

# ENVIRONMENT AND CLIMATE CHANGE – HANDELSBANKEN'S GUIDELINES

established by the Chief Executive Officer on 21 May 2025

*Info class: Open*

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 the unit responsible at Group level.

## Purpose and scope of application

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 that are run in a responsible, sustainable manner.

The purpose of these guidelines is to make clear Handelsbanken's approach to and work with environmental and climate-related issues. These guidelines complement the Central Board's policy for sustainability.

The guidelines apply to, for example, business relations with regard to lending, other financing, asset management (including holdings in mutual funds and investment portfolios managed by the Bank), advisory services, product development and purchasing. They must factor into decision-making and, together with the policy for sustainability, constitute the basis for the more detailed instructions which the Head of Handelsbanken Finance (HE), in consultation with business operations, is responsible for preparing, with regard to the additional business relations that are encompassed, for example.

## Background

Climate change constitutes a threat, with negative consequences for economic development, global stability, peace and democracy – all factors that are critical to Handelsbanken being able to run its business operations with a long-term perspective and in accordance with its business model.

The 2030 Agenda and the Sustainable Development Goals provide a clear direction as regards environmental and climate-related issues, while the Paris Agreement constitutes a global agreement to manage and combat climate change. The overarching goal of the Agreement is to hold the increase in the global average temperature to well below 2°C above pre-industrial levels, and as close to 1.5°C as possible.

For Handelsbanken, as a substantial provider of financial services, it is of the utmost importance to maintain its capacity to contribute to society's transition to a sustainable economy – and one way of doing so is to ensure its continued strong capacity to provide credit.

## Handelsbanken's undertakings

### Direct impact

Handelsbanken's goal is to ensure that our direct environmental and climate impact decreases over time, well aligned with the climate goals in our home markets and the EU. This is to be achieved through high resource efficiency, using renewable energy, reuse and recycling.

The environmental and climate impact of purchases and business travel must always be considered. In all central procurements and purchases, the relevant environmental and climate requirements are to be set. The basic principle is that purchases of goods and services that do not fulfil such requirements must not be made.

As a complement to the reduction of direct emissions in its own business, the Bank may make climate investments that contribute to negative emissions, through various projects involving carbon capture and storage.

### Business operations

Handelsbanken shall actively push for a greenhouse gas-neutral economy, in line with the Paris Agreement and the 1.5°C goal. This will be achieved by offering customers products, services and advice that allow customers to minimise the negative environmental and climate effects of their business decisions, within, for example, financing, asset management or payment flow management. Handelsbanken must therefore develop products, services and advice that enable customers to make sustainable decisions.

By doing so, Handelsbanken develops a way of banking that provides society with the conditions to finance a sustainable transition, with investment alternatives that support a sustainable transition and facilitate sustainable payment services.

The Bank's credit decisions must include an assessment of both transition risks and physical climate risks, where these are deemed relevant. The Bank shall continue to develop relevant stress tests, with a particular focus on risks linked to sustainability factors. Moreover, the Bank must monitor science-based emission reduction pathways, to enable the reporting and follow-up of both its own and its customers' development in relation to these.

Handelsbanken must ensure that the reporting of KPIs meets applicable regulatory requirements, as well as the requirements implemented by the Bank's business operations to facilitate the responsible management of sustainability risks.

By working closely with its customers and integrating climate aspects into business decisions, the Bank can contribute to making the economy more sustainable and society more resilient.

## Specific information on fossil fuels

The global economy is dependent on fossil fuels<sup>1</sup> – a dependency that must be reduced over time, to limit global warming and to keep current climate goals within reach. Handelsbanken must therefore be highly restrictive in its granting of credits or investments linked to fossil fuel extraction. Special caution must be exercised when it comes to companies that are involved in extraction of unconventional fossil fuels or of particularly high-risk extraction.<sup>2</sup> The basic principle is that credit is not to be granted and investments are not to be made in cases where the climate-related or financial risks are deemed to be too high.

Specifically, this means that:

- Handelsbanken must avoid new business relationships with, and not finance<sup>3</sup> or invest in via funds and investment portfolios managed by the Bank, companies that operate within coal mining.
- Handelsbanken must avoid directly financing new coal mines, the expansion of existing mines, or related infrastructure.
- Handelsbanken must avoid initiating any new business relationships with or financing companies that 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 HE in their instructions to the business operations.
- Handelsbanken must avoid directly financing or investing in new coal power plants, the expansion of existing plants, and must avoid financing companies that operate in the construction of coal power plants.
- Handelsbanken must avoid initiating any new business relationships, or providing financing to, companies or Groups that are active in the extraction of oil or gas, or to companies in the construction of infrastructure directly linked thereto. Exemptions can be made for companies that are active in oil and gas, if they are deemed to be companies in transition, although not for companies involved in unconventional extraction. Direct financing of extraction, or financing where the aim is to develop that part of the company or Group is, however, never consistent with these guidelines.
- Handelsbanken must avoid directly financing (for example via project financing) new extraction of oil or gas, or the expansion of existing extraction facilities, or any infrastructure directly linked thereto. This applies to both conventional and unconventional oil and gas.

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<sup>1</sup> 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.

<sup>2</sup> 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).

<sup>3</sup> Financing refers to lending (on and off-balance) and underwriting.

- Handelsbanken must avoid arranging bonds, commercial paper, or carrying out similar capital market financing assignments for the activities and companies that are not to be financed according to the guidelines above.

In line with these guidelines, the Head of HE is to develop instructions for the business operations. These instructions establish, among other things, the criteria determining when a company can be considered a 'company in transition', and define threshold values for when a company or Group is to be considered active in the extraction of oil or gas.

## Specific information on biodiversity

Biodiversity is closely linked to environmental and climate change, and sustainable social development. Biodiversity is being lost at an ever increasing rate, which is a serious environmental issue that threatens species, ecosystems and critical ecosystem services such as food security, resilience to climate change, and the amenity value of nature.

The Earth's limited natural resources are being consumed 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 crucial that natural resources are managed responsibly and efficiently during their entire life cycle – from extraction and transport to processing, consumption, recycling and waste management. Through its operations and business relationships, Handelsbanken aims to encourage the responsible, efficient use of natural resources and support developments towards more circular business models. This ambition will be achieved through the development of products, services and advice that allow for a responsible and efficient use of natural resources by the Bank's customers. 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 ambition is to offer its customers products, services and advice that gives them the opportunity to make sustainable business decisions.

The Bank's branches have a decentralised responsibility combined with local decision-making authority, meaning that they themselves choose which customers they want to work with, while the customers, in turn, choose their own course of action on the basis of the sustainable products, services and advice they are offered.

The Bank's product owners are responsible for ensuring that sustainable products, services and advice are developed.

The Bank's central organisations and control functions are responsible for integrating sustainability aspects into the dissemination of information, accounting and reporting, follow-up, credit assessments, stress tests and other relevant risk and control activities. The purpose for this is that sustainability aspects are to be treated the same as other risk factors, in order to safeguard and uphold the Bank's low risk tolerance.

All parts of the organisation have a responsibility to continuously improve employees' awareness of the causes and consequences of climate change, and to ensure that employees have the necessary competencies from a sustainability perspective.

To maintain the employees' competency and awareness of how the Bank's operations affect the environment and climate, regular information and training must be provided.

### Relevant initiatives, guidelines and conventions

Handelsbanken advocates co-operation and supports international initiatives and conventions aimed at reinforcing global efforts to ensure a reduced environmental impact and to counteract climate change. For the same reason, Handelsbanken does not take part in lobbying activities aimed at weakening international climate-related activities. The initiatives that Handelsbanken endorses and participates in are listed on the Group's website.