

Sustainability summary for Handelsbanken – lending to corporates

This sustainability summary is a sector initiative developed in the Swedish Bankers' Association in order to give an insight into how banks take sustainability into account in their lending to corporates.

1. Our view on sustainability

Handelsbanken's view is that responsible actions are essential to long-term value creation. Long-term business relations, low risk-taking and cost-awareness are cornerstones of Handelsbanken's business culture. They form the basis of successful banking operations being run in a responsible, sustainable manner. Handelsbanken aims to integrate financial, social and environmental sustainability into all its business operations. This relates, for example, to credit and investment decisions, business development, advisory services and purchase decisions. In this way, risks and costs can be reduced, while new business opportunities can be identified, employees motivated, and confidence in Handelsbanken maintained.

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. Handelsbanken supports the TCFD's recommendations on climate-related financial disclosures and has initiated a work to implement them in throughout the entire operation in order to broaden transparency and reporting on Handelsbanken's climate related risks and opportunities. Handelsbanken has published reports according to the TCFD:s recommendations for Handelsbanken Asset Management and Handelsbanken Liv, the Handelsbanken Group's life insurance company.

2. Sustainability in the credit process

Handelsbanken's operations are characterised by a long-term approach. The customer is the focus of all operations which means that the Bank's organisation is highly decentralised and all business decisions regarding individual customers' relationships with the Bank are taken close to the customer. Handelsbanken has a nationwide branch network in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.

Almost two thirds of Handelsbanken's lending in Sweden consists of household lending, which in turn is almost exclusively mortgage loans.

How we take sustainability into account when we grant credits

Handelsbanken's lending must be responsible and meet high demands for sound ethical standards. Handelsbanken respects human rights and fundamental principles of working conditions and environmental considerations and supports anti-corruption measures, regardless of where in the world the Bank operates.

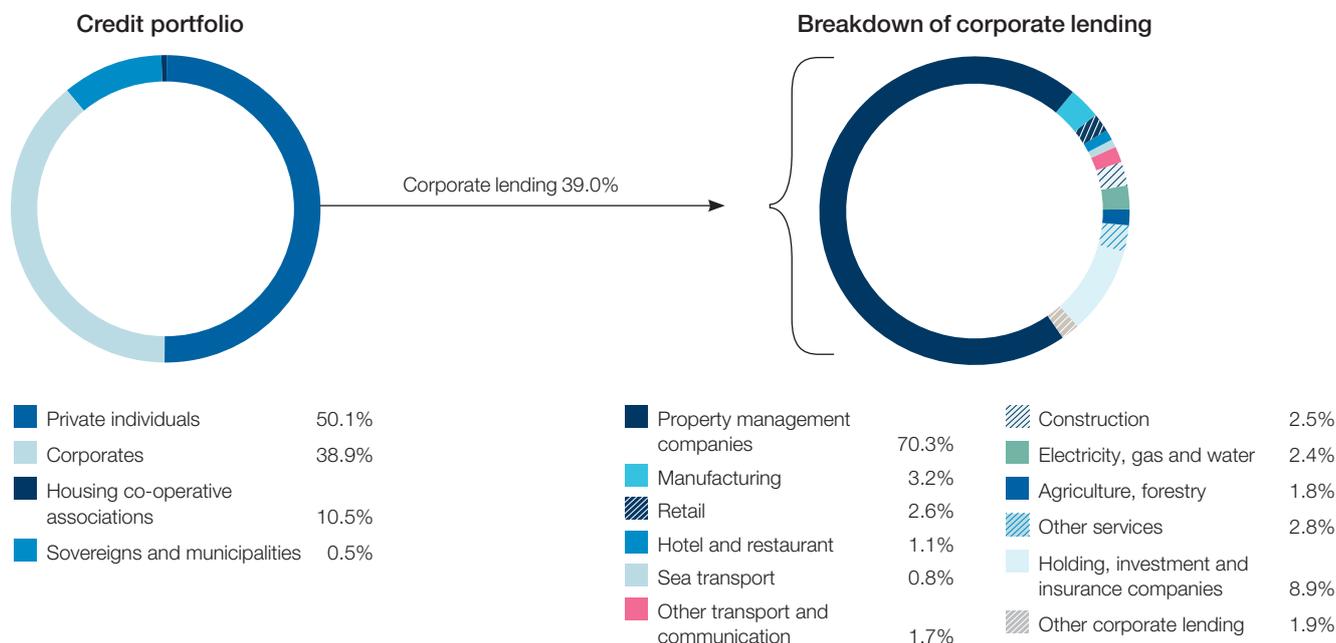
Handelsbanken supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability (see below). When we grant credit, the customer's attitude to these principles and guidelines must be evaluated and assessed. In this assessment, both credit risk and reputation risk must be evaluated. This means that the company's risks linked to the environment, climate, human rights, working conditions and corruption are mapped and evaluated. Through its operations, Handelsbanken aims to encourage and contribute to sustainable development.

Climate change is one of the biggest challenges to human and economic development, and this means radically changed conditions for energy production, transport and consumption. Handelsbanken shall, together with our customers, promote a shift towards a greenhouse gas neutral economy in line with the Paris agreement.

Follow-up

The regular examinations of credits include following up on how the borrower is meeting the sustainability criteria.

At the end of 2018, Handelsbanken's loans to the public totalled SEK 2,189 billion. SEK 851 billion of this was corporate lending.



The production of energy using fossil fuels accounts for a high proportion of greenhouse gas emissions. Combating climate change requires a transition to energy production based on renewable sources. A screening of the Bank's lending at 30 June 2017 shows that loans to energy production represent only about 1 per cent of total loans to the public. Of this lending to energy, in turn, 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.

3. Commitments and policies regarding sustainability

Handelsbanken complies with the following international commitments, of particular significance for our lending:

- UN Global Compact
- UNEP-FI (United Nations Environment Programme Finance Initiative)
- OECD Guidelines on Multilateral Enterprises
- Equator Principles

The following policies and guidelines are relevant to our sustainability governance relating to the credit process:

- Policy for sustainability
- Policy on ethical standards
- Policy against corruption
- Guidelines for environmental impact and climate change
- Guidelines regarding business relations with the armaments and defence industry
- Guidelines regarding business relations in forestry and farming

4. Our focus areas regarding sustainability issues in our lending

Handelsbanken offers Green loans to:

- buildings and multi-family dwellings meeting specific environmental and climate-related criteria.
- solar energy.

Handelsbanken does not grant credits

- to companies which manufacture or trade in weapons that are prohibited under international conventions of which Sweden is a signatory. This includes biological weapons, chemical weapons, anti-personnel mines and cluster munitions.
- to companies which manufacture or trade in nuclear weapons.
- for new mining of coal for combustion or new coal power plants.
- if the negative environmental impact is assessed to be particularly large.