

# Handelsbanken Green Bond Framework

August 2022





# Contents

<b>Introduction</b>	<b>3</b>
Background	3
About Handelsbanken	3
Sustainable Development Goals	5
<b>Green Bond Framework</b>	<b>6</b>
Use of Proceeds	6
Process for Project Evaluation and Selection	13
Management of Proceeds	14
Reporting	15
<b>Definitions</b>	<b>17</b>
<b>Policy Documents and Sustainability Initiatives that Govern Handelsbankens Environmental and Sustainability Work</b>	<b>18</b>
<b>Appendix 1</b>	<b>19</b>
Alignment with the EU Taxonomy	
<b>Appendix 2</b>	<b>21</b>
Key characteristics of the EU Taxonomy	

## Important notice

This document (the “**Green Bond Framework**” or “**Framework**”) contains information on Svenska Handelsbanken AB (publ) and its subsidiaries (“**Handelsbanken**”, the “**Bank**” or the “**Group**”) issuance of interest-bearing notes with added environmental criteria (the “**Green Terms**”). Any such issuance by Handelsbanken that includes the Green Terms in its loan documentation, by reference or inclusion, as detailed in this document or in future versions of this document will be designated as a Green Bond (“Green Bond”). Depending on the language of the loan documentation the Green Terms in this Framework may be translated into other languages, as required in the local jurisdiction. Furthermore, all parties are advised to review the risk factors in the base prospectus. Any issuance of notes will be subject to the version of the Green Terms in the associated loan documentation. Any new issuance of Green Bonds will include a reference to, or inclusion of, the most recently published Green Terms, which shall be publicly available in the Framework on Handelsbanken’s website. Investors and third parties are advised to conduct an independent evaluation of the relevance and adequacy of the information in this Framework and for making such other investigations considered necessary prior to entering into any of the types of transactions or arrangements where the Green Terms would be applicable, for instance regarding the adherence to current and future regulation, standards or market practices such as the Green Bond Principles, the forthcoming European Green Bond Standard or the EU Taxonomy.





# Introduction

## Background

Climate change is quite possibly the greatest challenge facing the world today with potentially far-reaching negative consequences for people, societies and economies. Handelsbanken recognises our responsibility and the opportunity to be a leader and drive the change towards a sustainable future. As a bank, one of our greatest opportunities to make a difference is through responsible financing and lending. We have an important role to play in the transition by aligning our financial flows with the development of a net-zero greenhouse gas economy. Issuing green bonds is a tool for Handelsbanken to promote the long-term development of sustainable solutions by financing green projects. To further advance our Green Bond offering we have developed a new Green Bond Framework.

## About Handelsbanken

Founded in 1871, Handelsbanken is one of the world's strongest banks. Our idea of how to run our Bank is based on trust and respect for individuals, both customers and employees. At Handelsbanken, we strive to evolve and improve, so that we can be the best possible bank for our customers. Handelsbanken's ambition is to provide the best banking experience within financing, savings and advisory services. We see potential for continued strong business development and profitable growth at low risk, facilitated by satisfied customers. The Bank's home markets are Sweden, Norway, the Netherlands and the UK, but we also have operations in Luxembourg and the USA.

## Handelsbanken's actions towards a sustainable future

Handelsbanken strives to be a responsible actor within the financial sector and lead the way towards a sustainable banking industry. By considering all three pillars of sustainability; social, environmental and financial, in our daily and long-term business, we aim to make a positive change for society and combat climate change together with our customers and employees.

In 2021, we took several actions to further strengthen our sustainability work. The Bank committed to new climate goals with an overarching climate target to achieve net-zero emissions of greenhouse gases as soon as possible and by 2040 at the latest. The Bank also performed its first forward-looking scenario analysis, where we explored the potential future impact on the Bank's real estate lending in Gothenburg by 2050. Furthermore, we strengthened our credit process to improve its ability to assess our customers climate risk.

Handelsbanken's greatest opportunity to combat climate change is through our products and services. By developing and offering our customers' sustainable products within our core operations; financing, investment, and advisory services, we work to maximise our positive impact and minimise our negative impact thereby promoting a more sustainable society. As a lender, we have a responsibility to assess and evaluate that our customers businesses are in line with our principles. If a company does not apply our principles, we shall decline to grant credit to it.

“ We want to focus on the areas where we have the greatest influence. In the next few years this is mainly the climate, particularly because the EU has set a very clear green agenda for the financial sector ”

Carl Cederschiöld, Chief Financial Officer,  
Svenska Handelsbanken



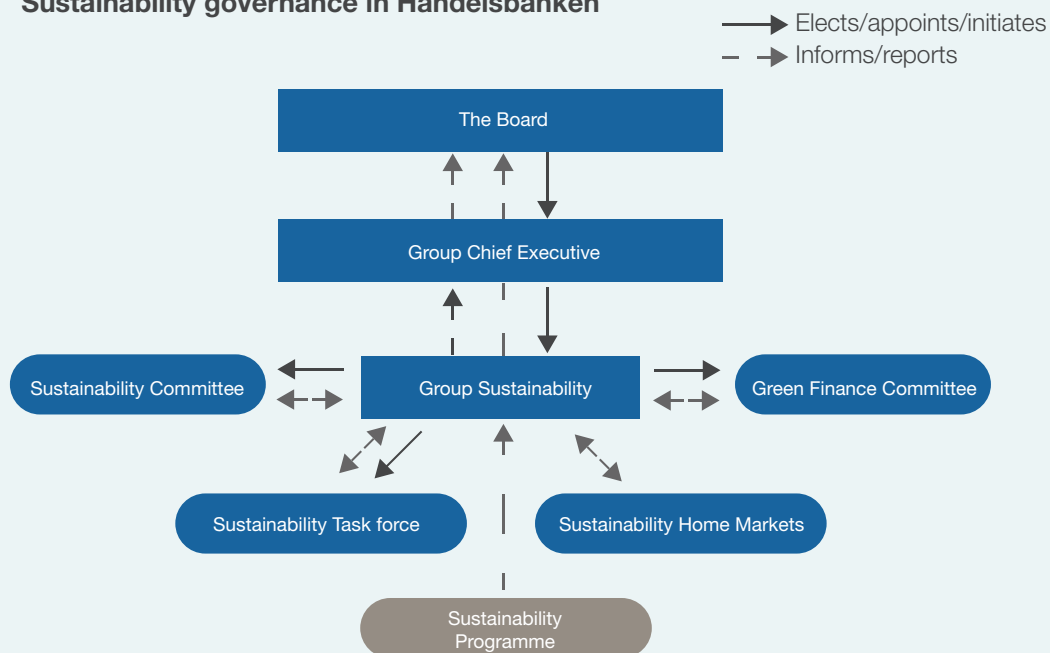
### Sustainability Governance

Handelsbanken's sustainability work is governed through a decentralised model with clear responsibilities and guidelines. The head of each unit bears the responsibility to identify and manage climate risks and opportunities. Handelsbanken's sustainability work is based on the Bank's sustainability policy which concerns environmental, social and financial aspects. The picture below illustrates our sustainability governance model.

### Responsible Financing

Handelsbanken has been active in sustainable finance for several years and we are continuously improving and developing our green and sustainable product portfolio. We want to make green finance available for more customers. In 2021, we, therefore, launched several new green financing products, for both private and corporate customers, and became the first bank in the Nordic region to enter a green EU Taxonomy-adapted loan. To further highlight our focus on sustainable finance the Bank also set the goal that 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. For more information about Handelsbanken's work within responsible financing, see our latest Sustainability Report.

### Sustainability governance in Handelsbanken



### International commitments

Handelsbanken participates in several initiatives and collaborations to demonstrate our commitment to sustainability and to engage in the vital exchange of information with society's many stakeholders. In 2021, the Bank undertook to allow Science Based Targets initiative to validate the Bank's climate goals which help us to set the pathway towards achieving net-zero emissions of greenhouse gases at the latest by 2040. Examples of other initiatives and collaborations are listed below:



### Sustainable Development Goals

As a financial institution, Handelsbanken has an important role to play in the long-term fulfilment of the UN Sustainable Development Goals. Through the Bank's nationwide branch network and contribution to the local community including paying taxes and fees, employing personnel and offering payment solutions, the bank can contribute to the 17 global goals and its 169 underlying targets. Handelsbanken supports all 17 sustainability goals but has put a special focus on six of them as they are more relevant to the Bank's core business, and the degree of influence and risk we have identified.

Handelsbanken focuses on the following Sustainable Development Goals:



In addition, the assets financed under this Framework contributes to the following Sustainable Development Goals:



Stockholm, 15 August 2022

**Carina Åkerström**  
President and Group Chief Executive  
Svenska Handelsbanken

**Carl Cederschiöld**  
Chief Financial Officer  
Svenska Handelsbanken

**Catharina Belfrage Sahlstrand**  
Chief Sustainability and Climate Officer  
Svenska Handelsbanken

# Green Bond Framework

In light of the increased threat of climate change and Handelsbanken's ambition to be a frontrunner and drive the transition to a net-zero economy, Handelsbanken has established a new Green Bond Framework. The Framework is aligned with the 2021 ICMA Green Bond Principles<sup>1</sup> and has been developed to, more broadly, comply with the technical screening criteria assuring substantial contribution to at least one of the first two environmental objectives "climate change mitigation" and "climate change adaptation" under the EU Taxonomy (the Climate Delegated Act, December 2021). For transparency, details on the alignment and deviations of this Framework in relation to the EU Taxonomy are further clarified in Appendix 1. Additional information on the EU Taxonomy can be found in Appendix 2. Handelsbanken has worked together with Handelsbanken Capital Markets to develop the Framework. Cicero Shades of Green has provided a Second Opinion on the Framework which is publicly available on Handelsbanken's website.

The structure of this Framework is built on the Green Bond Principles four core components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

Handelsbanken recognises that the market for Green Bonds will continue to develop, not least due to the upcoming standard for Green Bonds within the EU, the European Green Bond Standard entering into force. Handelsbanken will closely monitor the market development and update the Green Bond offering from time to time and continually advance the offering to reflect current market best practices.

## Use of Proceeds

### Allocation of net proceeds

An amount equal to the net proceeds from the issuance of Green Bonds will be used by Handelsbanken to finance or refinance, in whole or in part, assets that promote the transition to low-carbon, climate-resilient and sustainable economies as well as environmental and ecosystem improvements. Under this Green Bond Framework Handelsbanken may issue Green Bonds in different formats such as Senior preferred Bonds, Senior non-preferred Bonds, Covered Bonds and Subordinated Bonds. The issuing entity under this Framework might be Svenska Handelsbanken AB (publ) or the wholly-owned subsidiary Stadshypotek AB (publ). The net proceeds will be used to finance or refinance assets primarily in the Bank's home markets<sup>2</sup> in accordance with this Framework. New financing is defined as loan disbursements that have been made up to one year before the allocation of net proceeds from a Green Bond. The proportion between new financing and refinancing will be disclosed in the Annual Reporting.

### Exclusions


Green financing will not be allocated to assets linked to the exploration, production or transportation of fossil fuels, nuclear energy generation, research and/or development within armament and defence, potentially environmentally negative resource extraction (such as rare- earth elements or fossil fuels), gambling, alcohol, adult entertainment or tobacco. Furthermore, any assets that are deemed not to be eligible in reference to Handelsbanken's Climate Risk Policy will not be selected for financing or refinancing by the net proceeds of any Green Bond issued under this Framework.

<sup>1</sup> For more information, please see [Green-Bond-Principles-June-2021-140621.pdf](#) (icmagroup.org).

<sup>2</sup> Handelsbanken's home markets are Sweden, Norway, the Netherlands and the UK.

## Eligible Green Assets





The following section describes the Green Assets that are eligible for financing under this Framework.

GBP Category	Eligible Green Assets	EU Taxonomy Environmental Objectives	Sustainable Development Goals
<b>Clean transportation</b>	<p>The financing or refinancing of zero emission transport solutions for passenger, public and freight purposes, low carbon public transport as well as related infrastructure<sup>3</sup> including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Transport by road: zero direct (tailpipe) CO<sub>2</sub> emissions vehicles such as buses, cars and trucks as well as public transport vehicles that run on biofuels<sup>4</sup></li> <li>• Transport by rail: trains, wagons, coaches, underground trains and trams with zero direct (tailpipe) CO<sub>2</sub> emissions</li> <li>• Relevant supporting infrastructure related to electric transportation such as charging stations for electric vehicles</li> </ul>	Climate change mitigation	 
<b>Climate change adaptation</b>	<p>The financing or refinancing of adaptation measures contributing to the reduction of negative impacts of climate change related to e.g. temperature, wind, water or solid mass such as drought, storms and flooding. Including adaptations measures to increase the climate resilience in buildings.</p>	Climate change adaptation	   
<b>Energy efficiency</b>	<p>The financing or refinancing of energy efficient solutions, infrastructure, technologies and related R&amp;D contributing to a low carbon and energy efficient society<sup>5</sup>.</p>	Climate change mitigation	

<sup>3</sup> Transportation solutions will not be dedicated to the transport of fossil fuels.

<sup>4</sup> Public transport driven by biofuels will be aligned with the EU's Renewable Energy Directive 2018/2001. For installations starting operation from 1 January 2021 this means that the GHG emission savings shall be at least 65%.

<sup>5</sup> Projects that improve energy efficiency of fossil fuel production will be excluded.

	<p>Eligible assets includes but are not limited to:</p> <ul style="list-style-type: none"> <li>• Energy efficient products, technologies and processes in buildings including installation, replacement, maintenance and repair of energy efficient equipment such as light sources, HVAC (heat, ventilation and air conditioning), windows, doors and insulation as well as instruments for measuring and controlling the energy performance of buildings</li> <li>• Production and development of energy efficient products, technologies and processes such as energy efficient electric heat pumps<sup>6</sup>, ventilation systems and household appliances<sup>7</sup></li> <li>• Storage of energy including electricity, batteries, pumped hydropower, hydrogen, thermal energy</li> <li>• District heating/cooling distribution<sup>8</sup></li> <li>• Smart grid technology</li> <li>• Infrastructure for the transmission and distribution of electricity</li> <li>• Green iron and steel produced with green hydrogen</li> <li>• Data-driven solutions for GHG emissions reductions</li> </ul>		
<b>Environmentally sustainable management of living natural resources and land use</b>	<p><b>Sustainable forestry</b></p> <p>The financing or refinancing of investments in sustainable forest management and sustainable forestry assets:</p> <ul style="list-style-type: none"> <li>• Forest holdings exceeding 1500 hectares are required to have a sustainable forestry certification from either the Forest Stewardship Council (FSC) and/or the Programme for the Endorsement of Forest Certification (PEFC)</li> <li>• Forest holdings between 50 and 1500 hectares, located in Sweden with an up to date Forest Management Plan<sup>9</sup>, including conservation action plans for at least five per cent of the productive area (nature protection)</li> </ul>	<p>Climate change mitigation</p> <p>Climate change adaptation</p> <p>The protection and restoration of biodiversity and ecosystems</p>	  


<sup>6</sup> For electric heat pumps the Global Warming Potential of the refrigerant will not exceed 675.

<sup>7</sup> Where applicable, products will be rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation.

<sup>8</sup> District heating/cooling distribution will be using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat).

<sup>9</sup> The Forest Management Plan should fulfil the requirements corresponding to a Green Management Plan.



	<p>and habitat management) and a minimum of five per cent deciduous trees</p> <p><b>Biodiversity</b></p> <p>The financing or refinancing of investments in activities that promote, restore and/or preserve biological diversity including but not limited to:</p> <ul style="list-style-type: none"> <li>• Protection and restoration of natural resources and ecosystems<sup>10</sup></li> <li>• Conservation and restoration of forest, woodlands and wetlands</li> </ul>		
<b>Green buildings</b>	<p>The financing or refinancing of buildings which meets the following criteria:</p> <p><b>Commercial buildings</b></p> <p>New buildings (built after 31 December 2020):</p> <ul style="list-style-type: none"> <li>• Primary energy demand is, or will be, at least 10% lower than the threshold set for nearly zero-energy building (NZEB) requirements in national measures<sup>11</sup></li> <li>• The building must also have, or intend to receive, a design stage certification or a post-construction certification in any of the following building certification schemes at the defined threshold level or better: <ul style="list-style-type: none"> <li>o BREEAM "Very Good"</li> <li>o LEED "Gold"</li> <li>o Miljöbyggnad "Silver"</li> <li>o Svanen</li> <li>o DGNB "Gold"</li> </ul> </li> <li>• Or the building is determined to be Taxonomy aligned<sup>12</sup></li> </ul> <p>Existing buildings (built before 31 December 2020):</p> <ul style="list-style-type: none"> <li>• The building has an Energy Performance Certificate (EPC) demonstrating class A, or the building is within the top 15% of the national or regional building stock expressed as Primary Energy Demand (PED)<sup>13</sup></li> </ul> <p><b>Residential buildings</b></p> <p>New buildings (built after 31 December 2020)</p>	Climate change mitigation	 

<sup>10</sup> Where applicable, the recommendation of Natura 2000 will be taken into consideration. For more information, please visit: Natura 2000 - Environment - European Commission (europa.eu).

<sup>11</sup> These commitments do not apply to the Bank's operations in Norway as Norway lacks a definition of "NZEB". Instead, the Bank complies with regional requirements for EPC and/or building regulations.

<sup>12</sup> Including the technical screening criteria for do no significant harm.



<sup>13</sup> The top 15% PED applicable under this Framework will be updated continuously. Handelsbanken will reference an external benchmark when determining the top 15%. Such a benchmark could be e.g. guidance by national governments or a specialist study. Until such time guidance by a national government or a specialist study is established, Handelsbanken will reference national statistics.

	<ul style="list-style-type: none"> <li>• Primary energy demand is, or is designed to be, at least 10% lower than the threshold set for nearly zero-energy building (NZEB) requirements in national measures<sup>14</sup></li> <li>• Or certified as described under new commercial buildings</li> </ul> <p>Existing buildings (built before 31 December 2020):</p> <ul style="list-style-type: none"> <li>• The building has an Energy Performance Certificate (EPC) demonstrating class A, or the building is within the top 15% of the national or regional building stock expressed as Primary Energy Demand (PED)</li> <li>• Or certified as described under new commercial buildings</li> </ul> <p><b>Renovation of existing buildings</b></p> <p>Renovation of an existing building that either leads to a reduction of Primary Energy Demand (PED) of at least 30%, or where the building meets the applicable requirements for 'major renovations'<sup>15</sup></p>		
<b>Pollution prevention and control</b>	<p><b>Waste to energy</b></p> <p>The financing or refinancing of environmentally responsible and fossil-free waste-to-energy investments</p> <ul style="list-style-type: none"> <li>• Waste to energy plants with an emission intensity of <math>\leq 100\text{gCO}_2\text{e/kWh}</math> for electricity generation</li> <li>• Waste hierarchy and plastic content in waste considered in the assessment</li> <li>• No peat, coal, oil, gas or other fossil fuels (except as required to start the incineration process)</li> </ul> <p><b>Waste management</b></p> <p>The financing or refinancing of waste management or waste treatment in a responsible and environmentally friendly way. Waste management activities includes electric collection trucks, waste prevention measures, waste reduction or waste recycling<sup>16</sup> were projects are assessed both</p>	<p>Climate change mitigation</p> <p>Pollution prevention and control</p> <p>Transition to a circular economy</p>	 



<sup>14</sup> These commitments do not apply to the Bank's operations in Norway as Norway lacks a definition of "NZEB". Instead, the Bank complies with regional requirements for EPC and/or building regulations. '

<sup>15</sup> A renovated building that fulfils the criteria for Existing buildings in this Framework can be classified as an Eligible Green Asset as a whole. If the building does not fulfil the criteria for an Existing building in this Framework but succeeds in a reduction of PED of at least 30% only the cost of the renovation can be financed.

<sup>16</sup> The recycling facility must convert at least 50% of waste to secondary raw materials (in terms of weight).

	on their direct and indirect environmental credentials, including the collection and transport of waste and the greater societal impact of circular material use.		
<b>Renewable energy</b>	<p><b>Wind energy</b> The financing or refinancing of wind power installations (off-shore and onshore) and related infrastructure investments such as grid connections and electric sub-stations.</p> <p><b>Solar energy</b> The financing or refinancing of on-site solar power installations or stand-alone solar farms, as well as related infrastructure investments such as grid connections and foundations.</p> <p><b>Hydro energy</b> The financing or refinancing of hydro power plants and related infrastructure such as renovation of dams, new or refurbished grid connections and electric sub-stations. To be eligible the asset must comply with either of the following requirements:</p> <ul style="list-style-type: none"> <li>• The electricity generation facility is a run-of-river plant and does not have an artificial reservoir</li> <li>• The power density of the electricity generation facility is above 5 W/m<sup>2</sup></li> <li>• The life-cycle GHG emissions from the generation of electricity from hydropower, are lower than 100gCO<sub>2</sub>e/kWh</li> </ul> <p><b>Geothermal energy</b> The financing or refinancing of geothermal heating and cooling installations and related infrastructure, such as network, heat pumps and heat exchangers. To be eligible the asset must comply with the following requirement:</p> <ul style="list-style-type: none"> <li>• The life-cycle GHG emissions from the generation of electricity from geothermal energy are lower than 100gCO<sub>2</sub>e/kWh</li> </ul>	Climate change mitigation	 



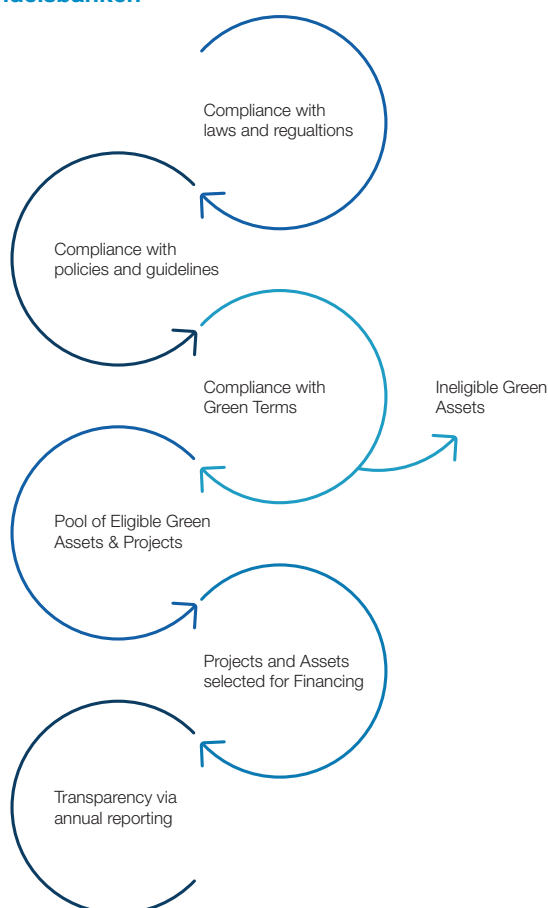
	<b>Hydrogen</b> The financing or refinancing of investments in production of green hydrogen and the manufacture of equipment for the production and use of green hydrogen.		
<b>Sustainable water and wastewater management</b>	The financing or refinancing of investments in sustainable management of water and/or wastewater such as plants, technologies and related infrastructure for the supply of fresh water or processing of wastewater, such as: <ul style="list-style-type: none"> <li>• Ultrafilters</li> <li>• Energy or other energy efficiency improvements</li> <li>• Capacity expansions</li> <li>• Enabling infrastructure</li> <li>• New network infrastructure</li> <li>• New-build or investment in the water purification processes</li> </ul>	The sustainable use and protection of water and marine resources	 

### Process for Project Evaluation and Selection

To ensure all possible eligible assets are in line with this Framework and follow national laws and internal rules, all customers of Handelsbanken are managed and approved in a standard credit process. The credit process includes a Know-Your-Customer procedure, a credit risk analysis in which a sustainability risk assessment is an important part, and a credit approval. The process is structured to ensure that the credit risks are kept within the framework of our low risk tolerance, long-term relationships, financial stability and local presence. The framework of our credit process assures a high credit quality among our borrowers by analyzing and understanding our borrower's repayment capacity and how it is affected by different credit risks, including sustainability risks.

The sustainability risk assessment ensures a thorough integration of risks related to ESG matters, which includes clients' impact on climate change, how clients are affected by climate change and in what way such risks are managed by their governance structures and transition plans.

### The Selection Process of Eligible Green Assets at Handelsbanken



Handelsbanken's lending must be responsible and fulfil high ethic standards, and the credit risk assessment includes analysis regarding compliance with Handelsbanken's policies and guidelines, such as the Sustainability policy, the Policy against corruption, the Guidelines regarding environmental impact and climate change and the Guidelines regarding human rights and working conditions. Handelsbanken also have guidelines for certain sectors such as the armament and defence industry and forestry and farming.

The local branches nominate new and existing loans or a financing department nominates green criteria related to a certain green loan product within the eligible green use of proceeds categories to the Green Finance Committee ("GFC"). The GFC is a subcommittee consisting of the following members:

- Chief Sustainability and Climate Officer
- Representative from Stadshypotek
- Representative from Group Credits
- Sustainability officers from other internal departments
- Departments such as Investor Relations and Group Communication may be represented

The GFC reviews information about the assets and assesses their alignment with the criteria's outlined in the Green Bond Framework. Furthermore, GFC evaluates the overall ESG benefits according to a standardised process that includes qualifications such as life cycle considerations, potential rebound effects, resilience, scientific targets and possible significant harm to other sustainability objectives. If there is doubt about the ESG benefits or compliance with the Bank's Green Bond Framework, such assets will not be included. Eligible Green Assets are approved by a majority vote by the GFC, where the Bank's Chief Sustainability and Climate Officer holds a veto.

The GFC is responsible for deciding whether a loan product or a specific loan is green and eligible under the Green Bond Framework. If the criteria of a loan product are approved by GFC as green under the Green Bond Framework, and therefore ensure that the asset financed by such a loan product is a Green Asset, each such asset will not have to be approved by GFC.

The decisions made by the GFC will be documented. 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. 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.

The standardised application and assessment held by the GFC include:

- A local branch nominates loans or a financing department nominates green criteria related to a certain green loan product to the GFC and acknowledges that the financed asset or the green loan criteria comply with the legal requirements in the local jurisdiction, as well as with Handelsbanken’s policies and guidelines.
- Review and ESG assessment of the asset(s) and the customer or the green loan criteria, using both public and non-public information, including screening for ESG incidents or controversies.
- Assessing and confirming the type of Green Asset or the green loan criteria, 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.
- Assessing the benefit of the asset(s) of the nominated loan or the green loan criteria in relation to the Sustainable Development Goals.



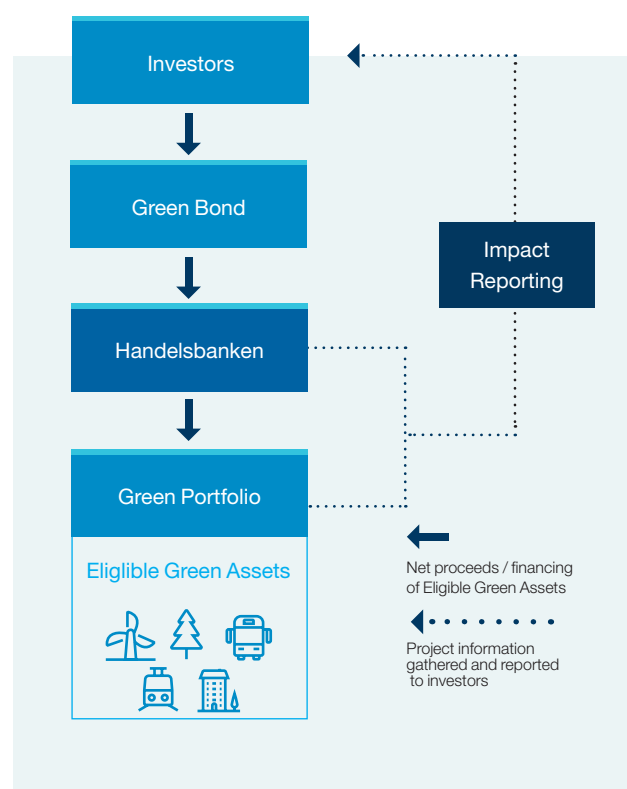
### Management of proceeds

An amount equal to the net proceeds of any issue under the Green Bond Framework will be credited to an earmarked portfolio (the “Green Portfolio”) in the Bank’s internal information system managed by the Treasury Department. Deductions will be 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 will be 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 Department 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.

### External Review

Handelsbanken acknowledges the recommendation in the Green Bond Principles regarding transparency and verification of net proceeds allocation. The allocation of net proceeds will be verified by the Bank’s external auditor. For further information, see the “Annual Review” section under Reporting.





## Reporting

Handelsbanken will publish an annual report on its website ([handelsbanken.com](https://handelsbanken.com)) that will include details on the allocation of Green Bond Net Proceeds and adherence to the Green Terms as well as the environmental impacts of the Green Portfolio (the “Reporting”). The Reporting will contain information on the Eligible Green Assets and a summary of Handelsbanken’s Green Bond activities in the preceding year, as well as information, including examples of the Eligible Green Asset’s adherence to the relevant criteria in the Framework. Furthermore, the Reporting will, on a best effort basis, include information on the Green Portfolios’ alignment with the technical screening criteria assuring substantial contribution to at least one of the first two environmental objectives “climate change mitigation” and “climate change adaptation” under the EU Taxonomy (the Climate Delegated Act, December 2021). Handelsbanken acknowledges the recommendation in the Green Bond Principles regarding transparency and reporting on the impacts of financed projects. The Reporting will be based on the latest guidelines for impact reporting provided by the International Capital Market Association (ICMA) and the Nordic Public Sector Issuers Position Paper on Green Bonds Impact Reporting.

Due to confidentiality agreements, single loans, projects and customers cannot be disclosed unless the customer has agreed to allow such transparency. As detailed in the Process for Project Evaluation and Selection, Handelsbanken will strive to use side letters or such terms in the loan documentation, whereby transparency is allowed for single loans, projects and customers, but does not expect this will encompass all Eligible Green Assets. However, all assets included in the Green Registry have been analysed and environmental data has been compiled, whereby aggregate data based on the use of proceeds categories in the Framework will be disclosed to investors.

## Allocation Disclosure

- Handelsbanken will provide allocation reporting for each of the Use of Proceeds categories in the Framework. Emphasis will be placed on providing examples and allocation reporting to single projects based on loan size.
- The sum of outstanding Green Bonds.
- The sum of the Green Portfolio balance (including any short term investments or funds managed within Handelsbanken’s liquidity portfolio).
- The proportion of net proceeds allocated to new loans.
- All data is to be as of the end of the previous year.



### Impact Reporting

Each year, the Reporting will contain a disclosure of asset-level performance indicators. The reporting will disclose the impact based on Handelsbanken's financing's share of the total investment or market value. For assets and projects that are not yet operational, Handelsbanken will strive to provide estimates of future performance levels. Given the number of project types in the Use of Proceeds categories, the final Key Performance Indicators could differ from the ones listed below. Handelsbanken will emphasise energy production/savings and greenhouse gas savings as the most relevant performance metrics for most project types. The metrics below are examples of indicators that are likely to be used by Handelsbanken in the forthcoming Reporting.

Use of Proceeds Categories	Indicative Impact Indicators	Use of Proceeds Categories	Indicative Impact Indicators
Clean transportation	<ul style="list-style-type: none"> <li>Capacity (such as freight or passengers)</li> <li>Travel distance</li> <li>Greenhouse gas savings</li> </ul>	Pollution prevention and control	<p>Waste to energy</p> <ul style="list-style-type: none"> <li>Electricity production (MWh or GWh per year)</li> <li>Heat production (MWh or GWh per year)</li> <li>Reduction of greenhouse gas emissions (tonnes per year)</li> </ul> <p>Waste management</p> <ul style="list-style-type: none"> <li>Amount of waste recycled (tonnes per year)</li> <li>Reduction of greenhouse gas emissions (tonnes per year)</li> </ul>
Climate change adaptation	<ul style="list-style-type: none"> <li>Type of investment and the purpose</li> </ul>	Renewable energy	<ul style="list-style-type: none"> <li>For a renewable energy installation on buildings the per cent of the total energy use supplied by the installation, the energy production (kWh per year) and the yearly reduction of greenhouse gas emissions</li> <li>For an investment in a stand-alone renewable energy project the energy production (MWh per year), installed capacity (MW) and the estimated yearly reduction of greenhouse gas emissions</li> </ul>
Energy efficiency	<ul style="list-style-type: none"> <li>Yearly energy savings</li> <li>Reduction of greenhouse gas emissions (tonnes per year)</li> <li>Description of the expected improvement in energy efficiency</li> </ul>	Sustainable water and waste-water management	<ul style="list-style-type: none"> <li>Qualitative improvements in freshwater supply and/or wastewater treatment (when available and applicable)</li> <li>Quantity of treated wastewater and/or supplied freshwater (cubic meters per year)</li> </ul>
Environmentally sustainable management of living natural resources	<ul style="list-style-type: none"> <li>Sustainable Forestry certification scheme (if applicable)</li> <li>Hectares (size of land) of forest holdings</li> <li>Net carbon sequestration (tonnes per year)</li> </ul>		
Green buildings	<ul style="list-style-type: none"> <li>Environmental certification (if applicable)</li> <li>Reduction in energy use (MWh per year)</li> <li>Reduction of greenhouse gas emissions (tonnes per year)</li> </ul>		

### Annual Review

The external auditor of Handelsbanken, or a similar party appointed by Handelsbanken with the relevant expertise and experience, will investigate and report whether an amount equal to the Green Bond net proceeds has been allocated to the Eligible Green Assets that Handelsbanken has communicated in the Reporting. The conclusions will be provided in a signed statement, which will be published on Handelsbanken's website (handelsbanken.com).

### Dedicated Website

Handelsbanken provides a dedicated webpage for Green Bonds on its website (handelsbanken.com) where investors can find information regarding Handelsbanken's Green Bonds, including:

- Green Bond Framework
- Second Opinion
- Reporting
- Annual Review
- Investor Presentations



# Definitions

**“BREEAM Very Good”** means rating Very Good within BREEAM, a grading scheme for the real estate sector developed by the Building Research Establishment (BRE), pursuant to its definition at the time of receipt of the relevant certification.

**“DGNB Gold”** means rating Gold within DGNB, a grade scheme for real estate sector developed by the non profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport Building, and Urban Affairs, pursuant to its definition at the time of receipt of the relevant certification.

**“European Green Bond Standard”** means the proposed voluntary standard (July 2021) that issuers can choose to follow when issuing green bonds. The standard requires the issuer to follow the EU Taxonomy meaning that the latter will determine what can be included in a European Green Bond, rather than the market.

**“EU Taxonomy”** means the EU Taxonomy that is a part of the EU Action plan on Sustainable Finance. It is a classification system that defines sustainable economic activities with the purpose of facilitating capital aggregation for a green and sustainable transition. To be aligned with the EU Taxonomy an activity must contribute substantially to at least one of the six defined environmental objectives and “do no significant harm” to the other five.

**“FSC”** means the global certification system for forests and forest products developed by the Forest Stewardship Council. FSC has a stated goal of environmentally sound, socially responsible and economically viable forestry.

**“LEED Gold”** means the rating Gold within LEED, a grading scheme for the real estate sector developed by the U.S. Green Building Council and administered in Sweden by the Sweden Green Building Council, pursuant to its definition at the time of receipt of the relevant certification.

**“Miljöbyggnad Silver”** means the rating Silver within the Miljöbyggnad building certification scheme administered by the Sweden Green Building Council (SGBC), pursuant to its definition at the time of receipt of the relevant certification.

**“Svanen”** means the environmental assessment and certification scheme of real estate assets developed and administered by the Nordic Swan Ecolabel, pursuant to its definition at the time of receipt of the relevant certification.

**“SGBC”** means the Sweden Green Building Council, owner of the Miljöbyggnad certification scheme.

**“PEFC”** means the global certification system for forests developed by the Program for the Endorsement of Forest Certification. The PEFC promotes sustainable forest management through third party certification according to the PEFC standard.

**“The Taxonomy Regulation (June, 2020)”** means EU Regulation 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.



# Policy documents and Sustainability initiatives that govern Handelsbanken's environmental and sustainability work

Public policies and guidelines and additional information on sustainability initiatives are available at [handelsbanken.com](https://handelsbanken.com)

Public Policies and Guidelines
Annual and Sustainability Report 2021
Sustainability Fact Book 2021
Handelsbanken's climate change progress report 2021
Handelsbanken's climate change report - next steps 2021
Sustainability at Handelsbanken
<b>Policies regarding:</b> Sustainability, Ethical standards Measures against financial crime, Credit, Financial, Capital, Risk Control, Operational Risk, Communication, Group Audit Operations, Remuneration, Suitability Assessment, Managing and Reporting Events of Material Importance, Bank's Use of External Auditors, Compliance, Compliance Management, Employees' transactions in financial instruments, Accounting, Corruption, Products and Services
<b>Guidelines on:</b> Environmental Impact and Climate Change, Human Rights and Working Conditions, Business Relations with the Armaments and Defence Industry, Business Relations in Forestry and Farming, Managing Taxes, Tobacco Industry, Work Environment

Sustainability initiatives	
Business @ Biodiversity Sweden	PRB
CDP	PRI
Climate Action 100+	Resource effectiveness and circular economy
Climate Bonds Initiative	Science Based Targets Initiative (SBTi)
Diversity Charter Sweden	SISD
ECPAT	Sustainable value creation
Equator principles	SWESIF
Global Compact	Transparency International
Global Child Forum	UNEP FI
IIGCC	Ung Privatekonomi
Net Zero Asset Managers initiative (NZAM)	Women in finance charter
Net-Zero Banking Alliance (NZAB)	
NMC, Swedish association for Sustainable Business	
Partnership for Carbon Accounting Financials (PCAF)	

# Appendix 1, Alignment with the EU Taxonomy

Handelsbanken aspires to be aligned with the technical screening criteria for substantial contribution to one of the first two environmental objectives “climate change mitigation” and “climate change adaptation” under the EU Taxonomy. At the time of publication of this Framework, the EU Taxonomy is still under development and it is therefore not possible to fully align all the Eligible Green Assets with the EU Taxonomy. In the table below the alignment with, and the deviation from, the technical screening criteria for substantial contribution to the first two environmental objectives “climate change mitigation” and “climate change adaptation” under the EU Taxonomy (the Climate Delegated Act December 2021) are commented.

GBP Categories	EU Taxonomy Reference	Comments on the alignment with, and deviations from, the EU Taxonomy Climate Delegated Act (December 2021)
Clean transportation	3.3, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.9, 6.11, 6.12, 6.13, 6.14, 6.15, 7.4	<p>The eligible assets will, on a best effort basis, be aligned with the EU Taxonomy’s technical screening criteria for substantial contribution to climate change mitigation (December 2021).</p> <p>Additional comments:</p> <ul style="list-style-type: none"> <li>• The zero direct tailpipe CO2 emission criteria is in line with the EU Taxonomy</li> <li>• To support more sustainable solutions for public transportation this Framework allows public transport vehicles to run on biofuels. Public transport driven by biofuels will be aligned with the EU’s Renewable Energy Directive 2018/2001. In addition, the sustainability of the biofuels will preferably be proven by a certification</li> <li>• The Framework goes further than the Taxonomy and does not allow financing of hybrid transportation solutions even though these are included in the Taxonomy until 2025-12-31</li> </ul>
Climate change adaptation	Adaptation activities can refer to whole Annex 2 of the Climate Delegated Act of the EU Taxonomy (December 2021)	Handelsbanken aims for Eligible Green Assets to be in line with the EU Taxonomy’s technical screening criteria for substantial contribution to climate change adaptation. However, due to the broad scope of activities covered by the Annex 2 of the Climate Delegated Act (December 2021) only comments on a general level can be provided.
Energy efficiency	3.4, 3.5, 4.10, 4.11, 4.12, 4.15, 4.16, 4.25, 7.3, 7.5, 8.2	The eligible assets will, on a best-effort basis, be aligned with the EU Taxonomy’s technical screening criteria for substantial contribution to climate change mitigation (December 2021).
Environmental sustainable management of living natural resources and land use	Not applicable	<p>Sustainable forestry</p> <ul style="list-style-type: none"> <li>• At the time of publication of this Framework, technical screening criteria have been established for forestry activities in the EU Taxonomy. This Framework will however not align with these criteria. Instead, this Framework aligns with the established forestry certification schemes. Handelsbanken aspires to comply with the EU-Taxonomy regarding forestry in the future but as of now, there is a need for further interpretation and adoption in the market</li> </ul>

		<p>Biodiversity</p> <ul style="list-style-type: none"> <li>One of the six environmental objectives under the EU Taxonomy is “The protection and restoration of biodiversity and ecosystems”. The most relevant technical screening criteria for this category are therefore likely to be established after the publication of this Framework</li> </ul>
Green buildings	7.1, 7.2, 7.7	<p>The eligible assets will, on a best-effort basis, be aligned with the EU Taxonomy’s technical screening criteria for substantial contribution to climate change mitigation (December 2021).</p> <p>Additional comments:</p> <ul style="list-style-type: none"> <li>This Framework does not follow the specific requirements for new buildings larger than 5000m<sup>2</sup>. However, Handelsbanken will, on a best-effort basis, start to collect this information from its clients</li> <li>For new commercial buildings, this Framework requires environmental certification or fulfilment of the technical screening criteria for ‘do no significant harm’ in addition to the requirement on primary energy demand. These requirements ensure that additional aspects of a building’s carbon footprint such as material use and water are taken into consideration</li> <li>The top 15% PED applicable under this Framework will be updated continuously. Handelsbanken will reference an external benchmark when determining the top 15%. Preferably the external benchmark will be in the form of guidance by national governments but in cases where this is not possible an external benchmark could be e.g. a specialist study</li> </ul>
Pollution prevention and control	4.24, 4.25, 5.5, 5.6, 5.7, 5.8, 5.9	<p>The eligible assets will, on a best-effort basis, be aligned with the EU Taxonomy’s technical screening criteria for substantial contribution to climate change mitigation (December 2021).</p> <ul style="list-style-type: none"> <li>One of the six environmental objectives under the EU Taxonomy is “Pollution prevention and control”. The most relevant technical screening criteria for this category are therefore likely to be established after the publication of this Framework</li> <li>Resource efficiency plays an important role in limiting GHG emissions. In regards to waste recycling, recycling facilities converting a minimum of 50% of waste to secondary raw materials (in terms of weight) are eligible under this Framework. This is in line with the EU Taxonomy requirements for material recovery from non-hazardous waste.</li> </ul>
Renewable energy	3.1, 3.2, 3.10, 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.8, 4.9, 4.13, 4.17, 4.18, 4.20, 4.21, 4.22, 4.24, 7.6	<p>The eligible assets will, on a best-effort basis, be aligned with the EU Taxonomy’s technical screening criteria for substantial contribution to climate change mitigation (December 2021).</p>
Sustainable water and waste-water management	Not applicable	<p>One of the six environmental objectives under the EU Taxonomy is “The sustainable use and protection of water and marine resources”. The most relevant technical screening criteria for this category are therefore likely to be established after the publication of this Framework.</p>



# Appendix 2, Key Characteristics of the EU Taxonomy

## EU Taxonomy

The Taxonomy Regulation (June, 2020) and associated legal Frameworks contain six Environmental Objectives (“**Environmental Objectives**”). In December 2021, the Climate Delegated Act, covering the first two Environmental Objectives was formally adopted by the European Council and entered into force on the 1st of January 2022. Any eligible activity must substantially contribute towards one or more of these six Environmental Objectives, while at the same time not significantly harming any other Environmental Objective. Furthermore, the EU Taxonomy defines sustainable economic activities through categorization, Technical Screening Criteria (“**TSC**”), including Do-No-Significant-Harm criteria (“**DNSH**”) and Minimum Safeguards (“**Minimum Safeguards**”), with the purpose of facilitating capital aggregation for a green and sustainable transition.

## Environmental Objectives

1. **Climate change mitigation:** Activities that contribute to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals.
2. **Climate change adaptation:** Activities that contribute to reducing the negative effects of the current and expected future climate or preventing an increase or shifting of negative effects of climate change on location and context specific economic activities or natural and built environments.
3. **Sustainable use and protection of water and marine resources:** Activities that contribute to the good status of waters by limiting water discharges, decontaminating drinking water, improving water efficiency and ensuring the sustainable use of marine ecosystems and the good status of marine waters.
4. **Transition to a circular economy:** Activities that contribute to the transition to a circular economy, aimed at minimising and correctly managing waste, hazardous substances and making the most of resources, focusing on areas like design, systems, sharing economy, product life extension and recycling.
5. **Pollution prevention and control:** Activities that contribute to a high level of environmental protection from pollutants other than greenhouse gasses affecting air, water or soil whilst minimizing negative impact on human health and the environment.
6. **Protection and restoration of biodiversity and ecosystems:** Activities that protect, conserve and enhance biodiversity and ecosystem services via nature conservation or sustainable land management, agricultural practices and forest management.

## Technical Screening Criteria

The TSC shall determine the conditions under which a specific economic activity within the European Union qualifies as contributing substantially to an Environmental Objective, while not causing significant harm to one or more of those objectives (see DNSH). In the Taxonomy Regulation (June, 2020) the TSC are defined as being based on conclusive scientific evidence, taking a life cycle perspective and emphasizing quantitative thresholds whenever feasible.

## Do no Significant Harm

In order to avoid that investments qualify as sustainable in cases where the economic activities benefitting from those investments cause harm to the environment to an extent that outweighs their contribution to an Environmental Objective, the EU Taxonomy also requires that the economic activity demonstrates that it “do no significant harm” (“DNSH”) to the other Environmental Objectives. The EU Taxonomy therefore specifies the minimum requirements that need to be met to avoid significant harm, considering both the short- and long-term impact of a given economic activity.

## Minimum Safeguards

For an economic activity to be considered environmentally sustainable, it must also comply with Minimum Safeguards. To be eligible under the EU Taxonomy the relevant activity must be aligned with the:

1. OECD Guidelines for Multinational Enterprises
2. UN Guiding Principles on Business and Human Rights
3. International Labor Organization’s Fundamental Principles and Rights at Work (including the eight fundamental conventions of the ILO)
4. The International Bill of Human Rights.

