

Summary of framework for integration of sustainability risk and the consideration of principal adverse sustainability impacts in investment and insurance advisory services and investment decisions

Adopted by Head of Sustainability and Climate action, Group Sustainability

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Investment and insurance advisory services

With all advisory services at Handelsbanken, the Bank always considers the customer's overall situation and financial circumstances. Based on this, we can provide guidance that is adapted to each customer's requirements. We focus on the customer's needs – not individual products or services. We have a great responsibility when we are entrusted with managing our customers' assets, and our goal is to generate a healthy return on assets under management while striving for a sustainable future.

When providing investment and insurance advice, we adapt the proposal to the customer's goals, interests, savings horizon, and attitude to risk. We consider it essential for the customer to understand the risk associated with each type of financial instrument, and that they have the knowledge and experience needed to invest in the product or service selected.

We also discuss customer sustainability preferences, and inform the customer about Handelsbanken's sustainability work and how this is integrated into our asset management. Customer demands on the Bank's sustainability work is increasing, and our advisors regularly complete mandatory sustainability training courses in order to maintain a good level of knowledge and be able to meet our customers' expectations.

When providing investment and insurance advisory services, sustainability risk and principal adverse sustainability impacts are considered in the ongoing investment decisions for the financial products that the Bank offers its customers. This in accordance with group wide policies and guidelines set out below. This means that we exclude sectors and companies where we deem there to be an increased sustainability risk or see that principal adverse sustainability impacts may occur. We believe this way of managing sustainability risk and principal adverse sustainability impacts will have a positive impact on the return, while reducing the negative impact.

Investment decisions

Criteria related to environmental, social and corporate governance (ESG) issues are integrated with financial criteria to produce better background documentation for decisions in the investment process. In our asset management, it is an inherent part of day-to-day work to continuously assess opportunities and risks within the sustainability area, in accordance with established processes.

Given the sustainability risk and principal adverse sustainability impacts, Handelsbanken has opted not to invest in some companies and business operations. These exclusions are based on our values and voluntary commitments, as well as on our policies and guidelines. The Bank's position is based on the following arguments:

- Some products and services run a major risk of having a negative impact on the world around us, on the community, and on various stakeholders.
- They are incompatible with the role of responsible investor with a long-term investment perspective, and with investments that aim to support a sustainable development and future.
- Some companies' products and services lead to increased sustainability risks in their value chains.

Handelsbanken complies with international norms and conventions

All our asset management is based on international norms and conventions relating to climate, human rights, working conditions, corruption, and controversial weapons. We are also committed to complying with a number of voluntary frameworks that have the common aim of encouraging and facilitating sustainable investments. Handelsbanken is, for example, a signatory of the United Nations Principles for Responsible Investment (PRI), the United

Nations Principles for Responsible Banking, (PRB), and supports the voluntary UN Global Compact initiative.

Group-wide guidelines for sustainability

For support and guidance, we have Group-wide policies and guidelines in which the Bank's values and view on sustainability are made clear. A summary of the sustainability areas that are regulated in the Group-wide policies and guidelines is given below:

-Environment and climate change

Handelsbanken has guidelines for business decisions related to the environment and climate change. These state that, with respect to the companies with which the Bank has business relations, Handelsbanken must be aware of, and act upon, the risks linked to climate change and environmental damage, as well as to corruption and human rights. The basic principle is that investments are not to be made in cases where the risks are deemed to be too high. They also state that Handelsbanken must not 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 are dependent on coal, and that are not working actively to ensure a transition to renewable energy production.

-Human rights and working conditions

Handelsbanken stands behind the UN Guiding Principles on Business and Human Rights, and undertakes to act in accordance with national plans of action regarding these principles in the countries where the Group operates. Leading conventions and guidelines are: the UN Universal Declaration of Human Rights, the International Labour Organisation's core conventions, The UN Convention on the Rights of the Child, the UN Guiding Principles on Business and Human Rights, the Children's Rights and Business Principles, the UN Global Compact, and the UK Modern Slavery Act.

Handelsbanken works to prevent or restrict any negative impact on human rights, including children's rights and employees' rights which, through business relationships, is associated with the Group's operations, products or services, even if Handelsbanken itself has not caused this negative impact.

Handelsbanken does not accept any form of child labour, slave labour or human trafficking; it works to prevent the occurrence of these in the supply chain and in other companies with which Handelsbanken has business relations.

Sector-specific guidelines

-Armaments and defence industry

Handelsbanken's Guidelines for business relations 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 or 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.

-Tobacco industry

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

Management of sustainability risk

Handelsbanken's activities for managing sustainability risk follow our decentralised model and are aligned with the Bank's generally low risk tolerance. The Bank's business operations bear the responsibility for identifying sustainability risks and managing these. This is done within a framework of established processes for risk management. In this way, risks and costs can be reduced, while new business opportunities can be identified, employees motivated, and confidence in the Bank maintained.

Risk area	Risk description	Potential risk impact	Actions to minimise the risk	Leading conventions and guidelines
Climate	<p>Climate-related risks are diverse, complex and often hard to measure. These risks can be split into physical risks and transition risks. Assets which, from a longer-term perspective, are deemed to be highly exposed to climate-related risks and risk losing their entire value, are often referred to as 'stranded assets'.</p> <p>Physical climate risks arise as a consequence of global warming brought about by increased greenhouse gas emissions. This results in increased occurrences of extreme weather events, as well as rising sea levels, coastal erosion and similar consequences. These may, in turn, have a large impact on, including damage to, assets we have financed, or may affect companies we invest in.</p> <p>Transition risks are risks that arise through changes to legislation, changes in the demand for products and services, changing customer behaviour or other structural shifts which take place as part of society's attempts to transition to a climate-neutral economy, as a means of combating global warming.</p>	<p>Weakened return on the Bank's investments.</p> <p>Also, the risk of impaired reputation and reduced customer satisfaction.</p>	<p>Develop and improve our capacity to identify, measure, manage and report risks associated with both physical climate-related risks and transition risks in the investment processes, as well as our process for risk control and reporting. This involves developing our existing procedures and processes in relevant areas, with the aim of more effectively being able to identify, value and also stress test assets exposed to climate-related risks.</p>	<p>Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>The UN Environment Programme Finance Initiative (UNEP FI).</p> <p>The UN Principles for Responsible Investment (PRI).</p> <p>The UN Principles for Responsible Banking (PRB).</p>
Environment	<p>Environmental risks are linked to both our own operations and the companies we invest in and grant credit to. The risks may be associated with direct environmental incidents, pollution or other negative environmental impacts. However, they may also be indirect, such as business relations with companies engaging in operations that are not aligned with the transition to an environmentally sustainable economy, or which do not pay sufficient attention to environmental issues in their operations.</p>	<p>Weakened return on the Bank's investments.</p> <p>Also, the risk of impaired reputation and reduced customer satisfaction.</p>	<p>Periodic screening of companies we invest in, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support.</p> <p>Policy documents and instructions for responsible investment.</p>	<p>The UN Environment Programme Finance Initiative (UNEP FI).</p> <p>The UN Principles for Responsible Investment (PRI).</p> <p>The UN Principles for Responsible Banking (PRB).</p>

Human rights, social conditions and working conditions	<p>The risk of abusing human rights is greatest in the role the Bank has as a lender and when we invest in companies, although the risk is also present in our own operations. Risks related to working conditions chiefly concern health and safety, harassment and victimisation, as well as union rights, reasonable wages, and rights for all employee benefits as regulated by law.</p>	<p>Weakened return on the Bank's investments.</p> <p>Risk of impaired reputation and reduced customer satisfaction.</p>	<p>Mandatory training for employees.</p> <p>Periodic screening of companies we invest in, support with the help of sector-specific sustainability risks established by external experts, documentation requirements, systems support.</p> <p>Policy documents and instructions for responsible investment.</p>	<p>The International Labour Organisation's core conventions.</p> <p>The UN Convention on the Rights of the Child.</p> <p>The UN Guiding Principles on Business and Human Rights. Children's Rights and Business Principles.</p> <p>The UN Global Compact.</p> <p>UK Modern Slavery Act.</p>
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Periodic review of the positions we take

Sustainability is an area in rapid development, and we regularly review our Group-wide policies and guidelines to ensure that they are up-to-date, and that they reflect the positions we wish to take in our business operations. Some subsidiaries within the Handelsbanken Group have made further commitments in the sustainability area, in addition to the Group-wide policies and guidelines.