

Green Bond
Impact Report

2021



Handelsbanken

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About this report

Svenska Handelsbanken AB (publ) has issued two green senior unsecured bonds under the Green Bond Framework which was established in June 2018. The first issue in 2018, a senior unsecured green bond, amounted to EUR 500 million with a maturity of five years. The second issuance was in 2020, a senior non-preferred green bond, also to an amount of EUR 500 million, with a seven year maturity.

In the Framework Handelsbanken commits to publish an annual report detailing the overview of our Green Assets and examples adherent to the relevant criteria in the Framework. For the complete Framework please see handelsbanken.com/handelsbankens-green-bonds.

Handelsbanken's Green Bonds

Bond	July 2023, 0.375 per cent, Series Number 336	December 2027, 0.01 per cent, Series Number 351
Issuer	Svenska Handelsbanken AB (publ)	Svenska Handelsbanken AB (publ)
Type	Senior Unsecured Green Bond	Senior Non-Preferred Green Bond
Rating	Aa2 (Moody's); AA- (S&P); AA (Fitch)	A3 (Moody's); A (S&P); AA (Fitch)
Rating by Cicero	"Dark Green"	"Dark Green"
Nominal amount	EUR 500 000 000	EUR 500 000 000
Issue date	3 July 2018	2 December 2020
Maturity date	3 July 2023	2 December 2027
Listing	Official List of Euronext Dublin	Official List and to trading on the Global Exchange Market of Euronext Dublin
ISIN	XS1848875172	XS2265968284
Distribution by region	Germany, Austria (29%); Nordics (22%) France (16%); BeNeLux (16%) UK (9%); Other (8%)	Nordics (27%); Germany, Austria (25%); France (19%); UK & Ireland (11%); BeNeLux (7%); Southern Europe (6%); Other (5%)
Distribution by investor type	FM (37%); Ins/Pen (31%); CbK/OI (18%); Bank/PB (14%)	FM (57%); Ins/Pen (16%); OI (16%); Bank/PB (10%); Other (1%)

Sustainability at Handelsbanken

The Bank's business opportunities and successes depend on customers, employees, the general public, investors and public authorities having trust and confidence in the Bank. A condition for this confidence is that the Bank's operations follow high ethical standards and that we take responsibility for our actions. As a bank, we aim to contribute to sustainable development, mainly through our business operations, and through our products and services. The constant development of our sustainability work is essential if we are to maintain low risks, have employees who take pride in where they work, and attract customers, capital and new, talented employees. It is also significant for future generations and for confidence in, and the stability of, the financial system.

Climate change

Climate change is possibly the greatest challenge facing the world today with potentially far-reaching negative consequences for people, societies and the economy. The financial sectors role is to redirect financial flows towards projects that reduce or eliminate greenhouse gas emissions in order to stop this negative development. Handelsbanken recognises its responsibility and opportunity to be a part of the solution and we have an important role to play in the transition by aligning our financial flows with the development towards a net zero greenhouse gas economy. Issuing green bonds is a tool to promote the long-term development of sustainable solutions by financing green and climate resilient projects.

In order to make this possible Handelsbanken established in June 2018 a Green Bond Framework. The Framework received a rating of 'Dark Green Shade' – the highest possible – from the independent body Cicero (Centre for International Climate Research). Under this framework Handelsbanken has issued two green bonds. In 2018, a 5-year unsecured senior bond of EUR 500 million and in 2020 a 7-year senior non preferred bond of EUR 500 million.

Our Sustainability goals

With sustainability being an area of strategic importance for Handelsbanken, we launched Group-wide sustainability goals in February 2021. The goals address not only the Bank's long-term climate ambition, but also our determination to further and fully integrate sustainability into our core business - financing, asset management and advisory services

Our overarching climate goal is to achieve net zero emissions of greenhouse gases as soon as possible, and by 2040 at the latest. This applies to our business operations, for example lending, leasing and investments, but also the emissions deriving from our own operations such as energy consumption, business travel and the purchases of goods and services.

We have also set strategic business goals within financing, investments and advisory services:

- Responsible financing – by 2025, 20 per cent of the Bank's financing volume shall consist of green financing, social financing or financing that contributes to the borrower's measurable, sustainable transition.
- Responsible investments – the investment portfolios shall be in line with the goals and transition pathway of the Paris Agreement, achieve net-zero emissions of greenhouse gases by 2040 at the latest, and increase the funds' contributions to the 2030 Agenda.
- Advisory services – by 2023 at the latest, through business development and training initiatives, in a measurable way create conditions for gender-equal savings and thus contribute to reducing the wealth gap between men and women.

“ Sustainability in general and sustainable finance in particular are central to Handelsbanken's culture and necessary for our future growth. Our green bonds are key in being able to create incentive for our green borrowers, and thereby contribute to transition and positive impact. ”

Carl Cederschiöld, CFO Handelsbanken



Methodology

Reporting principles

- This report is based on the guidelines for impact reporting provided by Green Bond Principles (GBP)¹ and the Nordic Public Sector Issuers Position Paper on Green Bonds Impact Reporting, February 2020².
- Handelsbanken reports on the basis of the share of the project's total investment cost that has been financed with proceeds from the green bond.
- Handelsbanken uses a pro-rata allocation to each outstanding bond.
- Direct environmental impacts such as renewable energy production, energy savings, reduced emissions are reported. Where applicable avoided emissions are reported.
- The reported distribution and impact are based on the status of the Green Registry as of December 31, 2021. The full year impact is accounted for regardless of when an asset is included in the Green Registry.
- The report includes both expected impact (ex-ante) and actual impact (ex-post).
- Currency rates as per 30 December 2021.

Impact methodology

- Energy production and energy savings are converted into greenhouse gas emissions savings using an emission factor for electricity production in mainland EU and Norway of 315 g CO₂e /kWh. For details see Nordic Position Paper on Green Bond Impact Reporting.
- For Green Buildings national building standards are used as baseline for calculating impact and energy savings. Impact is calculated as the net value of a specific building's energy consumption per m² and year, and the relevant national building regulation.
- For further details regarding impact methodology, see Appendix – Collected data and Climate Impact Calculation at page 11.

Sustainable Development Goals

The proceeds from our green bonds mainly targets the following Sustainable Development Goals

- Goal 6** ► Clean water and sanitation
- Goal 7** ► Affordable and clean energy
- Goal 11** ► Sustainable cities and communities
- Goal 12** ► Responsible consumption and production
- Goal 13** ► Climate action
- Goal 14** ► Life below water
- Goal 15** ► Life on land



Green Bond Framework

In June 2018 Handelsbanken established the 'Green Bond Framework'. It describes Handelsbanken's view on Green Bonds and Sustainable Finance and our contribution to the transition to low carbon intensity and sustainable development.

An independent evaluation of Handelsbanken's Green Bond Framework has been carried out by Cicero (the Center for International Climate Research) as recommended by the Green Bond Principles. The Framework received a Dark Green shading, which is the highest grade that Cicero awards.

Use of proceeds

The net proceeds from the issuance of Green Bonds is used by Handelsbanken, in whole or in part, to finance or refinance loans and investments ('Eligible Green Assets' or 'Green Assets') that promote the transition to low-carbon, climate resilient and sustainable economies, as well as environmental and ecosystem improvements. The net proceeds will be used exclusively to finance or refinance loans and investments in Handelsbanken's home markets (the Nordic countries³, the Netherlands and the United Kingdom) which comply with one of the six categories currently included in our Green Bond Framework and addressing the following SDGs:



I. Clean Transportation

Defined as financing of electric vehicles for public transport and financing of low-carbon vehicles for freight and passenger as well as directly associated investments, such as charging stations.



II. Environmentally Sustainable Management of Living Natural Resources

Defined as financing or refinancing of investments in sustainable forest management and sustainable forestry assets.



III. Green Buildings

Defined as financing or refinancing of development, acquisition, renovation or otherwise completed residential, public and commercial properties. The buildings must have, or will receive, one or more of specified environmental building certifications and live up to certain energy requirements.



IV. Pollution Prevention and Control

Defined as the financing of environmentally responsible and fossil-free waste-to-energy investments and the financing of waste management or waste treatment in a responsible and environmentally friendly way.



V. Renewable Energy

Defined as financing or refinancing of installations, plants, related infrastructure within wind energy, solar energy, hydro energy and geothermal energy.



VI. Sustainable Water and Wastewater Management

Financing of plants and related infrastructure for the supply of fresh water or processing of wastewater.

For more information and details of the green criteria for the above categories, please see the Green Bond Framework available at handelsbanken.com/en/investor-relations/debt-investors/handelsbankens-green-bonds

³ The Bank has decided to cease its operations in Denmark and Finland. A process has been initiated to divest these two business segments.

Process for Project Evaluation and Selection

All customers of Handelsbanken are managed and approved in the standard credit process, which includes a Know-Your-Customer procedure, an environmental and sustainability risk assessment, credit risk analysis and a credit decision. Further procedures to identify, analyse and approve Eligible Green Assets are in place, whereby Eligible Green Assets are defined in the Framework, proposed by the local branches, approved by the Bank's Green Finance Committee and documented and monitored in the Green Registry. Additional information about this process is provided below.

The local branches nominate new and existing loans within the eligible green use of proceeds categories to the Green Finance Committee (GFC) for review and potential approval. Assessment and analysis are performed on both the asset and the customer. The standardised application and assessment include the following:

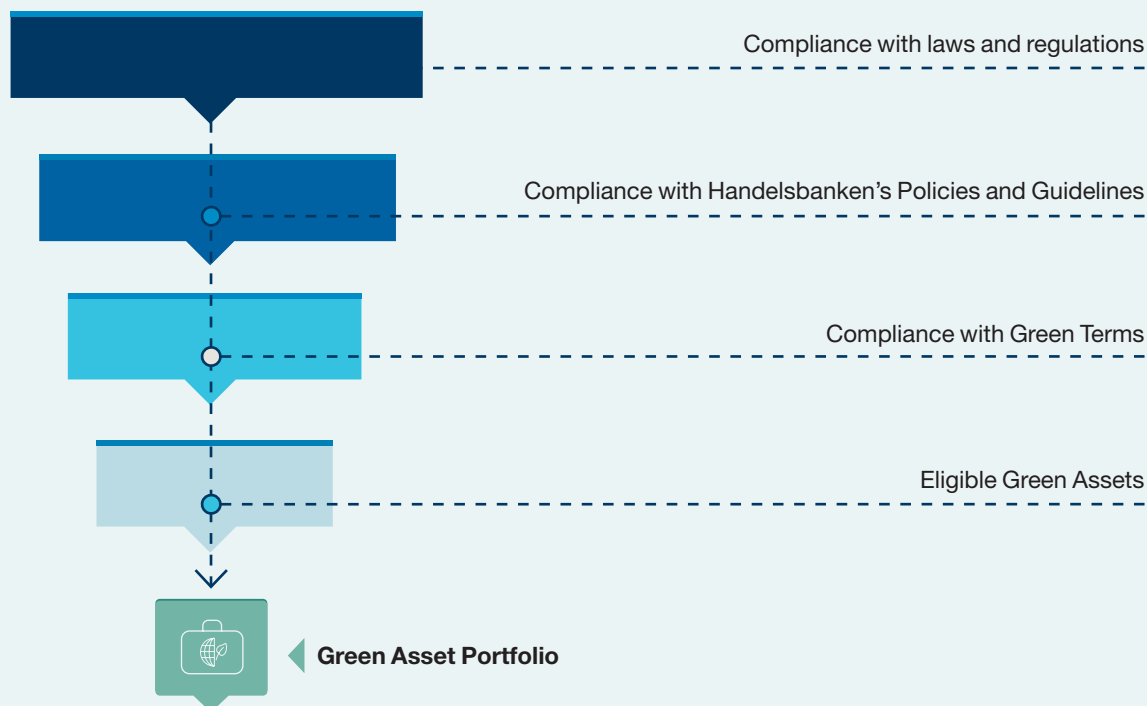
- A local branch nominates loans to the GFC and acknowledges that the financed asset complies with the legal requirements in the local jurisdiction, as well as with Handelsbanken's policies and guidelines.

- Review and ESG assessment of the financed asset(s) and the customer, using both public and non-public information, including a screening for ESG incidents or controversies.
- Assessing and confirming the type of Green Asset, its compliance with the Use of Proceeds categories in the Framework, validating the purpose of the financing and a review of compliance with the Exclusion criteria (see 'Methodology and Scope' in Green Bond Framework)
- Assessing the benefit of the asset(s) in relation to the Sustainable Development Goals.

Risk Assessment and Management

The assets must be compliant with applicable national laws and regulations, Handelsbanken's policies and guidelines as well as the Green Terms. This includes the Bank's sector guidelines, Credit policy, Sustainability policy, Guidelines for environmental impact and climate change, Ethics policy as well as specific environmental certification schemes (such as those outlined in the Framework for Green Buildings and Forestry) and the UN Global Compact, OECD Guidelines for Multinational Enterprises and the Equator Principles

Selection Process for Eligible Green Assets at Handelsbanken



Management of Proceeds

An amount equal to the net proceeds of any issue under the Green Bond Framework is credited to an earmarked portfolio (the 'Green Portfolio') in the Bank's internal information system managed by the Treasury Department. Deductions are made from the Green Portfolio by an amount corresponding to the financing or refinancing of Eligible Green Assets that have qualified according to the Process for Project Evaluation and Selection or to repay a Green Bond. If an Eligible Green Asset no longer qualifies according to the Green Terms or if the underlying eligible loan is repaid or divested, an amount equal to the funds is re-credited to the Green Portfolio pending reallocation to other Eligible Green Assets. Net proceeds may be reallocated to other Eligible Green Assets by the Treasury at any time during the term of a Green Bond. The Bank's Treasury will keep a record of the purpose of any change in the Green Portfolio.

Pending the allocation of an amount equal to the net proceeds and while the Green Portfolio has a positive balance, including the unlikely event of there being no Eligible Green Assets, the proceeds may be invested or utilised by Treasury in accordance with the Bank's internal sustainability policy and the requirements of the liquidity reserve.

Approval by the Green Finance Committee

Handelsbanken's Green Finance Committee has the mandate to approve (i) Green Assets, (ii) technical criteria for green loans and (iii) the Bank's Green Bond Framework.

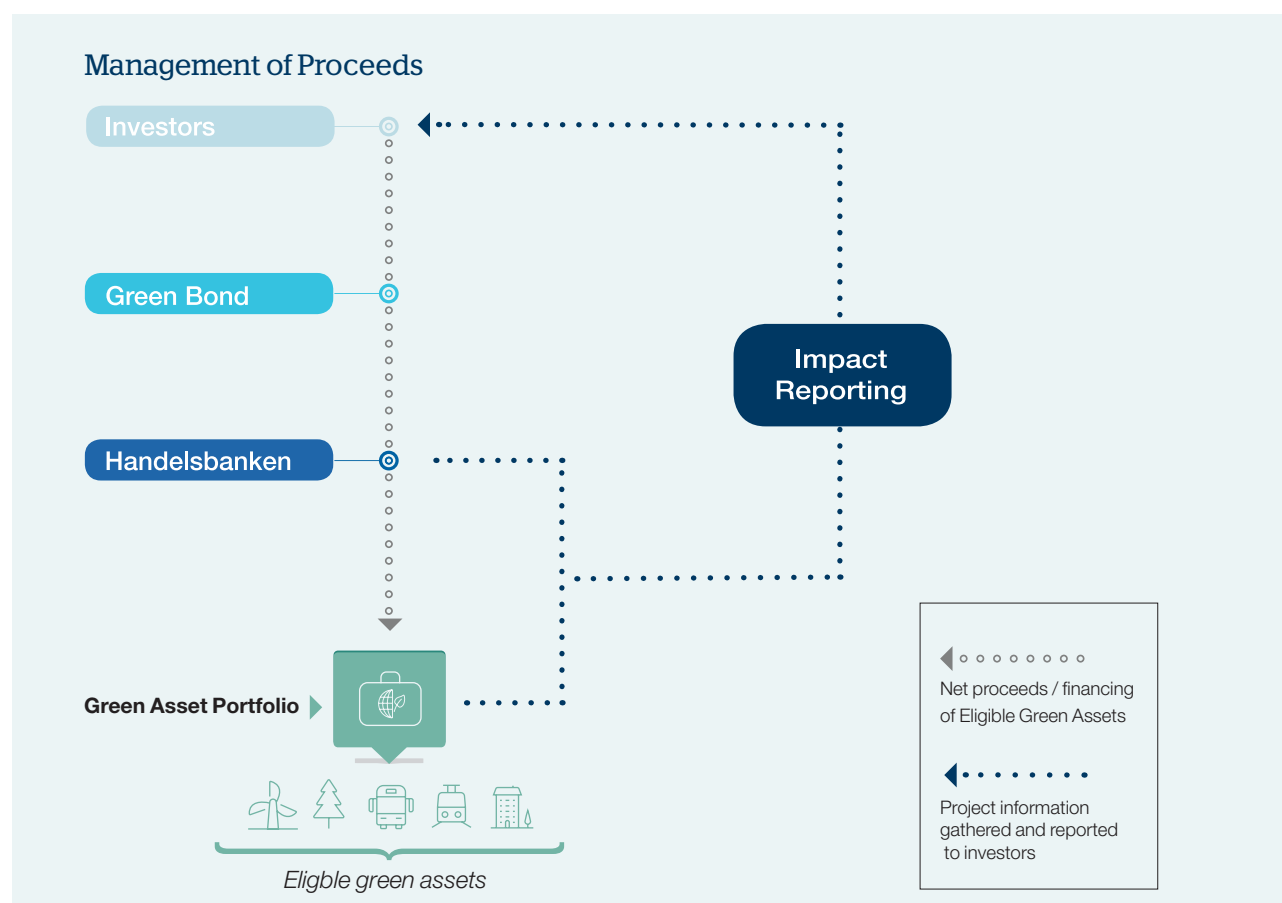
The GFC is a sub-committee of the Group Sustainability Committee. Handelsbanken's Head of Sustainability chairs the Group Sustainability Committee and the Green Finance Committee, and is responsible for sustainability strategy and implementation throughout the Bank.

The GFC currently consists of representatives from the following units:

- Group Sustainability
- Group Finance
- Group Credit Department
- Handelsbanken Capital Markets
- Handelsbanken Fonder
- Stadshypotek

The GFC reviews information about the assets and evaluates the overall environmental benefit according to a standardised process that includes life cycle considerations, potential rebound effects, resilience and scientific targets. If there is doubt about the environmental benefits or compliance with the Bank's Green Bond Framework, such assets will not be included. Eligible Green Assets are approved by majority vote by the GFC, where the Head of Sustainability holds a veto. The decisions made by the GFC are documented.

Examples of financed projects regarding Green Buildings and Clean Transportation available at www.handelsbanken.se/en/corporate/financing/sustainable-finance.



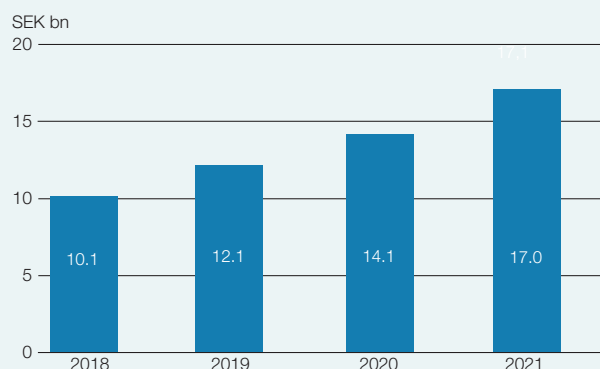
Green Registry

Green Registry and Documentation

The information gathered in the approval process is recorded along with loan and ESG information in a database (the 'Green Registry'). The Green Registry allows the Green Assets to be monitored by the Bank and will be used as a tool to determine if there is a current or expected headroom to issue a Green Bond. If a loan ceases to meet the Green Terms, the green status of the loan will be removed from the Bank's Green Registry.

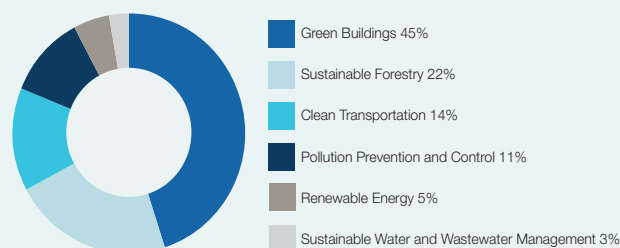
Handelsbanken's ambition is that the supply of eligible Green Assets shall continue to grow as the Bank's technical criteria for green loans are further developed and the focus on green financing and sustainable investment increases among customers. The Bank may need further clarity about the use of proceeds for both existing and future loans. In such cases the Bank will require the customer to sign a side letter confirming the purpose of the financing and/or that information may be provided to investors regarding the specific asset that has been financed.

Eligible Green Assets per year-end

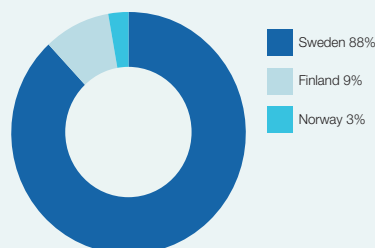


During 2021 the green assets which comply with the requirements and criteria stipulated in Handelsbanken's green bond framework grew to SEK 17 billion, corresponding to 21 per cent.













Eligible Green Assets per category



Eligible Green Assets per geography



Quantitative environmental impact

Category	Sub categories	Disbursed amount (EUR)	Disbursed amount (SEK)	Share (%)	GHG emissions reduced/avoided (tCO ₂ e) ¹	SDGs
Clean transportation	Public Transport	74,552,670	764,508,781	7	5,595	 
	Low Carbon Vehicles	68,984,948	707,413,942	7	3,044	
Environmentally Sustainable Management of Living Natural Resources	Sustainable Forestry	219,181,255	2,247,618,949	22	151,298	 
Green Buildings	Green Buildings	453,275,344	4,648,163,239	45	1,510	 
Pollution Prevention and Control	Waste to Energy	106,745,589	1,094,634,703	11	112,364	 
Renewable Energy	Wind Energy	51,289,317	525,952,100	5	42,751	 
	Solar, Hydro and Geothermal Energy	1,365,197	13,999,562	0	0	
Sustainable Water and Wastewater Management	Water Management	24,605,680	252,321,724	2	-	 
Total		1,000,000,000	10,254,613,000	100	316,563	
New Loans²		751,282,937	7,704,115,776	75		
Impact, tonnes CO₂e per mEUR/mSEK		31	317			

Additional Key Performance Indicators

Category	Sub categories	Quantity of annually treated wastewater (m³)	Quantity of annually supplied freshwater (m³)	Amount of Certified Forest (hectares)	Annual energy saving (MWh)	Annual energy generation (MWh)
Clean transportation	Public Transport	-	-	-	-	-
	Low Carbon Vehicles	-	-	-	-	-
Environmentally Sustainable Management of Living Natural Resources	Sustainable Forestry	-	-	45,709	-	-
Green Buildings	Green Buildings	-	-	-	6,831	-
Pollution Prevention and Control	Waste to Energy	-	-	-	-	835,286
Renewable Energy	Wind Energy	-	-	-	-	135,718
	Solar, Hydro and Geothermal Energy	-	-	-	-	-
Sustainable Water and Wastewater Management	Water	1,040,503 ³	3,275,178	-	-	-
Total		1,040,503	3,275,178	45,709	6,831	971,005

¹ See appendix on page 11 for collected data and climate impact calculation.

² Loan disbursements that have been made up to one year before the allocation of net proceeds from the inaugural Green Bond in 2018.

³ Due to previous incorrect reporting there is a material deviation compared to the figure in 2020.

Auditor's Limited Assurance Report

To Svenska Handelsbanken AB (publ), Corporate identification number: 502007-7862

Introduction

We have been engaged by the Executive Management of Svenska Handelsbanken AB (publ) (Handelsbanken) to undertake a limited assurance engagement of the information in Handelsbanken Green Bond Impact Report 2021 ("the Report") concerning the allocation of net proceeds to eligible green assets.

Responsibilities of the Executive Management

The Executive Management is responsible for preparing the Report in accordance with applicable criteria.

The reporting criteria is stated in Handelsbanken's Green Bond Framework dated June 2018, available on Handelsbanken's website. This responsibility includes the internal control relevant to the preparation of a Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the Auditor

Our responsibility is to express a limited assurance conclusion on the selected information specified above based on the procedures we have performed and the evidence we have obtained. Our assurance does not extend to any other information in the Report.

We have conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information issued by IAASB. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the selected information in the Report, and applying analytical and other limited assurance procedures.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The procedures performed consequently 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.

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 towards Handelsbanken in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our procedures are based on the criteria defined by Executive Management as described above. We consider these criteria suitable for the preparation of the Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the selected information disclosed in the Report has not been prepared, in all material respects, in accordance with the reporting criteria.

Stockholm, 24 May 2022

Öhrlings PricewaterhouseCoopers AB

Johan Rippe

Authorized Public Accountant

Karin Juslin

Expert Member of FAR

Appendix – Collected data and Climate Impact Calculation

Sub-category	Collected data	Climate impact calculation
Wind & Hydro Energy	<ul style="list-style-type: none"> – Capacity of energy generation of plant. – Annual renewable energy production. 	<p>Annual climate impact (CO₂e) =</p> <p>Annual production of renewable energy × (baseline emissions factor-project emissions factor).</p>
Green Buildings	<ul style="list-style-type: none"> – Heated surface area in square metres (Atemp). – Permitted maximum energy consumption of the building, measured in kWh/Atemp. – Estimated / actual annual electricity consumption of the building, measured in kWh/Atemp. – Estimated / actual annual heating consumption of the building, measured in kWh/Atemp in accordance with applicable regulations. – Estimated / actual annual cooling consumption of the building, measured in kWh/Atemp in accordance with applicable regulations. 	<p>Annual climate impact (CO₂e) =</p> <p>Energy savings is calculated as the difference between energy use per square meter and applicable national building requirements.</p> <p>Annual climate impact (CO₂e) = ((Heat consumption of reference building in × baseline emission factor for heat consumption + electricity consumption of reference building in × baseline emission factor for electricity consumption) – (Heat consumption of project building × baseline emission factor for heat consumption + electricity consumption of the project building in × baseline emission factor for electricity consumption)).</p>
Public transport	<ul style="list-style-type: none"> – Passenger capacity. – Travel distance in km. 	<p>Annual climate impact (CO₂e) =</p> <p>Annual reduction of GHG emissions in is calculated based on travelled distance and passenger capacity with electric trains and the assumption of avoided travel by car × average GHG emissions from car fleet.</p>
Low Carbon Vehicles	<ul style="list-style-type: none"> – Number of financed cars chargeable from the power grid (PHEV and electric cars). – Average CO₂ emissions from financed cars chargeable from the power grid (PHEV and electric cars). – Average CO₂ emissions from new registered fossil fuel driven cars in the three previous years. – Average traveled km per year for cars in Sweden according to statistics from Statistics Sweden, the national statistic agency. 	<p>Annual climate impact (CO₂e) =</p> <p>Number of cars in the fleet × average yearly car mileage × (average emission of GHG from new registered fossil fuel driven cars – average emission of GHG from financed cars chargeable from the power grid).</p>
Sustainable Forestry	<ul style="list-style-type: none"> – Hectares (size of land) of Sustainable forest holdings. 	<p>Annual climate impact (CO₂e) =</p> <p>Hectare sustainable forest × (average net change standing volume × average Biomass Expansion Factor × average Carbon Fraction × (weight CO₂ molecule / weight C molecule) + (average felling per hectare × estimated substitution effect)), i.e. Hectare × (1,38 + 1,93). Model for impact calculation has been developed together with Swedish University of Agricultural Sciences.</p>
Waste to Energy	<ul style="list-style-type: none"> – Annual energy production. – Annual electricity production. – Annual heat production. 	<p>Annual climate impact (CO₂e) =</p> <p>Project, annual production electricity × (Baseline emission factor for electricity – project emission factor) + Project, annual production heat × (Baseline emission factor for heat consumption – project emission factor) according to average heating production.</p>
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> – Quantity of treated wastewater (cubic meters per year). – Quantity of supplied freshwater (cubic meters per year). 	n.a.

