

# Handelsbanken

## Green Bond Framework Investor Presentation

August 2022



# Agenda

- Handelsbanken in Brief
- Sustainability Strategy
- Updated Green Bond Framework



# Handelsbanken in Brief

# This is Handelsbanken



**Founded in 1871**



**One of the world's  
strongest banks**



**All business starts with  
the customer**



**Nationwide branch network  
in our home markets\***



**Decentralised working method based  
on trust in and respect for the individual**



**Low risk tolerance**



**High ambitions  
regarding sustainability**



**Higher profitability than the  
average of peer banks**



**No budget no bonuses**

\* Sweden, Norway, the UK & the Netherlands. Global Banking in Luxembourg and the US.

# Safety and Stability Provide Flexibility

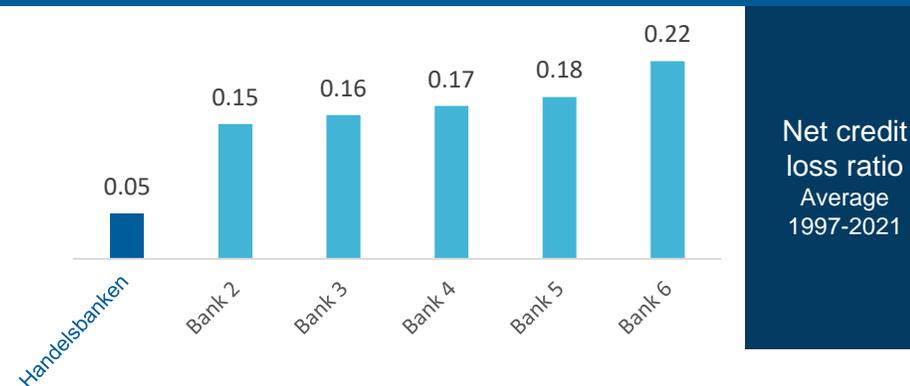
## Highest credit rating in the world - among comparable banks

	Moody's	S&P	Fitch
Handelsbanken	Aa2 (S)	AA- (S)	AA (S)
Nordea	Aa3 (S)	AA- (S)	AA- (S)
SEB	Aa3 (S)	A+ (S)	AA- (S)
Swedbank	Aa3 (N)	A+ (S)	AA- (S)

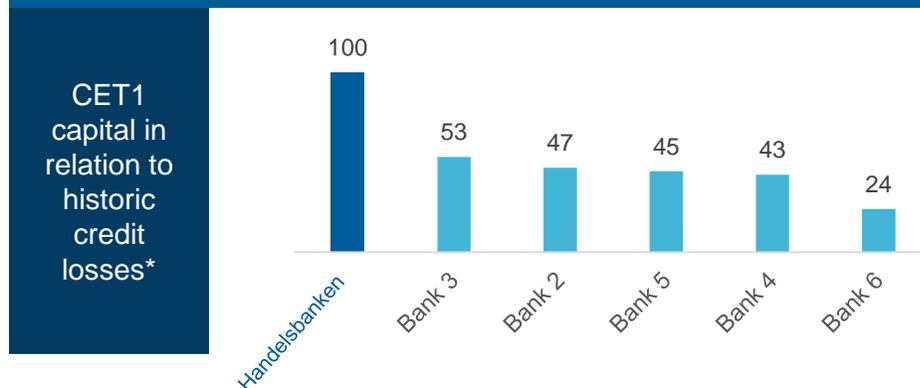
P= Positive outlook  
S= Stable outlook  
N= Negative outlook

Credit ratings

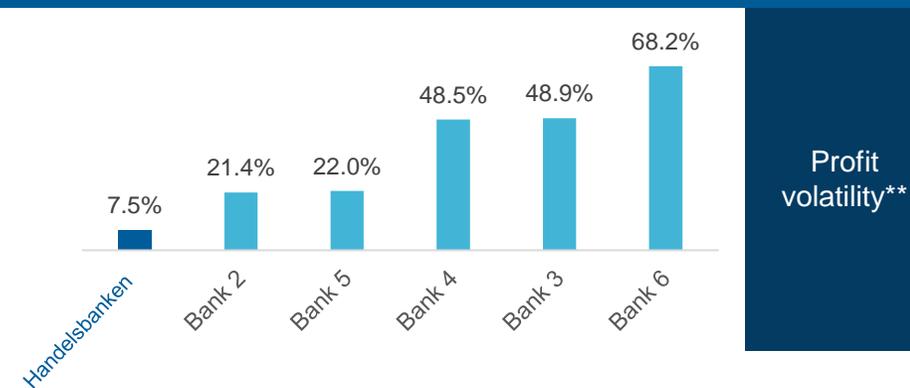
## Strongest asset quality - among comparable banks in our home markets



## Strongest capital buffers relative to asset quality - among comparable banks in our home markets



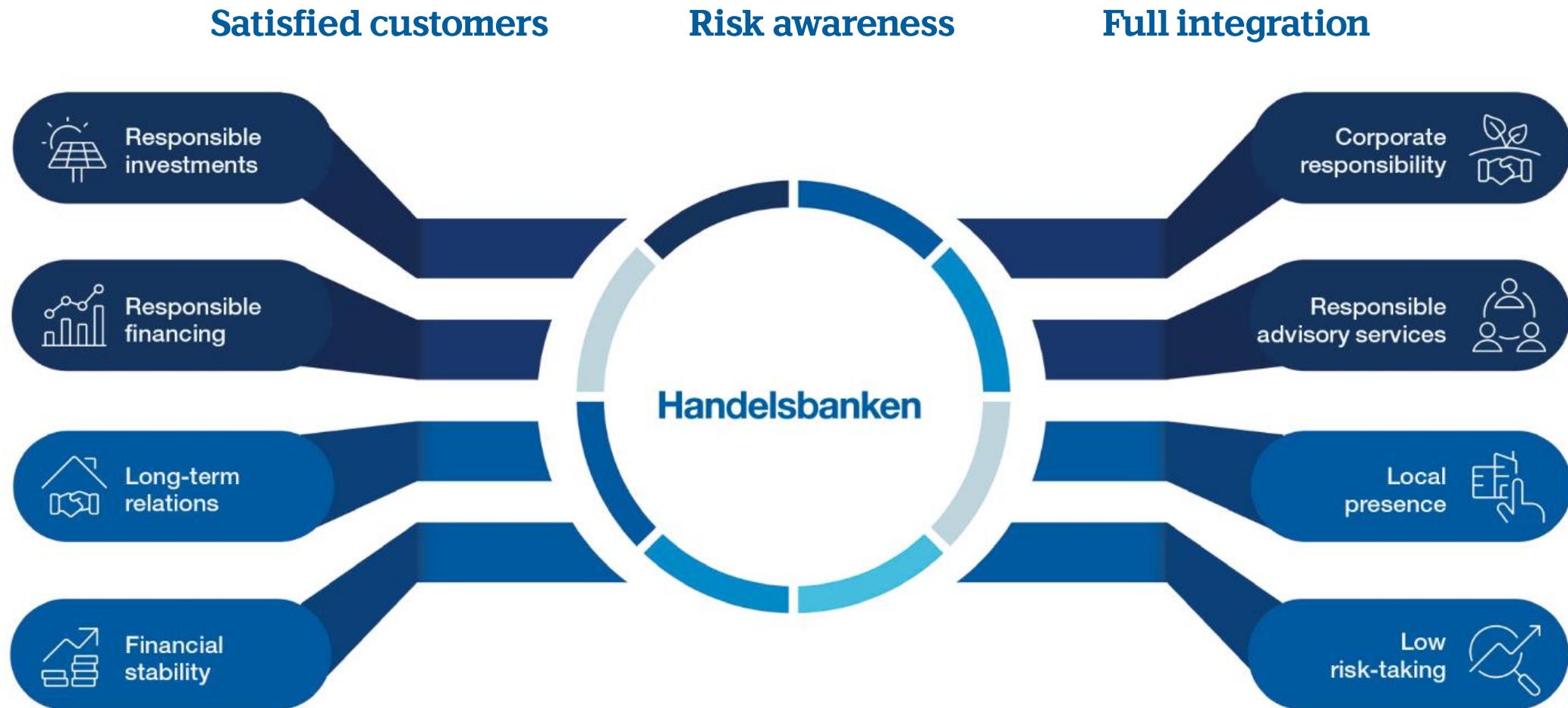
## Most stable earnings growth - among comparable banks in our home markets



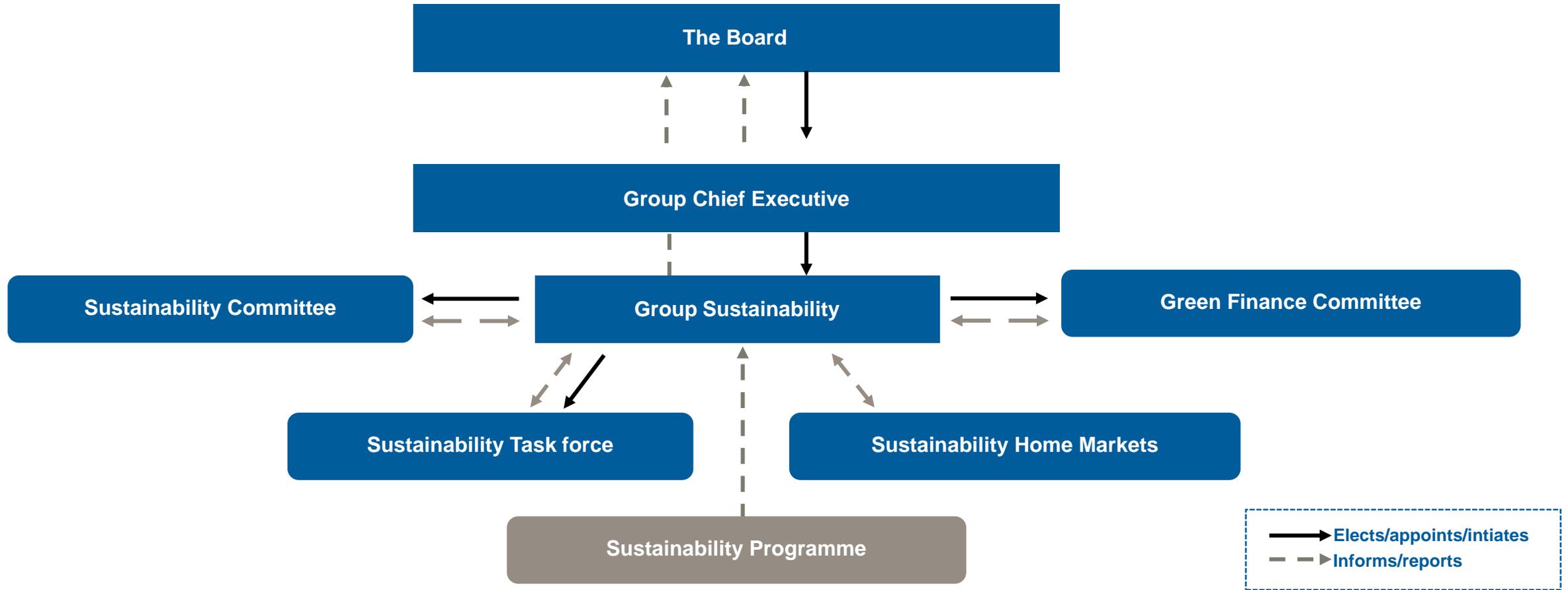
Peers included in comparisons: Swedbank, Nordea, SEB, Danske Bank and DNB.  
\* CET1 capital in relation to credit losses at the average credit loss ratio 2006-2021  
\*\* Standard deviation of annual profit growth 2006-2021

# Sustainability Strategy

# Culture and Sustainability Aligned Strategy



# Sustainability Governance



# Handelsbanken's Goals for a Sustainable Future

13 CLIMATE ACTION



## The climate goal

Handelsbanken's goal is to achieve net zero emissions of greenhouse gases as soon as possible, and by 2040 at the latest. This includes lending, leases and investments as well as the emissions generated by the Bank itself from its energy consumption and business travel, for example.



## Responsible investment

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.



## 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.



## 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.

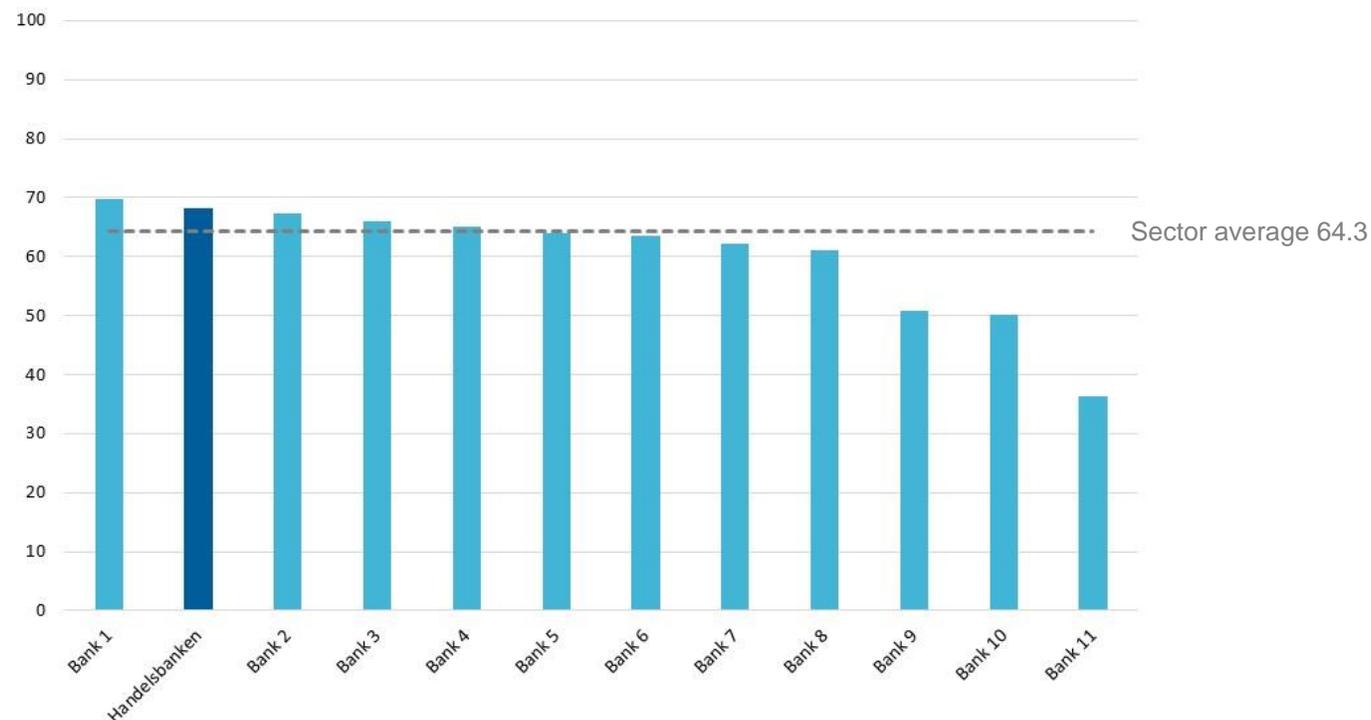
# Net Zero Emissions by 2040

Handelsbanken's goal is to have net zero emissions of greenhouse gases as soon as possible and by 2040 at the latest.

Scope and ambition	Customers and business development	Activities and initiatives	Next steps
<p>This includes lending, leasing, investments as well as the Bank's own operations such as energy consumption and business travel.</p> <p>Net zero means that any emission to the atmosphere are to be neutralized through the uptake by the biosphere or through technical solutions.</p> <p>EU's goal is net zero emissions by 2050, while Handelsbanken's goal is 2040 as we are convinced that a rapid, orderly transition with the aim of limiting global warming to close to 1.5°C is best for our customers, for the communities we serve and thus also for Handelsbanken.</p>	<p>Handelsbanken will continuously develop more products and services, including third party collaborations, in order to achieve the goals together with our customers.</p>	<p>A dynamic strategy for achieving the goal is being developed (with cornerstones such as the 20% sustainable and transition financing goal, the investments sub-goals etc.) and activities include:</p> <ul style="list-style-type: none"> <li>• Increase in sustainable finance products and growing volumes</li> <li>• advisory tools for SMEs regarding energy and footprint,</li> <li>• updated policy on lending activities to fossil fuel activities,</li> <li>• lending to oil and gas is small and decreasing (&lt;0.1% of loans to the public)</li> <li>• Asset management's increased investments in climate solutions and focus on engagement,</li> </ul> <p>follow up and transparency through Net-zero Banking Alliance, TCFD reports etc.</p>	<p>Interim target for 2030 and decarbonization pathway will be set to be externally validated. We have committed to validate our climate targets through the Science Based Targets initiative (SBTi).</p> <p>Interim portfolio targets will be set according to SBTi methodology in 2023. Long-term net-zero portfolio targets will be set following the launch of SBTi's net-zero methodology for financial institutions (Q1 2023).</p>

# The Overall Sustainability Goal (from 2021)

Handelsbankens goal is to be, and to be recognised as, the most sustainable player among peer competitors from the year 2021 onwards

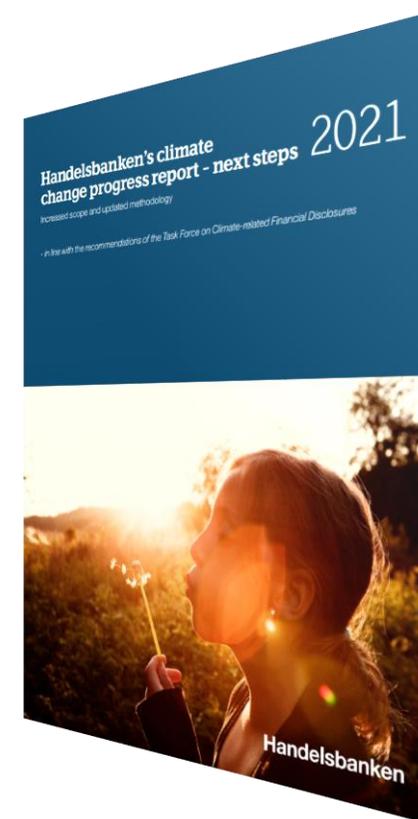


The assessment is made on the basis of a weighted average of sustainability ratings for peer competitors in our home markets from four global sustainability surveys (ISS ESG, MSCI ESG Research, S&P Global SAM Corporate Sustainability Assessment and Sustainalytics), with the ratings from all four of these surveys converted to a scale of 1–100, and based on customer surveys from Swedish Quality Index and others.

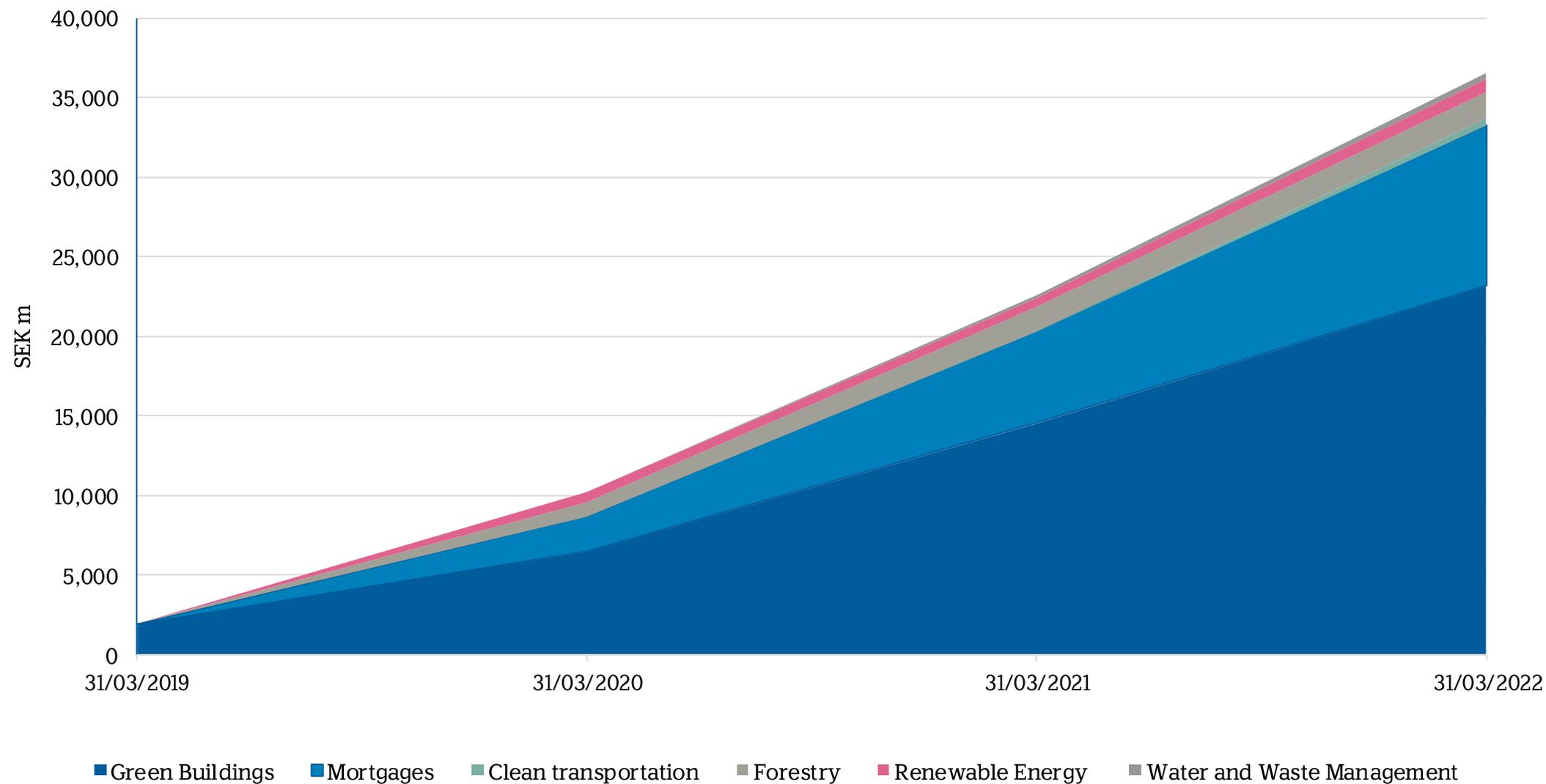
# TCFD Climate Change Progress Report

Handelsbanken follows up its first Climate report 2021 covering the lending operation, in line with the recommendations of the TCFD, with an updated report June 2022

- **Physical climate risk** – The report includes the bank's forward looking scenario analysis, exploring potential impact on the bank's real estate lending nationwide in Sweden up until year 2100 and with a specific analysis of flooding risk in Stockholm. The previous report focused on the Gothenburg area and year 2050. **No acute significant risks identified.**
- **Financing oil and gas** – The Bank has no lending to the coal sector and our lending to the oil and gas sector is small and has been decreasing for many years. Since 2017, lending to the sector has decreased with 80 per cent, to less than **0.05 per cent of our total lending to the public\***.
- **Financed emissions** – The bank has calculated the banks financed GHG-emissions attributable to our Swedish real estate lending with Energy label (representing approximately 50 percent of Swedish real estate related lending, including mortgages) and without an Energy label respectively. Total financed emissions was just under **417 000 tons of CO<sub>2</sub>e, or 306 kg per SEK million and 7.2 kg per financed sqm**. This is more than in the previous report, but the deviation is entirely explained by 1) an increased scope 2) updated methodology and 3) estimated emissions from properties without an energy label, where the estimates applied were higher than the average calculated emissions from properties with an energy label.



# Our Green Loan Development



# Updated Green Bond Framework

# Rationale and Background



## Climate Change

Climate change is one of the greatest challenges facing the world today



## Net-zero Economy

The Framework supports Handelsbanken's ambition to be a frontrunner and drive the transition to a net-zero economy



## Long-term Development

Issuing green bonds is a tool for Handelsbanken to promote the long-term development of sustainable solutions by financing green projects



## Support our clients

Issuing green bonds is a tool for Handelsbanken to support our clients on their sustainability journey



## Increased Demand

Framework addresses the increased demand for sustainable assets in various areas



## Sustainable Future

The Framework targets and contributes to eight of the UN Sustainable Development Goals

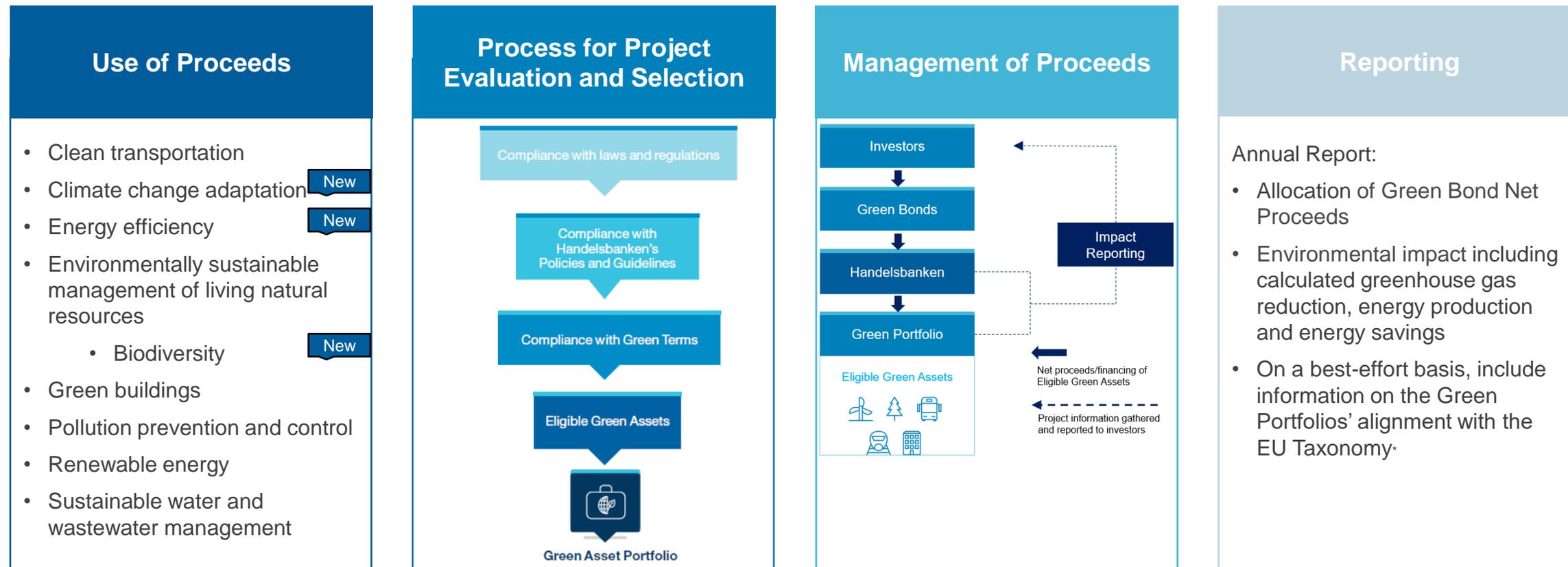


# Highlights of Updated Green Bond Framework

- The Framework is an update of our 2018 Green Bond Framework
- The updated Framework is developed to better reflect our lending operations and covers e.g. our green mortgages which enable us to support additional clients on their sustainability journey
- Three new Use of Proceeds categories added - climate change adaptation, energy efficiency and biodiversity (as part of environmentally sustainable management of living natural resources and land use)
- The updated Framework broadly aligns with the EU Taxonomy's technical screening criteria for substantial contribution to one of the first two environmental objectives climate change mitigation and climate change adaptation (the Climate Delegated Act, December 2021)
- The Framework is aligned with the 2021 ICMA Green Bond Principles
- The Framework received a "Medium Green" shading and a governance score of "Excellent" by Cicero Shades of Green



# The Four Pillars of the Green Bond Framework



# Use of Proceeds

GBP Category	Eligible Green Assets*	EU Taxonomy Environmental Objectives*	UN SDG	Cicero shading
Clean transportation	Zero emission transport solutions for passenger, public and freight purposes, low carbon public transport as well as related infrastructure	Climate change mitigation	 	Dark Green
Climate change adaptation <span style="float: right; font-size: small;">New</span>	Adaptation measures contributing to the reduction of negative impacts of climate change related to e.g. temperature, wind or water	Climate change adaptation	   	Dark Green
Energy efficiency <span style="float: right; font-size: small;">New</span>	Energy efficient solutions, infrastructure, technologies and related R&D contributing to a low carbon and energy efficient society	Climate change mitigation	 	Light to Medium Green
Environmentally sustainable management of living natural resources and land use	Sustainable forestry - Investments in sustainable forest management and sustainable forestry assets  Biodiversity - Investments in activities that promote, restore and/or preserve biological diversity <span style="float: right; font-size: small;">New</span>	Climate change mitigation Climate change adaptation The protection and restoration of biodiversity and ecosystems	  	Medium to Dark Green
Green buildings	New and existing buildings, as well as renovation of buildings	Climate change mitigation	 	Light to Medium Green
Pollution prevention and control	Waste to Energy - Environmentally responsible and fossil-free waste-to-energy investments  Waste Management - Waste management or waste treatment in a responsible and environmentally friendly way	Climate change mitigation Pollution prevention and control Transition to a circular economy	 	Medium Green
Renewable energy	Wind energy, solar energy, hydro energy, geothermal energy and hydrogen	Climate change mitigation	 	Dark Green
Sustainable water and wastewater management	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	The sustainable use and protection of water and marine resources	 	Medium to Dark Green

# Process for Project Evaluation and Selection



## Credit Process

All customers are managed and approved in a standard credit process, which includes a Know-Your-Customer procedure, a credit risk analysis which a sustainability risk assessment is an important part, and a credit approval



## Local Branches

Local branches nominates 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")



## Green Finance Committee (GFC)

The GFC reviews information about the assets and assesses their alignment with the criteria's outlined in the Green Bond Framework

The GFC is responsible for deciding whether a loan product or a specific loan is green and eligible under the Green Bond Framework



## Green Registry

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")

Compliance with law and regulations

Compliance with Handelsbanken's Policies and Guidelines

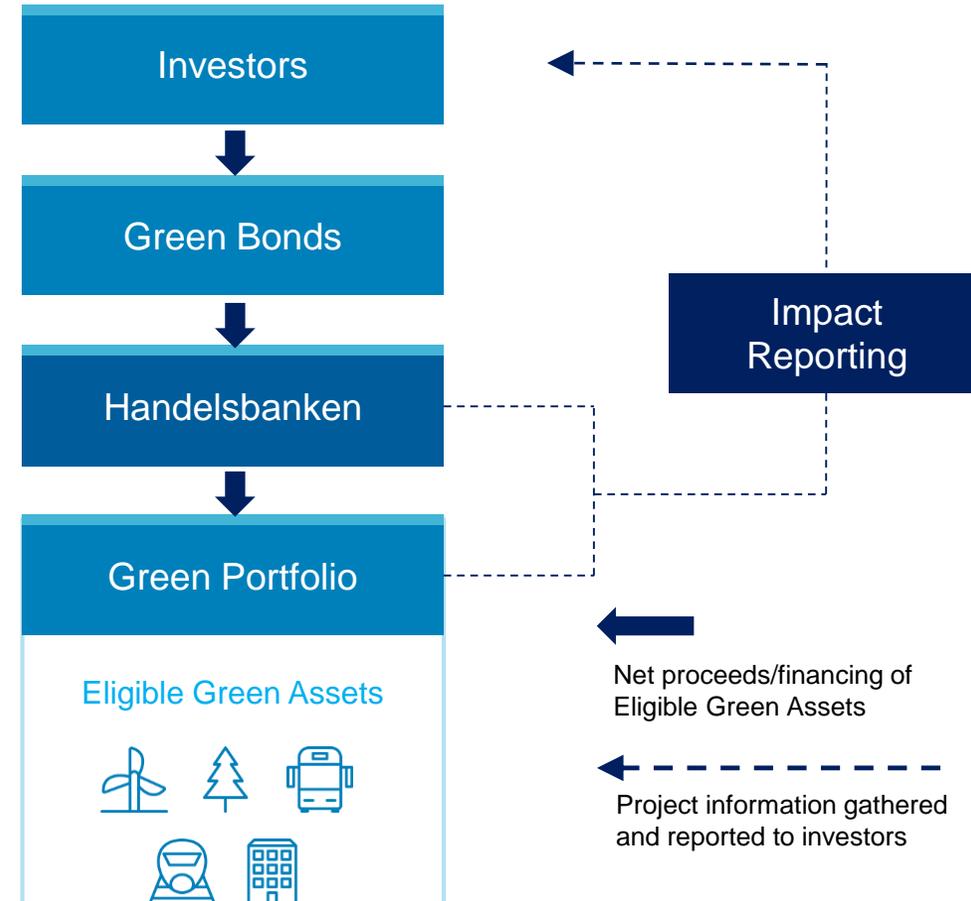
Compliance with Green Terms

Eligible Green Assets

Green Asset Portfolio

# 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”)
- 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



# Reporting

## Overview

- Handelsbanken will publish an annual report on its website 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 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
- 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

## Allocation Disclosure

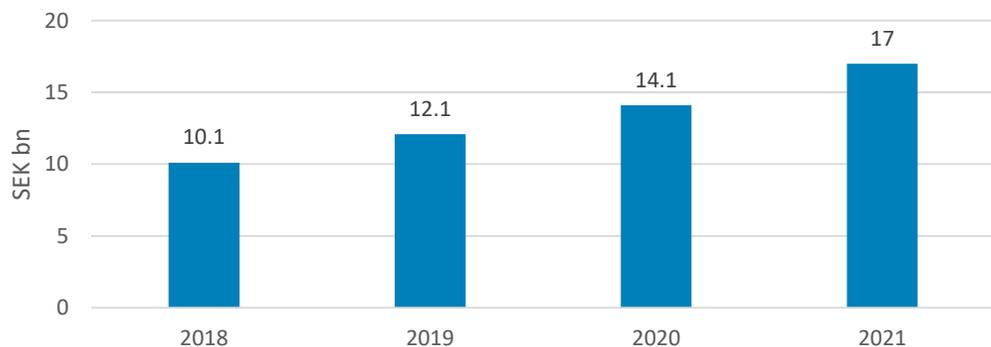
- Handelsbanken will provide allocation reporting for each of the Use of Proceeds categories in the Framework. Emphasis will be placed on providing examples and allocation reporting to single projects based on loan size
- The sum of outstanding Green Bonds
- The sum of the Green Portfolio balance
- The proportion of net proceeds allocated to new loans
- All data is to be as of the end of the previous year

## Impact Reporting

Use of proceeds Categories	Indicative Impact Indicators
Clean Transportation	Capacity, travel distance, GHG savings
Climate change adaptation	Type of investment and the purpose
Energy efficiency	Yearly energy savings, reduction of GHG emissions, description of the expected improvement in energy efficiency
Environmentally sustainable management of living natural resources	Sustainable forestry certification scheme, hectares of forest, net carbon sequestration
Green buildings	Environmental certification, reduction in energy use, reduction of GHG emissions
Pollution prevention and control	Waste to energy; electricity production, heat production, reduction of GHG emissions Waste management; amount of waste recycled, reduction of GHG emissions
Renewable energy	Installation on buildings: the percent of the total energy use supplied by the installation, the energy production (kWh per year) and the yearly reduction of GHG emissions Investment in a stand-alone renewable energy project; the energy production (MWh per year), installed capacity (MW) and the estimated yearly reduction of GHG emissions
Sustainable water and wastewater management	Qualitative improvements in freshwater supply and/or wastewater treatment, Quantity of treated wastewater and/or supplied freshwater

# Initial Portfolio of Handelsbanken's Green Assets

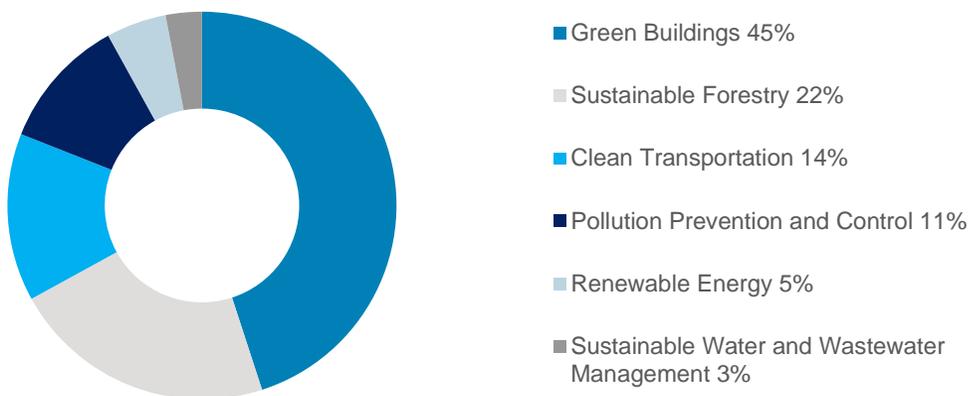
### Eligible Green Assets per year-end



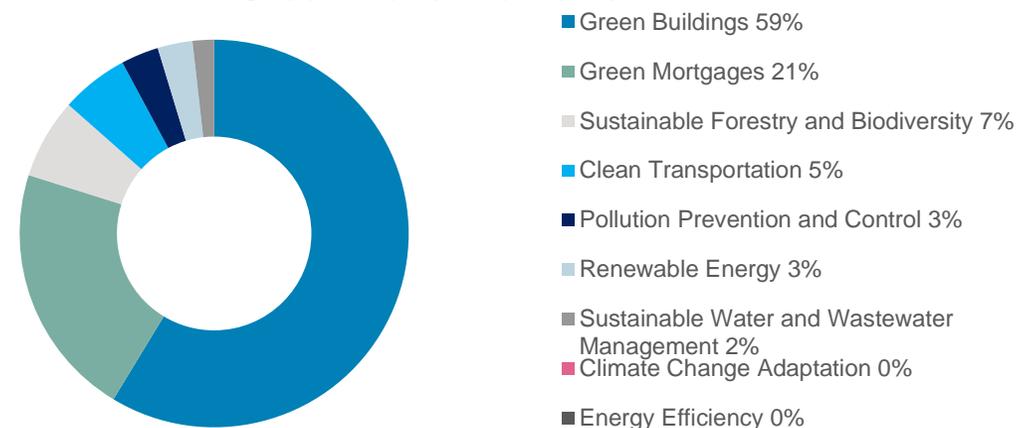
### Outstanding Green Bonds

- EUR 500m Senior Preferred issued in 2018, maturing in 2023
- EUR 500m Senior Non-preferred issued in 2020, maturing in 2027

### Eligible Green Assets per category based on previous Green Bond Framework



### Eligible Green Assets per category based on updated Green Bond Framework



# Examples of Green Loan Financed Projects

## Clean transportation

### Östgötatrafiken



Photo: Niklas Ebermark

#### Sustainable commuter trains

Östgötatrafiken is responsible for public transport in the Östergötland region of Sweden. The Green loan finance the commuter trains, Östgötapendeln.

<https://www.ostgotatrafiken.se/>

## Green buildings

### Fabege



#### Green commercial building

Real estate company Fabege was the first to sign an EU Taxonomy adapted loan in the Nordics. The financing applies to a building with low energy consumption, environmentally smart material choices and an environmental certification from BREEAM-SE at the 'excellent' level.

<https://www.fabege.se/>

## Pollution prevention and control

### Stena Metall



#### Circular material flows

A green term loan providing long-term financing to Stena Metall's recycling business in order to support a circular economy.

<https://www.stenametal.com/>

# Second Party Opinion- Cicero Shades of Green

*“Handelsbanken has a robust governance framework, including a detailed process for project selection, screening of assets against broader sustainability criteria such as life cycle impacts, and the use of an environmental veto”*

*“Handelsbanken’s corporate sustainability profile is in line with other ambitious Nordic banks and includes a restrictive fossil fuel lending policy and targets for green and social lending”*

*“Some of the eligibility criteria are particularly strong and in line with a 2050 solution to climate change”*



**°C** CICERO Shades of Green

## Svenska Handelsbanken AB Green Bond Second Opinion

08/08/2022

**Executive Summary**

Svenska Handelsbanken AB (“Handelsbanken”) is a Swedish bank with a focus on the Nordic market. 82% of its portfolio is financing of the property sector, and it has a negligible exposure to the fossil fuel sector.

Eight categories are eligible for use of proceeds, with shadings ranging from light to dark green. The categories which will receive the largest share of proceeds - green buildings, sustainable forestry and clean transportation - reflect this range in shadings. Around a quarter of bond proceeds are likely to be for refinancing, including the repayment of outstanding green bonds. This implies that the lookback period could potentially be quite long.

The green bond framework is an update of the bank’s 2018 green bond framework, which received a CICERO Dark Green shading, to reflect broader lending practices and market developments. The current framework is broader and includes some categories with less ambitious criteria than the previous one. The issuer has done this to reflect overall lending operations more accurately and accommodate clients who are less advanced in their transition, and to align with the requirements and criteria of the EU Taxonomy. The largest shares of proceeds of the two green bonds issued so far have been allocated to green buildings, followed by sustainable forestry and clean transportation.

We rate the framework **CICERO Medium Green** and give it a governance score of **Excellent**. Handelsbanken’s corporate sustainability profile is in line with other ambitious Nordic banks and includes a restrictive fossil fuel lending policy and targets for green and social lending. It is in the process of mapping its Scope 3 emissions from lending and is using third party guidance (Partnership for Carbon Accounting Financials (PCAF)).

**Key strengths**

Some of the eligibility criteria are particularly strong. Zero tailpipe emissions and electrified rail in the transport category and the inclusion of both energy efficiency and building certification in the green building category are among those.

Handelsbanken has a robust governance framework, including a detailed process for project selection, screening of assets against broader sustainability criteria such as life cycle impacts, and the use of an environmental veto.

**SHADES OF GREEN**  
Based on our review, we rate Handelsbanken’s green bond framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Handelsbanken’s framework to be **Excellent**.

**GREEN BOND PRINCIPLES**  
Based on this review, this framework is found in alignment with the principles.

“Second Opinion” on Handelsbanken’s Green Bond Framework

# Contact Details

# Contacts

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# Appendix

# Selected Awards for Handelsbanken



More satisfied customers than the industry average – in all our home markets



Sweden's Small Enterprise Bank 2021



Fund Management Company of the Year for 2020



KANTAR | PROSPERA

Asset Management in the top spot 2022

Prospera

BY KANTAR SIFO

Private Banking 2021 – Nordics

KANTAR SIFO

The major bank with the best reputation in 2021



One of the world's safest commercial bank 2021



Included in The Sustainability Yearbook 2022



Hållbar Energi – best global equity fund



Most innovative among the major banks in Sweden



Sweden's most customer-friendly bank 2020



The most recommended bank for SMEs in UK



Fund Management Company of the Year for 2020



This year's sustainable fund performance 2020



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