## Credit losses as a percentage of lending



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

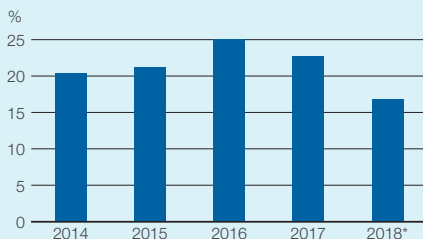
## Capital

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 16.8 per cent (22.7). The Bank estimates that the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at that time was 15.1 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.

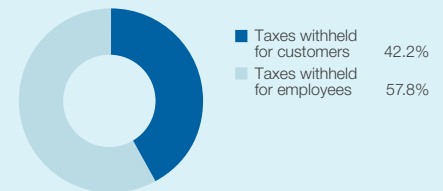
## MODERN SLAVERY AND HUMAN TRAFFICKING

Handelsbanken does not accept any form of child labour, forced 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 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.

## Total taxes and government fees 2018, SEK 11.5 bn



## Taxes withheld for customers and employees 2018, SEK 5.4 bn



## Geographical information 2018

SEK m	Income	Operating profit	Corporate tax (current tax)	Social security costs	Fees for the Swedish resolution reserve, deposit guarantee, etc.	Assets	Average number of employees*
Sweden	27 004	16 196	-3 829	-1 543	-1 978	2 569 641	7 270
UK	6 346	1 730	-548	-204	-231	331 946	2 319
Norway	4 260	2 244	-577	-128	-284	288 393	771
Denmark	2 259	700	-177	-111	-107	136 549	659
Finland	2 079	768	-162	-16	-132	277 642	635
United States	359	101	-41	-6	-	473 406	66
The Netherlands	889	235	-58	-38	-38	51 820	313
Luxembourg	208	70	-18	-8	-1	35 796	52
Germany	81	-20	-2	-5	0	18 126	42
China	109	-11	-41	0	-	7 989	75
France	60	18	0	-2	0	3 987	6
Poland	42	-6	-	-3	0	1 128	36
Singapore	53	4	-3	0	-	5 963	33
Estonia	13	0	-	-3	0	1 069	18
Latvia	5	-7	-	-1	0	447	6
Lithuania	3	-9	-	-1	0	206	6
Eliminations	-	-	-	-	-	-1 225 934	0
<b>Group</b>	<b>43 770</b>	<b>22 013</b>	<b>-5 456</b>	<b>-2 069</b>	<b>-2 771</b>	<b>2 978 174</b>	<b>12 307</b>

\* Includes eight employees at the Bank's representative offices, as specified on page 249 of the 2018 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	2018	2017	2016	2015	2014
<b>DIRECT ECONOMIC VALUE CREATED</b>					
<b>Customers</b>					
Income after credit losses and before fees for the Swedish resolution reserve, deposit guarantee, etc.	40.1	38.0	37.7	39.8	37.7
<b>Value created by serving customers</b>	<b>40.1</b>	<b>38.0</b>	<b>37.7</b>	<b>39.8</b>	<b>37.7</b>
<b>DISTRIBUTED ECONOMIC VALUE</b>					
<b>Employees</b>					
Salaries	8.7	8.4	8.1	8.0	7.6
Provision to profit-sharing foundation (incl. social security costs)	0.9	0.8	-	0.9	0.8
Social security costs and other staff costs	3.9	3.3	4.4	3.7	3.4
<b>Cost of employees</b>	<b>13.5</b>	<b>12.5</b>	<b>12.5</b>	<b>12.6</b>	<b>11.8</b>
<b>Public authorities and society at large</b>					
Suppliers*	7.4	6.5	5.9	5.7	5.6
Corporate tax (current tax)	5.4	5.4	5.2	4.9	4.5
Deferred tax	-0.8	-0.5	-0.8	-0.6	-0.4
Fees to the Swedish resolution reserve, deposit guarantee, etc.	2.8	2.0	1.3	1.1	1.2
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
<b>To society</b>	<b>14.8</b>	<b>13.4</b>	<b>11.6</b>	<b>11.1</b>	<b>10.9</b>
<b>Shareholders</b>					
Dividends (refers to the year dividends were paid)	14.6	9.7	11.4	11.1	10.5
New share issue	-	-	-	-	-
<b>Transactions with the shareholders</b>	<b>14.6</b>	<b>9.7</b>	<b>11.4</b>	<b>11.1</b>	<b>10.5</b>
<b>Reinvested economic value ('remaining in the Bank')</b>	<b>-2.8</b>	<b>2.4</b>	<b>2.2</b>	<b>5.0</b>	<b>4.5</b>

\* 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 the community.



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 2018, 189 grants were awarded for a total of SEK 215 million.

At the end of 2018, the foundations' combined capital was SEK 6,684 million.

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

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 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. Emissions linked to the Bank's own operations are to be reduced over time, well in line with the Paris Agreement.

## 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. 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.

## ENVIRONMENTAL DATA

General information	Unit	2018	2017	2016	2015	2014	Base year 2013*
Number of branches reporting		768	806	809	827	815	791
Total office space reported	m <sup>2</sup>	450 789	450 532	456 838	455 176	459 422	458 071
Number of employees covered by environmental data <sup>1</sup>	persons	11 959	11 471	11 373	11 407	11 271	11 070
Proportion of total number of employees	%	97	97	97	97	96	96
Emissions of greenhouse gases (CO <sub>2</sub> e)	Unit	2018	2017	2016	2015	2014	Base year 2013*
Emissions Scope 1 <sup>2</sup>	tonnes	41	86	51	28	28	47
Emissions Scope 2 <sup>3</sup>	tonnes	5 238	5 587	6 328	8 527	10 264	12 306
Emissions Scope 2 without GO electricity	tonnes	9 792	9 590	10 199	10 438	11 415	12 908
Emissions Scope 3 <sup>4</sup>	tonnes	4 094	4 230	3 965	4 048	4 557	4 787
Total emissions	tonnes	9 373	9 903	10 344	12 603	14 848	17 141
Total emissions per employee	tonnes/employee	0.78	0.86	0.91	1.10	1.32	1.55
Emissions of greenhouse gases by source (CO <sub>2</sub> e)	Unit	2018	2017	2016	2015	2014	Base year 2013*
Emissions from energy use (in buildings)	tonnes	5 270	5 664	6 371	8 548	10 285	12 349
Emissions from business travel	tonnes	3 751	3 824	3 362	3 243	3 464	3 555
Emissions from other sources	tonnes	352	415	610	812	1 100	1 237
Emissions by country (CO <sub>2</sub> e)	Unit	2018	2017	2016	2015	2014	Base year 2013*
Sweden	tonnes	4 536	4 552	4 455	4 632	5 542	7 337
UK	tonnes	2 727	3 011	3 622	5 686	5 641	4 923
Denmark	tonnes	562	578	609	680	934	1 924
Finland	tonnes	618	659	689	689	1 381	1 716
Norway	tonnes	442	481	421	430	889	848
The Netherlands	tonnes	488	622	547	486	461	394
Energy consumption	Unit	2018	2017	2016	2015	2014	Base year 2013*
Total energy consumption (in buildings)	MWh	104 897	102 359	105 854	107 273	111 670	120 913
Electricity consumption	MWh	46 361	45 914	48 048	49 716	52 404	55 694
Change in electricity consumption from preceding year	%	1	-5.7	-3.4	-5.1	-5.9	1.9
Proportion renewable electricity <sup>5</sup>	%	100	99	96	87	72	73
Total electricity consumption per employee	MWh/employee	3.9	4.0	4.2	4.4	4.6	5.0
Use of heating and cooling	MWh	58 537	56 445	57 806	57 557	59 266	65 220
Business travel	Unit	2018	2017	2016	2015	2014	Base year 2013*
Total business travel	km	32 328 350	31 909 038	27 719 588	28 319 984	29 207 595	29 697 980
Business travel per employee	km/employee	2 703	2 782	2 437	2 483	2 591	2 683
Travel by air	km	21 872 038	21 531 214	18 034 955	17 481 188	17 797 767	18 584 368
Travel by car	km	6 970 747	7 558 391	7 080 995	7 163 074	7 452 892	7 203 086
Travel by train	km	3 485 565	2 819 433	2 603 638	3 675 722	3 956 936	3 910 526
Resource efficiency	Unit	2018	2017	2016	2015	2014	Base year 2013*
Paper use	tonnes	1 111	1 200	1 214	1 465	1 447	1 605
Paper use per employee	tonnes/employee	0.10	0.10	0.11	0.13	0.13	0.15

<sup>1</sup> Number of employees according to the definition in the Annual Report.

<sup>2</sup> Scope 1 – Direct emissions from stationary combustion of diesel, city gas and Eo1.

<sup>3</sup> Scope 2 – Indirect emissions from purchased electricity, heating and cooling.

<sup>4</sup> Scope 3 – Other indirect emissions from business travel, transport and use of paper.

<sup>5</sup> Refers to electricity from wind power and hydroelectric power.

\* 2013 was the year 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 CO<sub>2</sub> emissions generated by our operations. For 2018, total CO<sub>2</sub> emissions from Handelsbanken's operations were 9,373 tonnes, down 5 per cent from the preceding year, mainly because the Bank increased the proportion of renewable electricity. Since 2013, the Bank has reduced its CO<sub>2</sub> emissions by 45 per cent.

The Bank's electricity consumption increased by 1 per cent in 2018 compared with 2017, mainly because the Bank is growing in the UK and the Netherlands. The proportion of renewable electricity is 100 per cent for all home markets.

### Environmental activities in 2018

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

Examples of actions carried out in 2018:

- The Bank adopted a new guideline for the environment and climate change that clarifies its commitment to environmentally sustainable development in line with the Paris Agreement.
- The Bank has adopted a new guideline for company cars in Sweden which stipulates that an employee may only in exceptional cases choose a car that is not electric or a plug-in hybrid.
- The Bank continued implementation of the Environmental checklist for branches and central departments which consists of concrete actions for reducing environmental impact.
- All employees in the Group complete mandatory training each year on ethical standards and sustainability, with the environment and climate change as material topics.
- The number of video conferences that could replace business travel more than doubled in 2018 compared to 2017.
- In 2018, the total number of paper communications to customers in Sweden increased for the first time since 2013, mainly as a result of changes in regulations. Since 2013, the number of paper communications to customers in Sweden has declined by 23 per cent. These efforts will continue in 2019.

### Climate compensation

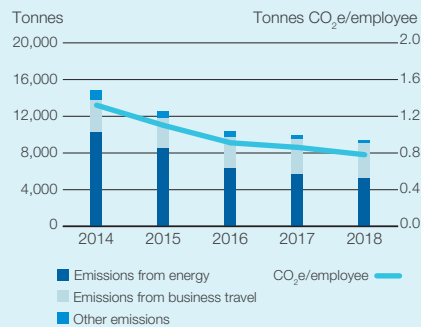
Handelsbanken works constantly to minimise the emissions generated by our operations. The Bank also purchases carbon offsets for the reported CO<sub>2</sub> emissions generated by the operations. The Bank purchases carbon offsets through projects with verified climate benefits which have been registered with the UN Clean Development Mechanism (CDM). The projects are certified under the Gold Standard, a certification endorsed by more than 80 NGOs, which ensures the projects contribute to long-term sustainable development.

### Method description for environmental data

The climate calculations were done according to Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).

Data for specific units has been used to calculate emissions from energy use. When specific data is missing, usage is estimated using numbers from adjacent units or energy statistics. The sources for emission factors are generally accepted sources such as national energy agencies, trade associa-

### Total CO<sub>2</sub>e emissions



tions and energy companies. Emissions connected with business travel, transport and use of paper are reported within the framework of Scope 3. Emissions reporting under Scope 3 is based on documentation from external parties, such as travel agencies regarding emissions related to air travel. For more in-depth information about how emissions are calculated, please see the Bank's reports to CDP.

### SERVICES FOR THE PUBLIC GOOD

Handelsbanken continues to digitalise the Bank and adapt to the desires 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 of 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 individuals, making it possible to execute digital agreements, orders and confirmations.

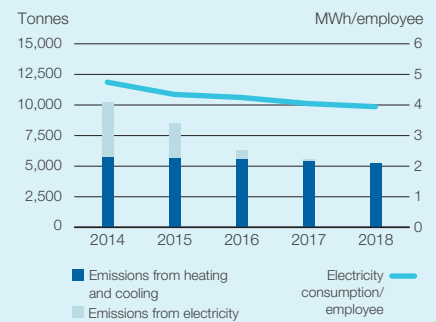
Handelsbanken Denmark has a distribution agreement with MobilePay that enables our customers to easily make payments using their smartphones in shops, online stores and apps and with other users of the service. In Norway, Handelsbanken has an agreement with Vipps, the country's leading payment app. Customers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

In most home markets, we offer our customers 24-hour personal technical support. 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 of office hours in other markets.

### Cash services

Handelsbanken is a shareholder in Bankomat AB, the market leader in cash handling in Sweden. Bankomat AB invests in ATMs – both freestanding and at cash centres – throughout Sweden.

### CO<sub>2</sub>e emissions from energy consumption



In addition to Bankomat's ATMs, in about 565 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 157 locations.

Cash services are offered at 229 of our 390 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 1,295 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 started collaborating 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. Through responsible financing and lending, we can contribute to greater respect for 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 for environmental impact 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 relationships, Handelsbanken must be aware of and act upon the risks linked to climate change

and environmental damage and to 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 relationships with companies that are either active in coal mining or dependent on coal and 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.

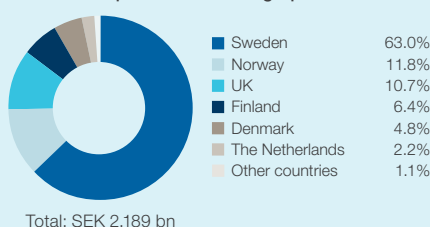
#### Guidelines for managing taxes

Handelsbanken's guidelines for managing taxes state that the Bank must not, directly or indirectly, participate in transactions with customers, by 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, the Bank must refrain.

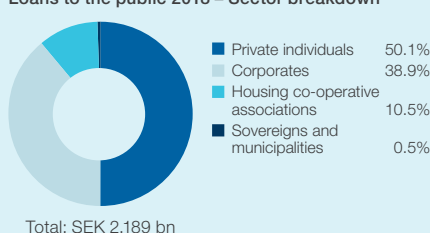
#### EXPOSURE TO CLIMATE RISK

At the end of 2017, Handelsbanken screened the Bank's lending to energy production. The results showed that loans to energy production represent only about 1 per cent of total loans to the public. Of this lending, about 12 per cent was to production based on fossil fuels, about 7 per cent to nuclear power, and about 81 per cent to energy produced from renewable sources.

Loans to the public 2018 – Geographic breakdown



Loans to the public 2018 – Sector breakdown



## 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 customers. We do so based on the Bank's policies and on common norms set out in international conventions and guidelines.

#### INVESTMENT PROCESS

##### 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 helps 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.

##### Index management – selecting indexes

Index management takes a rules-based approach in which no company analysis is done.

Instead, an index fund's sustainability criteria – as regards companies that are included as well as companies excluded – are built into the fund's index methodology. Thus striving to develop and track more indexes with sustainability criteria is a key part of our sustainability work. One result of this work is the new Swedish index, SIX ESG Selection Index, which is tracked by XACT Sverige (UCITS ETF), our exchange-traded index fund that has earned the Nordic Swan Ecolabel.

##### Mutual fund portfolios – selecting 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 as well as 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. Such criteria include systematic sustainability work and due consideration of international norms and conventions. Also, any holdings that could be regarded as deviating from Handelsbanken's policy – for example, concerning weapons prohibited under international law – are also followed up.

##### Handelsbanken Liv – selecting funds

Handelsbanken Liv strives to offer 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 to offer. Investments in mutual funds and in investment products are preceded by an assessment of the fund management company as well as the investment product. For example, to be included among the mutual funds offered, a fund management company must have policies or principles for systematic sustainability work and must periodically follow-up on its mutual funds. The range favours funds that integrate sustainability and proactively pursue engagement and corporate governance work.



##### Exclusion

##### Companies that our funds exclude

There are companies that do not act in line with the values which we at Handelsbanken respect. One example of such companies are those involved in nuclear weapons and weapons that are banned under international law. All companies in our funds are screened periodically with the aim of identifying companies that fail to meet international norms and conventions in areas such as the environment, human rights and anti-corruption. An appropriate course of action is then determined for each fund to handle the companies identified. Our last resort for companies that systematically violate international norms and conventions, and in which we find no improvement, is exclusion. As part of our climate efforts, our mutual funds do not invest in companies if more than 5 per cent of the company's turnover derives from coal mining or more than 30 per cent derives from coal power generation. A list of some of the companies that we exclude is available at [handelsbanken.se/responsibleinvestments](https://handelsbanken.se/responsibleinvestments).

##### Mutual funds that Handelsbanken Liv excludes

Handelsbanken Liv strives to exclude funds that invest in companies with significant operations that mine coal for combustion or generate coal-fired power. In addition, Handelsbanken Liv avoids funds that invest in companies involved in the manufacture or distribution of nuclear weapons or weapons banned under international law, such as cluster munitions, anti-personnel mines, chemical weapons and biological weapons. Handelsbanken Liv's fund selection committee compiles such reviews and prepares supporting documentation to determine which mutual funds will be included in or removed from its range of funds. Decisions are made by the subsidiary's Chief Executive.



##### Engagement

##### Engagement through dialogue

Engagement is an important way for us to contribute to sustainable development. This includes both proactive dialogue aimed at encouraging companies to improve their sustainability activities, and dialogue with companies which we have identified as not compliant with the international norms and conventions that we respect. We pursue the engagement process on our own, through direct contact with companies and also



to a great extent in collaboration with other asset owners and through sector initiatives.

In 2018, we engaged with 507 companies through dialogues on specific sustainability topics. A list of these companies is published at [handelsbanken.se/responsibleinvestments](https://handelsbanken.se/responsibleinvestments). The dialogues concerned corruption, environmental destruction, labour laws and other issues.

### Targeted dialogues

During the year, we initiated 28 targeted dialogues intended to proactively influence how companies work towards sustainability. We also gather information about sustainability work through our regular contacts with company management and research analysts. In 2018, our asset managers had meetings with some 1,500 companies, to monitor their business methods, performance and opportunities.

### Dialogues together with other investors

Working with other investors, we engage companies through joint dialogues. Co-operation means strength and clearly signals 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, the environment and anti-corruption. In 2018, we participated in 143 such dialogues. We also take part in dialogues within the framework of international collaboration and sector initiatives such as PRI and FAIRR, an initiative aimed at reducing the use of antibiotics in feed for livestock. The dialogues often target specific themes, such as palm oil, antibiotics or climate issues. These initiatives encompass 336 dialogues with companies.

### Engagement with external fund managers

Handelsbanken Liv engages external fund managers in the pursuit of sustainable development. By analysing and comparing the working methods of the fund management companies, Handelsbanken Liv can encourage external fund managers to advance their own sustainability efforts. All funds offered are regularly screened to identify holdings in companies that systematically violate international norms in areas such as the environment, human rights, labour law, anti-corruption and controversial weapons. 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 does not lead to a change, the mutual fund may be excluded from the offering.

In 2018, policies and policy documents were revised to spell out Handelsbanken Liv's role as an asset owner and its approach to environmental and climate impact. In the spring, Handelsbanken Liv sent a questionnaire to external asset managers with whom the company collaborates, to map out and analyse how the managers are working on the 2030 Agenda. The results will be used in ongoing contacts with the fund managers. In 2018, Handelsbanken Liv was involved in Insurance Sweden's working groups on green bonds and climate scenario analysis.

### Engagement through corporate governance

We exercise our ownership role in the companies that our mutual funds invest in on behalf of fund unit holders. The goal is for the companies to maximise value performance in the long term, benefitting our fund savers.

### Nomination committees

The most direct impact we can have as owners is by serving on nomination committees. For the Swedish companies in which our actively managed mutual funds are major shareholders, we are especially active in our role as owners, chiefly by influencing the composition of the companies' boards through work on 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 on the boards.

Before the 2018 annual meetings, Handelsbanken Fonder participated in 36 nomination committees. The boards proposed by these committees had a larger proportion of women, from an average of 34 per cent of board members in 2017, to 39 per cent in 2018. Two companies had only men on their boards before their shareholders' meetings, but afterwards 40 and 50 per cent of board members were women. Looking to 2019, we are entitled to serve on 37 nomination committees and have appointed women for 24 of these to make the committees more balanced, which we believe will lead to more balanced boards.

### Annual general meetings

Our mutual funds invest globally in a great many companies spread among many markets. In that light, the shareholders' meeting is one of our most useful means of influencing the majority of companies in which our funds invest. Our corporate governance efforts focus first on companies where we are a major shareholder or which are identified as falling short in governance or sustainability. In general, we support shareholder proposals that seek to promote corporate sustainability and strive for greater transparency in recording and reporting the company's climate impact and work with human rights and labour law. In 2018, we voted at 631 ordinary and extraordinary shareholders' meetings, in many geographic markets. 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.

Corporate governance	2018**	2017
Nomination committees*	36	33
Annual general meetings	631	267
Handelsbanken Fonder	382	142
Xact Kapitalförvaltning	156	70
Handelsbanken Lux	93	55

\* No. of occurrences. Refers to Handelsbanken Fonder.

\*\* 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.

For a summary of our voting activity, please see the report at [handelsbanken.se/responsibleinvestments](https://handelsbanken.se/responsibleinvestments).

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. Working with Institutionella Ägares Förening (Institutional Investors' Association), 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 outstanding 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 2018 meetings, we had 26 dialogues on this subject. We analysed about 20 additional programmes before voting.

### CLIMATE-RELATED FINANCIAL DISCLOSURES

The effects of global warming will impact the world economy to an ever greater extent, with consequences for companies in many sectors, including financial services. For this reason, the international Task Force on Climate-related Financial Disclosure (TCFD) was formed.

The TCFD has formulated recommendations for correcting deficiencies in information on companies' work on and management of climate change. A central component, which covers the financial sector, consists of expanded reporting of exposures to assets associated with climate risks. Handelsbanken supports the TCFD's recommendations on climate-related financial disclosures.

For the first time, Handelsbanken has published climate reports in accordance with recommendations from the TCFD.

In conjunction with the climate reports, Handelsbanken carried out for the second time an analysis of climate-related transitional risk in Handelsbanken's asset management portfolios\*, where a large part of Handelsbanken Liv's assets are also managed. Handelsbanken Liv has performed a corresponding analysis of the company's investment offerings in traditional management and unit-linked insurance in Sweden. The analysis targeted investments in three sectors: energy production, automotive manufacturing and extraction of fossil fuels. The results are presented in Handelsbanken Asset Management Climate Report 2018 and Handelsbanken Liv Climate-related Financial Disclosures 2018, available at [handelsbanken.se/sustainability](https://handelsbanken.se/sustainability) (the latter only in Swedish).

\* Managed by Handelsbanken Fonder AB and Xact Kapitalförvaltning AB.

## Facts: The Bank as an employer

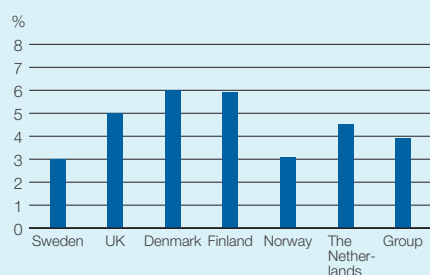
Handelsbanken's values and strong corporate culture are vital to our success. Our idea of how to run a successful bank is based on trust and respect for the individual – both customers and employees. The Bank's decentralised way of working creates commitment and opportunities for every employee to make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

### 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 3.8 per cent (4.5), and 3.0 per cent (3.9) for Sweden. For the Group, it was 3.9 per cent (4.7).

At year-end, 81 per cent (86) of managers in each home market's management team had been recruited in that country.

#### Staff turnover 2018\*



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

Handelsbanken promotes long-term employment by offering training 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, for example, with the help of external partners.

### CONSTANT DEVELOPMENT

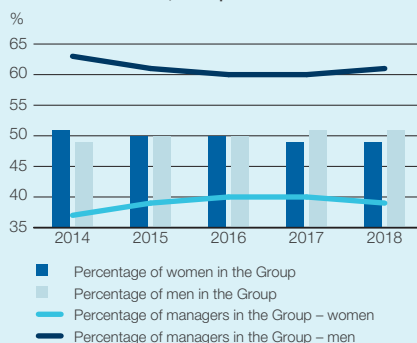
Employees must have the knowledge and skills they need to help our customers in the best way possible, to provide advice based on customers' needs, and to comply with current policies and regulations. Each year, an individual competency mapping is performed to identify any need for professional development,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

In 2018, several training programmes were mandatory for all employees in the Group, covering ethical standards, sustainability and anti-corruption, money laundering and terrorist financing, and the General Data Protection Regulation.

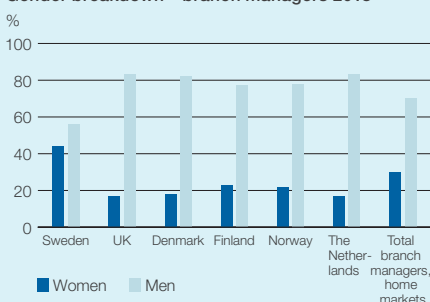
### GENDER EQUALITY

At year-end, 39 per cent (40) of managers in the Group as a whole were women; the corresponding figure for Sweden was 46 per cent (47). Of the total number of employees in the Group,

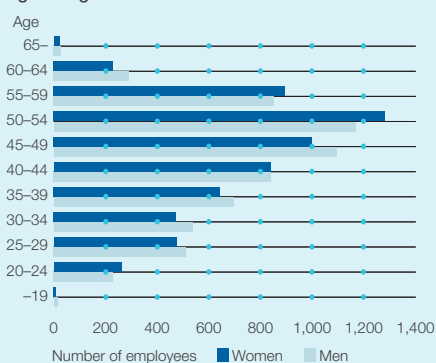
#### Gender breakdown, Group



#### Gender breakdown – branch managers 2018



#### Age and gender breakdown 2018



49 per cent (49) were women; the corresponding figure for Sweden was 52 per cent (52).

In 2016, in the UK the Bank signed the Women in Finance Charter, an initiative from HM Treasury, making 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. During 2018, the proportion of managers in the UK who are women increased from 22 per cent to 24 per cent.

### HEALTH AND WORK ENVIRONMENT

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 52–53 for results from the work environment surveys performed in the Group this year.

Guidelines and procedures help in dealing with and providing 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 2018, 26 cases of harassment were investigated.

### SICKNESS ABSENCE

Handelsbanken aims for all its employees to feel good, develop and perform at optimal capacity. This is a long-term goal that includes factors such as clear and honest communication, having the right skills and conditions to perform tasks and deal with work-related situations, feeling pride and trust, respecting others, and being respected oneself.

Absence due to sickness for staff in the Bank's six home markets was 2.6 per cent (2.5). For staff in Sweden, the rate was 3.1 per cent (3.0), of which 1.3 percentage points (1.3) referred to those on long-term sick leave.

#### Sickness absence by home market 2018

%	Men	Women	Total
Sweden	2.1	4.0	3.1
UK	0.7	1.1	0.9
Denmark	1.0	1.5	1.2
Finland	1.1	2.7	2.0
Norway	2.5	5.3	3.8
The Netherlands*			2.7
<b>Total sickness absence</b>	<b>1.7</b>	<b>3.3</b>	<b>2.6</b>
<i>of which long-term absence, Sweden</i>	<i>0.7</i>	<i>1.9</i>	<i>1.3</i>
<i>of which long-term absence, home markets excluding the Netherlands</i>	<i>0.5</i>	<i>1.4</i>	<i>1.0</i>

\* 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.

### 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 wishes to be an attractive employer that meets its employees' needs in a flexible way during various phases of their lives. 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 policy on remuneration, 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 2018, 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 80 to 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 2018 in the Bank's home markets, 61 per cent (55) were women and 39 per cent (45) 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 to finance homes. The terms and conditions differ between countries depending on

local circumstances, and in some countries they are a taxable benefit.

The health and work environment is vital to ensuring our employees feel good, develop and perform at optimal capacity. The Bank encourages this by granting subsidies for various recreational 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

One condition for achieving the Bank's corporate goal of higher profitability than the average of peer banks in its home markets is that the Bank's

employees outperform their peers in the sector. Since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees in every year but three. 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 can begin when the employee turns 60. Now, 98 per cent (98) of the Group's employees are covered by Oktogonen.

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 co-operation 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. All employees in Denmark, Finland, Germany, Luxembourg, Norway and Sweden – comprising 77 per cent (77) of the

	2018				2017				2016			
	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	596	7.6	238	3.0	619	8.2	295	3.9	195	2.8	215	3.1
UK	288	11.8	122	5.0	219	9.7	103	4.6	216	10.2	94	4.4
Denmark	55	8.0	41	6.0	54	7.9	53	7.7	38	5.6	50	7.4
Finland	23	3.7	37	5.9	79	11.9	43	6.5	31	5.2	42	7.0
Norway	41	5.1	25	3.1	41	5.3	34	4.4	22	2.9	21	2.8
The Netherlands	48	13.5	16	4.5	57	17.4	20	6.1	51	19.6	16	6.2
<b>Total home markets</b>	<b>1 051</b>	<b>8.3</b>	<b>479</b>	<b>3.8</b>	<b>1069</b>	<b>8.7</b>	<b>548</b>	<b>4.5</b>	<b>553</b>	<b>4.9</b>	<b>438</b>	<b>3.9</b>
<b>Group total</b>	<b>1 076</b>	<b>8.2</b>	<b>509</b>	<b>3.9</b>								
men < 30 yrs old	185		49		215		52		90		41	
30–50 yrs old	299		150		320		182		182		140	
> 50 yrs old	75		50		63		63		40		50	
women < 30 yrs old	179		45		178		49		82		38	
30–50 yrs old	245		139		252		144		125		126	
> 50 yrs old	68		46		41		58		34		43	

\* 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.

Employees by form of employment	2018				2017				2016			
	Number	%	Men %	Women %	Number	%	Men %	Women %	Number	%	Men %	Women %
Regular employment												
Full-time	10 831	83	54	46	10 455	82	54	46	10 175	83	54	46
Part-time	1 503	11	19	81	1 475	12	18	82	1 526	12	16	84
Temporary employment	748	6	45	55	725	6	46	54	571	5	45	55
<b>Group total</b>	<b>13 082</b>				<b>12 655</b>				<b>12 272</b>			

Average number of employees	2018				2017				2016			
	Number	%	Men %	Women %	Number	%	Men %	Women %	Number	%	Men %	Women %
Sweden	7 262	59	48	52	7 010	60	48	52	7 046	60	47	53
UK	2 319	19	58	42	2 151	18	58	42	2 069	18	59	41
Denmark	659	5	50	50	653	6	51	49	673	6	51	49
Finland	635	5	43	57	623	5	42	58	613	5	41	59
Norway	771	6	53	47	750	6	54	46	753	6	54	46
The Netherlands	313	3	69	31	284	2	69	31	218	2	69	31
Other countries	348	3	48	52	361	3	46	54	387	3	45	55
<b>Group total</b>	<b>12 307</b>		<b>50.5</b>	<b>49.5</b>	<b>11 832</b>		<b>50.5</b>	<b>49.5</b>	<b>11 759</b>		<b>49.7</b>	<b>50.3</b>



## Salary contributions to defined contribution pensions 2018

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

## Salary contributions to defined contribution pensions 2017

%	Sweden <sup>2</sup>	UK	Denmark	Finland <sup>3</sup>	Norway <sup>4</sup>	The Netherlands
Salary contribution by employers <sup>1</sup>	2	15	11	17.4	7/20	13.8
Salary contribution by employees, average	0	7.7	5.3	6.2/7.7	0	0

<sup>1</sup> In Sweden, the UK, Norway and the Netherlands, less than 100 per cent of salary is pension-qualifying, as there is an upper limit.

<sup>2</sup> In Sweden, retirement pension schemes are 'defined benefit'. The contributions stated refer to defined contribution supplementary pensions.

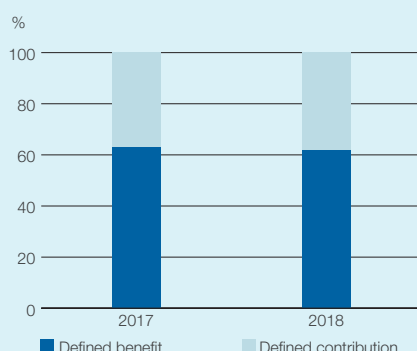
<sup>3</sup> Salary contributions refer to statutory public pensions. Salary contributions by employees are for up to 53/from 53 years of age.

<sup>4</sup> For salaries corresponding to 0–7.1 Norwegian base amounts/For salaries corresponding to 7.1–12 Norwegian base amounts.

Defined benefit pensions, pension obligations, and pension assets according to IAS 19<sup>1</sup>

	31 December 2018		31 December 2017	
	SEK m	%	SEK m	%
Pension obligations	31 969	100	30 455	100
Earmarked pension assets	28 743	90	31 694	104
Assets part of Handelsbanken's general resources	3 226	10	-	-

<sup>1</sup> For more detailed information, see the 2018 Annual Report, note G8.

Percentage of employees in Handelsbanken's home markets who are covered by a retirement plan<sup>1</sup>

<sup>1</sup> Here 'retirement plan' includes both the (statutory) public pensions and occupational pension agreements under local laws and regulations.

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 agreements with local employees' organisations, such as works councils in the UK and the Netherlands. In Sweden, matters such as organisational changes are regulated in Handelsbanken's co-determination agreement with local bodies of the Financial Sector Union of Sweden and in the collective agreement between the Employers' Association of the Swedish Banking Institutions and the Swedish Association of Graduates in Business Administration and Economics, the Swedish Association of Graduate Engineers, and Jusek, which are affiliated to the Swedish Confederation of Professional Associations. In Sweden, the work environment agreement

between Handelsbanken and the Financial Sector Union of Sweden regulates the areas of the physical and psychosocial work environment, security, roles, division of responsibilities and organisation of the work environment.

There are equivalent agreements in Denmark, Finland and Norway. There is an ongoing, close dialogue between union representatives and managers concerning operations – such as when changes and new services are to be introduced – with valuable information exchanged at the very early stages. As well as matters dealt with in a dialogue with the union organisations and other types of employee organisations 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 into daily operations.

Handelsbanken has several policies that describe the Bank's common view and stance on various issues. The Bank's website has the full texts of the policy on ethical standards, policy for management of conflicts of interest, and policy against corruption as well as summaries of other policies in the Handelsbanken Group. A selection of guidelines adopted by Handelsbanken's Group Chief Executive is also available on the 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 2018, 1 (0 in 2017) confirmed incident occurred. Handelsbanken has been fined 495 000 euro by the European Securities and Markets Authority (ESMA). According to ESMA, the Bank issued credit ratings without having a licence to do so. The Bank has appealed ESMA's decision.

## POLICY ON ETHICAL STANDARDS

The policy on ethical standards is reviewed at least every 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. The policy on ethical standards is issued in Swedish and translated into English.

## 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 the Bank's 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, by granting credits or otherwise, which constitute a step in tax evasion or in transactions with no business purpose, done only to obtain tax benefits in conflict with the intent 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 defines the Bank's view of sustainability. The policy applies throughout the Handelsbanken Group and encompasses all activities related to customers, suppliers and other business partners. The policy is available in its entirety at handelsbanken.se/ireng.

## WORK TO PREVENT FINANCIAL CRIME

At least once a year, Handelsbanken's Board and Group Chief Executive 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 counter-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 any negative impact on customers' interests. 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 those units deemed to have a greater probability of conflicts of interest.

All unit heads must review with their employees annually 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. 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 each year all Bank employees must take a course on corruption, bribery and improper influence. 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). The Bank's annual training programme also contains a special section on anti-corruption. Handelsbanken's Central Board and the boards of the Bank's subsidiaries have also completed this 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, while other categories are purchased mainly from local suppliers. We work to co-ordinate the Bank's purchases across national boundaries, to take into account cost effects, quality and environmental impacts.

The Bank holds ongoing dialogues with suppliers where sustainability is a key factor. Among other things, we check whether the supplier has collective bargaining agreements and policies for the work environment, anti-corruption and environmental impacts. In 2016, Handelsbanken implemented a code of conduct for major suppliers in Sweden. The code defines what we expect 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's code of conduct 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, we are now working to have all suppliers that provide 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.se/sustainability](https://handelsbanken.se/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 the past several years, the shares have also been traded on other venues. Handelsbanken has more than 100,000 shareholders.

#### DIVIDEND

One of the purposes of Handelsbanken's profitability goal is to offer shareholders long-term high growth in value. This is expressed in increasing earnings per share over a business cycle. Where dividends are concerned, Handelsbanken's 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. In every one of the past 20 years, including during the most recent financial crisis, Handelsbanken paid a dividend to its shareholders.

#### CREATING SHAREHOLDER VALUE

During the past five-year period, Handelsbanken has generated a positive shareholder value of SEK 47 billion. Market capitalisation has decreased by SEK 10 billion, while the Bank has paid out SEK 57 billion in dividends to shareholders. The dividend for 2018 is proposed to amount to SEK 10.7 billion.

#### CONDUCT OF EMPLOYEES

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

##### Employees at Handelsbanken

- must not be in a position where they may be suspected of taking improper advantage of knowledge about the financial markets which the employee obtains 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 transactions in securities and currencies
- 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, including for companies that the employee or closely associated person is involved with
- must notify compliance or internal audit if they suspect irregularities at the Bank, or use Handelsbanken's separate system for whistleblowing
- must notify the Bank of outside assignments and obtain approval, even in the case of secondary occupations and certain posts in clubs, societies and the like.



## 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 meets the information requirements of the 'Core' level, confirmed by the Bank's external auditors.

Handelsbanken reports the Group's sustainability activities annually. This year's Sustainability Report is Handelsbanken's ninth in accordance with the GRI and relates to the 2018 calendar year.

The preceding report was submitted in February 2018 and related to the 2017 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).

GRI STANDARD	DISCLOSURE	PAGE SR <sup>1</sup>	PAGE AR <sup>2</sup>	OMISSIONS/ COMMENTS	RELEVANT SUSTAINABLE DEVELOPMENT GOALS
<b>Organisational profile</b>					
<b>GRI 102: General disclosures 2016</b>	102-1 Name of the organisation	1	3		
	102-2 Activities, brands, products, and services	Inside front cover, 6–7, 22–28	Inside front cover		
	102-3 Location of headquarters	Back cover	240		
	102-4 Location of operations	Inside front cover	242–249		
	102-5 Ownership and legal form	63	42–43		
	102-6 Markets served	Inside front cover	28–41		
	102-7 Scale of the organisation	55	24		
	102-8 Information on employees and other workers	61	122		Goal 8
	102-9 Supply chain	52, 63	126		
	102-10 Significant changes to the organisation and its supply chain	3			
	102-11 Precautionary principle or approach	Handelsbanken applies the precautionary principle in accordance with Global Compact and Swedish legislation			
	102-12 External initiatives	3, 5, 15, 24–25, 27, 30, 44–45, 50–51, 57			
	102-13 Membership of associations	44–45			
<b>Strategy and analysis</b>					
	102-14 Statement from senior decision-maker	2–3	4–5		
<b>Ethics and integrity</b>					
	102-16 Values, principles, standards, and norms of behaviour	15, 25, 30, 38–40, 49, 62–63	53–55		Goal 16
<b>Governance</b>					
	102-18 Governance structure	38–40, 49–50	46–48		
<b>Stakeholder engagement</b>					
	102-40 List of stakeholder groups	51–52			
	102-41 Collective bargaining agreements	62			Goal 8
	102-42 Identifying and selecting stakeholders	51			
	102-43 Approach to stakeholder engagement	51–52			
	102-44 Key topics and concerns raised	8–9, 51–52			
<b>Reporting practice</b>					
	102-45 Entities included in the consolidated financial statements	64	167		
	102-46 Defining report content and topic boundaries	8, 52			
	102-47 List of material topics	8–9, 52			
	102-48 Restatements of information	64			
	102-49 Changes in reporting	64			
	102-50 Reporting period	64			
	102-51 Date of most recent report	64			
	102-52 Reporting cycle	64			
	102-53 Contact point for questions regarding the report	Inside back cover			
	102-54 Claims of reporting in accordance with the GRI Standards	64			
	102-55 GRI content index	64–66			
	102-56 External assurance	67			

<sup>1</sup> SR Refers to the 2018 Sustainability Report.

<sup>2</sup> AR Refers to the 2018 Annual Report.



## SPECIFIC STANDARD DISCLOSURES

MATERIAL TOPICS	GRI STANDARD	DISCLOSURE	PAGE SR <sup>1</sup>	PAGE AR <sup>2</sup>	OMISSIONS/ COMMENTS	RELEVANT SUSTAINABLE DEVELOPMENT GOALS
<b>Economic</b>						
<b>ECONOMIC PERFORMANCE</b>		103-1/2/3	Management of material topics	4-7, 8-9, 18-19, 22, 41-42, 49	8-9	
<i>Handelsbanken's material topics:</i> – Financial sustainability – Creating shareholder value – Salaries and remuneration – The Bank as a taxpayer	GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	19, 53, 55		
		201-3	Defined benefit plan obligations and other retirement plans	62		
		201-4	Financial assistance received from government	19		
<b>MARKET PRESENCE</b>		103-1/2/3	Management of material topics	4-7, 8, 51		
<i>Handelsbanken's material topics:</i> – Local presence and community engagement	GRI 202: Market presence 2016	202-2	Proportion of senior management hired from the local community	60		
<b>INDIRECT ECONOMIC EFFECTS</b>		103-1/2/3	Management of material topics	4-7, 8, 14		
<i>Handelsbanken's material topics:</i> – Local presence and community engagement	GRI 203: Indirect economic impacts 2016	203-1	Infrastructure, investments and services supported	14, 16, 56		Goals 9, 11
		203-2	Significant indirect economic impacts	19		
<b>ANTI-CORRUPTION</b>		103-1/2/3	Management of material topics	8-9, 38-40, 49-50, 62-63		
<i>Handelsbanken's material topics:</i> – Counteract financial crime	GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	40, 50, 62-63		Goal 16
		205-2	Communication and training about anti-corruption policies and procedures	9, 40, 50, 53, 60, 63		Goal 16
		205-3	Confirmed incidents of corruption and actions taken	62		Goal 16
<b>Environmental</b>						
<b>ENERGY AND EMISSIONS</b>		103-1/2/3	Management of material topics	8-9, 14, 27, 50, 57-58		
<i>Handelsbanken's material topics:</i> – Minimise environmental and climate impact	GRI 302: Energy 2016	302-1	Energy consumption within the organisation	56-57		Goals 8, 13
	GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	56		Goal 13
		305-2	Energy indirect (Scope 2) GHG emissions	56		Goal 13
		305-3	Other indirect (Scope 3) GHG emissions	56		Goal 13
<b>Social</b>						
<b>EMPLOYMENT</b>		103-1/2/3	Management of material topics	8-9, 34-37, 51, 60-62		
<i>Handelsbanken's material topics:</i> – Salaries and remuneration – Responsible employer	GRI 401: Employment 2016	401-1	New employee hires and employee turnover, by age group, gender and region	61		Goals 5, 8
<b>LABOUR/MANAGEMENT RELATIONS</b>		103-1/2/3	Management of material topics	8-9, 34-35, 60-61		
<i>Handelsbanken's material topics:</i> – Employee commitment	GRI 402: Labour/management relations 2016	402-1	Minimum notice periods regarding operational changes	61-62	The majority of Handelsbanken's employees are in Sweden, where notice periods are regulated by collective bargaining agreements.	Goal 8
<b>OCCUPATIONAL HEALTH AND SAFETY</b>		103-1/2/3	Management of material topics	8-9, 34-37, 60-62		
<i>Handelsbanken's material topics:</i> – Work environment, working conditions and union rights	GRI 403: Occupational health and safety 2016	403-1	Workers representation in formal joint management-worker health and safety committees	37, 53		
		403-4	Health and safety topics covered in formal agreements with trade unions	37, 62		Goal 8
<b>TRAINING AND EDUCATION</b>		103-1/2/3	Management of material topics	8-9, 34-35		
<i>Handelsbanken's material topics:</i> – Responsible employer – Leadership and development – Employee commitment	GRI 404: Training and education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	34, 60		Goal 8
		404-3	Percentage of employees receiving regular performance and career development reviews	53		Goal 8
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>		103-1/2/3	Management of material topics	8-9, 17, 26-27, 34-36, 60		
<i>Handelsbanken's material topics:</i> – Gender equality and diversity	GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees	49, 53, 60-61	58-61 Handelsbanken currently reports by gender, age, and nationality.	Goals 5, 8, 16

<sup>1</sup> SR Refers to the 2018 Sustainability Report.<sup>2</sup> AR Refers to the 2018 Annual Report.

MATERIAL TOPICS	GRI STANDARD	DISCLOSURE	PAGE SR <sup>1</sup>	PAGE AR <sup>2</sup>	OMISSIONS/ COMMENTS	RELEVANT SUSTAINABLE DEVELOPMENT GOALS
<b>NON-DISCRIMINATION</b>		103-1/2/3 Management of material topics	8–9, 37, 49–50			
<i>Handelsbanken's material topics:</i> – Gender equality and diversity	GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	37, 53			Goals 5, 8, 16
<b>INVESTMENT</b>		103-1/2/3 Management of material topics	8–9, 25–28, 30, 50, 58–59			
<i>Handelsbanken's material topics:</i> – Responsible investment	GRI 412: Human rights assessment 2016	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	25, 30, 52			
<b>LOCAL COMMUNITIES</b>		103-1/2/3 Management of material topics	Inside front cover, 4, 6–7, 8–9, 12, 14–15, 17			
<i>Handelsbanken's material topics:</i> – High availability – Local presence and community engagement	GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	14–15, 17, 52			
<b>PRODUCT AND SERVICE LABELLING</b>		103-1/2/3 Management of material topics	8–9, 12, 22–23, 38			
<i>Handelsbanken's material topics:</i> – Responsible advisory services	GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	54			
		417-2 Incidents of non-compliance concerning product and service information and labelling	62			Goal 16
<b>CUSTOMER PRIVACY</b>		103-1/2/3 Management of material topics	8–9, 11–13, 38–40, 49–50, 54			
<i>Handelsbanken's material topics:</i> – Integrity and confidentiality	GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	54			Goal 16
<b>COMPLIANCE</b>		103-1/2/3 Management of material topics	8–9, 13, 38–40, 49–50, 52, 54, 62–63			
<i>Handelsbanken's material topics:</i> – Counteract financial crime – Responsible advisory services	GRI 419: Socioeconomic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	62			Goal 16
<b>Financial Services Sector Supplement (FSSS)</b>						
<b>FINANCIAL SERVICES SECTOR SUPPLEMENT (FSSS)</b>	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	8–9, 22–31, 52–53, 57–59			
<i>Handelsbanken's material topics:</i> – Responsible investment – Responsible lending						
<b>PRODUCT PORTFOLIO</b>	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	8–9, 22–31, 52–53, 54, 57–59			
<i>Handelsbanken's material topics:</i> – Responsible investment – Responsible lending – Responsible financing – Sustainable products		FS6 Percentage of the portfolio for business lines by specific region, size and by sector	22			
		FS8 Monetary value of products and services designed to deliver a specific environmental benefit	5, 24, 26, 52–53			
<b>ACTIVE OWNERSHIP</b>	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	8–9, 25–30			
<i>Handelsbanken's material topics:</i> – Responsible investment		FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	25, 52, 59			
		FS11 Percentage of assets subject to positive and negative environmental or social screening	52			
<b>LOCAL COMMUNITIES</b>	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	6–7, 8–9, 14–15, 17			
<i>Handelsbanken's material topics:</i> – High availability – Local presence and community engagement		FS13 Access points in low-populated or economically disadvantaged areas	12–13, 52			
		FS14 Initiatives to improve access to financial services for disadvantaged people	12–14, 28			

<sup>1</sup> SR Refers to the 2018 Sustainability Report.<sup>2</sup> AR Refers to the 2018 Annual Report.

# Auditor's Limited Assurance Report on Svenska Handelsbanken AB (publ)'s Sustainability Report and the Auditor's Report on 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) to undertake a limited assurance engagement of Handelsbanken's Sustainability Report for the year 2018. On the inside of the front cover, the company has defined the Sustainability Report for 2018 that comprises the statutory sustainability report.

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

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the statutory sustainability report in accordance with the applicable criteria and the Swedish Annual Accounts Act respectively. The sustainability report is integrated with the Sustainability Report, which was designed to meet the requirements of the Swedish Annual Accounts Act. The applicable criteria are explained on page 64, 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 error.

## 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. Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. The procedures performed in a limited assurance engagement and in accordance with FAR's auditing standard RevR 12 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 Svenska Handelsbanken AB (publ) 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 and our examination in accordance with RevR12 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 conclusions 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.

A statutory sustainability report has been prepared.

Stockholm, 15 February 2019

Ernst & Young AB

Jesper Nilsson  
Authorised Public Accountant

Marianne Förander  
Expert Member of FAR

PricewaterhouseCoopers AB

Johan Rippe  
Authorised Public Accountant



# Definitions and explanations

## 2° INVESTING INITIATIVE

An NGO specialising in analysing financial risks related to climate change.

## 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

The 2030 Agenda is a concrete action plan with 17 Sustainable Development Goals to be reached by 2030 that was adopted by world leaders in the UN General Assembly in September 2015.

## CARBON FOOTPRINT

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

## CBI

The Climate Bonds Initiative is an international, not-for-profit organisation that gathers information about green bonds and works to mobilise the market.

## CDP

Formerly the Carbon Disclosure Project, CDP is an independent, not-for-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 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.

## 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.

## GDPR

In Sweden, the new General Data Protection Regulation replaced the Swedish Personal Data Act (PuL) on 25 May 2018.

## GHG PROTOCOL

The Greenhouse Gas Protocol is the most widely used standard for estimating and reporting company emissions of greenhouse gases.

## GREEN BONDS

Interest-bearing securities for which 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.

## GREEN LOANS

Loans for implementing measures to improve the environment.

## GRI

The Global Reporting Initiative is an international organisation that has developed standards 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 in their 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 not-for-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 2°C above pre-industrial levels and to strive to limit the increase to 1.5°C.

## PRI

The Principles for Responsible Investment 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, differing by being direct or indirect, for example.

## SKI/EPIS

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

## SUSTAINABLE DEVELOPMENT GOALS

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

## SWEDISH RESOLUTION RESERVE

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. That is why there is a government-managed resolution reserve that is funded by fees from the banks.

## TCFD

The Task Force on Climate-related Financial Disclosure 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.

## WHISTLEBLOWING

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 FIND OUT MORE?

More information about Handelsbanken's sustainability is available at [handelsbanken.se/sustainability](https://handelsbanken.se/sustainability). The site includes:

- Sustainability Reports
- Policies and guidelines for sustainability

#### 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](mailto:sustainability@handelsbanken.se).



