

ENVIRONMENT AND CLIMATE CHANGE – HANDELSBANKEN'S GUIDELINES

established by the Group Chief Executive on 25 May 2022

Responsible actions are essential to long-term value creation at Handelsbanken. Long-term business relationships, 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.

In addition to the Policy for sustainability in the Handelsbanken Group adopted by the Central Board, the purpose of these guidelines is to further clarify Handelsbanken's view, approach and work with matters related to the environment and climate. These guidelines are also supplemented by the Group Chief Executive's Guidelines relating to the overall goals and strategy of sustainability activities in the Handelsbanken Group.

The guidelines apply to business relationships such as the provision of credit, other financing, asset management, advice, product development and purchasing. They should provide a guide for decision-making and, together with the policy, establish the basis for the more detailed instructions which the Head of Group Sustainability (CH) is responsible for preparing, in consultation with the business operations, regarding *inter alia* what further business relationships should be included.

The guidelines are to be applied throughout the Handelsbanken Group; where applicable, they are also valid for subsidiaries, unless binding regulations outside Sweden, or relating to subsidiaries, give rise to deviations. Acceptance and backing for such deviations must be gained from CH.

Background

Stable, productive and resilient ecosystems form the basis of secure, sustainable development. Today, such systems are under pressure from pollution, acidification, depletion of natural resources and eutrophication, which affect land use, the supply of fresh water, etc. In addition, climate change is a serious threat, with consequences such as extreme weather events, rising sea levels and reduced biodiversity, which are already affecting the world. This will have consequences for both the regional and the global economy.

The 2030 Agenda and the Sustainable Development Goals provide a clear direction and objectives as regards climate and the environment. In addition, the Paris Agreement is a global accord for managing, stopping and counteracting climate change. The agreement was signed in December 2015, and in doing so, the nations of the world agreed that the increase in global average temperature must be kept to less than 2 degrees – and preferably less than 1.5 degrees – above pre-industrial levels.

Individual players cannot resolve all the challenges associated with environmental damage and climate change. Instead, international co-operation, shared responsibility and global efforts will be required. As an important provider of financial services, Handelsbanken has a

role to play in the realisation of the Paris Agreement, etc. and in the transition to a sustainable economy.

Handelsbanken's undertakings

Handelsbanken's goal is to actively work to minimise its direct environmental impact by constantly developing its environmental activities, taking into account developments in the community and in technology. This is to be achieved through high resource efficiency, reuse and recycling. Emissions linked to operations are to be reduced over time, well in line with the Paris Agreement, and with the aim, for example, of eliminating sources of greenhouse gas emissions in the Bank's operations. Where this is not feasible, emissions must be minimised. Handelsbanken is to carry out climate compensation for the remaining emissions. Projects and methods for climate compensation must be selected taking into account the actual reductions in emissions that we cannot assume would still have been achieved without the climate compensation funding.

The Bank must take environmental impact into account in its purchasing and business travel. In all central procurements and purchases, the relevant environmental requirements are to be set. The basic principle is that goods and services that do not fulfil such requirements must not be purchased.

Handelsbanken's goal is to minimise the negative impact that its business decisions within financing, asset management, advisory services and product development have on climate and the environment. This is to take place through long-term sustainable business decisions in which environmental and climate-related concerns are an integral part of the assessment. The basic principle is that a business relationship is not to be initiated or developed if the negative impact is deemed to be too high. Through its operations, Handelsbanken also aims to work actively to ensure environmentally sustainable development. e.g. through its products and services.

Through its operations, Handelsbanken is to actively push for a transition to a greenhouse gas-neutral economy, in line with the Paris Agreement and the 1.5°C target, as well as the other objectives that are stated in the Group Chief Executive's Guidelines relating to the overall goals and strategy of sustainability activities in the Handelsbanken Group. The Bank's participation in the Business Ambition for 1.5°C also entails the expectation that companies with which Handelsbanken has business relations pursue their operations in line with the long-term goals of the Paris Agreement, e.g. by transitioning to renewable energy production.

Handelsbanken must be aware of, and act upon, the risks that exist throughout the value chain in conjunction with the extraction of fossil fuels¹ among the companies with which the Bank has business relations. It is a matter of the risks linked to climate change and environmental damage, as well as to corruption and human rights. The basic principle is that

¹ Fossil fuels are defined as coal, oil and gas for energy purposes. Other areas of use are not, however, included – such as metallurgical coal, which is used, for example, in the iron and steel industry, or oil for the petrochemical industry.

credit is not to be granted/investments are not to be made in cases where the risks are deemed to be too high.

Specific information on fossil fuels

Handelsbanken's overall objective is to continue reducing its financing of the extraction of fossil fuels and fossil energy, in line with the goal of restricting global heating to a maximum of 1.5 degrees. Specifically, this means that:

- Handelsbanken will not enter into new business relationships with, or finance, companies that operate within coal mining,
- Handelsbanken will not directly finance new coal mines or the expansion of existing mines,
- Handelsbanken will not directly finance new coal power plants or the expansion of existing plants, or companies that operate in the construction of coal power plants,
- Handelsbanken will not initiate any new business relationships with or finance companies which are involved in coal power production, unless the company is deemed to be a 'company in transition' according to the more detailed definitions provided by the Head of CH in their instructions to business operations.
- Handelsbanken will not directly finance (e.g. via project financing) new extraction of oil or gas, or expansion of existing extraction of oil or gas, or any infrastructure directly linked thereto. This applies to the extraction of both conventional and 'unconventional' oil and gas²,
- Handelsbanken will not initiate any new business relationships with or provide new financing to companies or Groups that are active in the extraction of oil or gas, or in the construction of infrastructure directly linked thereto. With the exception of unconventional extraction, exemptions can be made for companies that are active in oil and gas, if they are deemed to be companies in transition. Direct financing of extraction, or financing where the aim is to develop that part of the company/Group is, however, never consistent with these guidelines.

In line with these guidelines and the requirements of the Paris Agreement, other relevant agreements and other initiatives in the climate and environmental area supported by the Bank, the Head of CH must draw up instructions for operations to establish more detailed criteria for *inter alia* when companies are to be regarded as "companies in transition", as well as the threshold values that are to apply if a company or Group is to be regarded as operating within oil or gas extraction.

² 'Unconventional' oil and gas refers to the extraction of Arctic oil or gas, deep sea mining of oil or gas, oil sands, oil shale, heavy crude oil, shale oil, shale gas, and extraction through hydraulic fracturing (i.e. fracking).

Specific information on biodiversity

Biodiversity is an area that is closely linked to environmental and climate change, and sustainable development in the community. Biodiversity³ is defined as the variability among living organisms from all sources, including from terrestrial, marine and other aquatic ecosystems and the ecological complexes of which these organisms are part; this includes diversity within species, between species and of ecosystems. Biodiversity is shrinking at an increasing rate. This is a serious environmental issue that threatens species, ecosystems and ecosystem services such as food security, resilience to climate change, and the amenity value of nature. Through its operations and business relationships, Handelsbanken aims to encourage sustainable business models which factor in biodiversity and aim to minimise damage or contributions to negative development.

The earth's limited natural resources⁴ are being used at an increasing rate, which entails risks to the environment and climate, as well as to human beings, companies and the community. It is therefore vital that natural resources are managed carefully and efficiently throughout their life cycle, which encompasses extraction, transport, refining and consumption, as well as recycling and waste management. Through its operations and business relationships, Handelsbanken aims to encourage responsible, efficient use of natural resources and developments towards more circular business models⁵ that contribute to sustainable production and consumption of products and services. The transition to a circular economy has great potential to reduce resource utilisation, and thus limit the environmental and climate impact.

How Handelsbanken works

Handelsbanken's conviction is that decentralised responsibility and local decision-making lead to better decisions. Therefore, every manager at Handelsbanken is responsible for integrating the risks and opportunities associated with environmental and climate impact into their operations. Among other things, this entails continually increasing employees' understanding of the causes and consequences of climate change.

The employees' competency regarding and awareness of how the Bank's operations affect the environment and climate are to be kept up-to-date through regular information and training. In the annual business planning, every unit must comply with, and plan to contribute to, the Group's environmental activities.

The Head of CH has the function responsibility for sustainability activities in the Handelsbanken Group, including co-ordinating the work centrally and drawing up proposals for sustainability goals. This work includes supporting the integration of environmental aspects into business operations, and compiling and reporting environmental impact, including greenhouse gas emissions, as well as measuring, evaluating, and reporting environmental and climate-related activities and performance vis-à-vis the adopted

³ See the UN Convention on Biological Diversity

⁴ Examples of such resources include water, energy, metals, minerals and forest.

⁵ Circular business models are a cycle rather than a linear process, which entails, for example, recycling and re-creation of products and services

sustainability goals to the Group Chief Executive and the Central Board, and as part of the Bank's Annual and Sustainability Report. This reporting is to be in line with the accepted frameworks and standards. This also entails developing tools and methods for better measurement and management of climate-related risks, e.g. in the form of climate-related scenario analysis.

Relevant initiatives, guidelines and conventions

Handelsbanken advocates co-operation and supports international initiatives aimed at reinforcing global efforts to ensure a reduced environmental impact and to counteract climate change. They form an important basis for Handelsbanken's sustainability activities. For the same reason, Handelsbanken does not take part in lobbying activities aimed at weakening international climate-related activities, and we expect the same approach to be taken by the companies with which we have business relations.

In the environmental and climate-related field, the following initiatives, guidelines, conventions and agreements can be mentioned, for example:

A. Initiatives and guidelines

- Business Ambition for 1.5°C
- CDP
- The Equator Principles
- The UN Global Compact
- The UN Environmental Programme Finance Initiative (UNEP FI)
- The UN Principles for Responsible Banking (PRB)
- The UN Principles of Responsible Investment (PRI)
- The UN Guiding Principles on Business and Human Rights
- International Finance Corporation's Performance Standards
- Montreal Carbon Pledge
- Net Zero Asset Managers Initiative (NZAM)
- Net Zero Banking Alliance (NZBA)
- OECD Guidelines for Multinational Enterprises
- Partnership for Carbon Accounting Financials (PCAF)
- Science Based Target Initiative (SBTi)

B. International conventions and agreements

- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal

- The UN Framework Convention on Climate Change (UNFCCC)
- The Kyoto Protocol
- The Paris Agreement
- The Convention on Wetlands of International Importance, especially as Waterfowl Habitat (the Ramsar Convention)
- The International Convention on Civil Liability for Oil Pollution Damage
- The Convention on Biological Diversity
- The Convention on International Trade in Endangered Species of Wild Fauna and Flora
- The Convention on the Conservation of Migratory Species of Wild Animals
- The Convention Concerning the Protection of the World Cultural and Natural Heritage (the UNESCO Convention)
- The UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (the Aarhus Convention)
- The Rio Declaration on Environment and Development