

Handelsbanken Net-Zero Transition Plan

Our goal is to be, and to be recognized as, the most sustainable bank among peer competitors. In 2021, we set several group-wide sustainability targets, including an overarching climate target to achieve net zero emissions of greenhouse gases as soon as possible but no later than 2040.

Now we take another important step on our journey towards becoming a net-zero company by 2040 and publish our first Transition Plan. The Transition Plan describes our climate related targets, including a reduction target for 2030, and how we plan to achieve them. Our Transition Plan will be updated as our work related to climate change evolves and more data becomes available so that we can move together with our customers towards decarbonization and net-zero emissions.

Introduction

Climate change is one of the biggest challenges of our age. Handelsbanken works actively to halt and counteract our own negative impact on the environment, but also to redirect financial flows to benefit low emissions of greenhouse gases, environmental improvements, and climate-related adaptations. With sustainability being an area of strategic importance for Handelsbanken, we are proud to have launched group-wide sustainability targets in February 2021. The targets address not only the Bank's long-term climate ambition, but also our determination to further and fully integrate sustainability into our core business - financing, asset management and advisory services.

We pledge to be a net-zero company as soon as possible and by 2040 at the latest. This target applies to the entire Group and covers lending, leasing and investments, as well as Handelsbanken's own operations. In order to ensure that our emission targets are based on a solid scientific footing, the Bank will seek validation from the Science Based Targets initiative (SBTi).

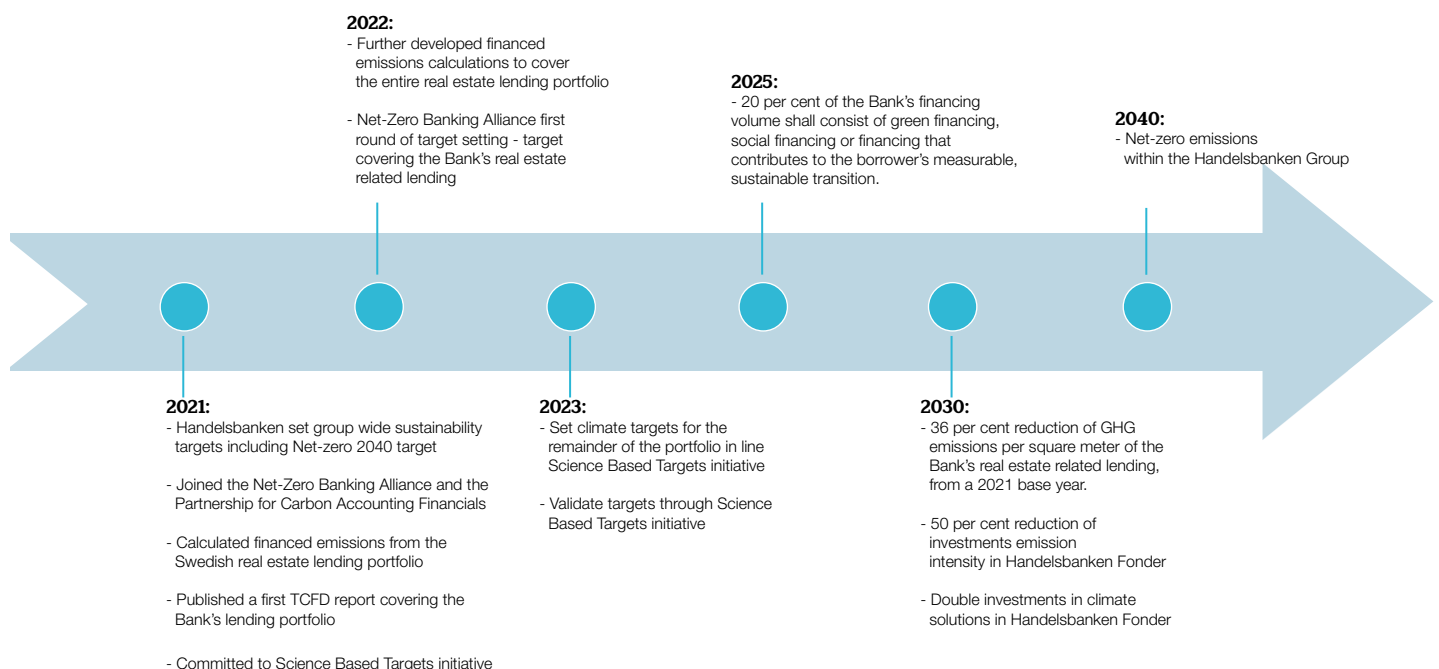
Implementation strategy

Products and services

Handelsbanken aims to work alongside our customers on their journey towards net zero emissions of greenhouse gases. Central to this is the development of products and services that contribute to such reductions.

In order to steer our work and build momentum, Handelsbanken published a target for its financing operations in early 2021 – by 2025, at least 20 per cent of the Bank's lending is to be defined as 'green', or have terms and conditions that contribute to a sustainable, measurable transition by the borrower, such as a reduction of emissions. Handelsbanken has offered green loans for projects and investments that promote a more sustainable society since 2017. For example, financing renewable energy, waste management, sustainable forest management, green transport and energy-efficient and environmentally certified buildings.

For larger corporate customers without a need for green financing for a specific project or investment, but that have a clear, ambitious sustainability strategy, Handelsbanken can offer sustainability-linked loans and bespoke advisory around structure, materiality, additionality and transparency. Handelsbanken is also active in the field of advisory services regarding green bonds and has been involved in developing many of the green financing frameworks for Nordic issuers. We also put great emphasis on analysing and guiding our customers regarding the EU taxonomy. In 2021, we advised one of our customers on the world's first EU taxonomy aligned EU Green Bond and also granted Europe's first EU Taxonomy-aligned loan.



Through our responsible approach to granting credit, we recognise that we can influence small and medium-sized corporate customers in their transition to more sustainable business operations. For example, in spring 2021 we launched green leasing for electric cars and green energy loans to both private and corporate customer. To further improve the Bank's ability to harness the business opportunities related to energy efficiency investment in buildings, we have launched a web-based information package to private customers in Sweden, in which different measures that may lead to improved energy efficiency in properties are described. At the same time, our green energy loan product was launched with advantageous terms and conditions for the financing of such energy efficiency improvements.

Within the investment side of the Bank, we work both to reduce our funds' climate footprint and climate risks, as well as to direct our investments towards companies that contribute to solutions in the climate transition. Handelsbanken Fonder has therefore set targets to both decrease the carbon intensity of its funds by 50 per cent by 2030 and to double its investments towards climate solutions by 2030. By investing in the breadth of sectors that drive societies' transition forward and use our influence to help companies reduce their emissions, we can make a bigger real life impact.



Activities and decision-making

The Bank's process for identifying, assessing and managing climate risks is an integral part of the Bank's standard credit process. At Handelsbanken, the credit process is based on a conviction that a decentralised organisation with local presence ensures high quality in credit decisions. Handelsbanken is a relationship bank where the branches maintain regular contact with the customer, which gives the branch an in-depth knowledge of each individual customer and a continually updated picture of the customer's situation. The Bank's overall risk profile is that risks are to be kept low.

In Handelsbanken's decentralised organisation, each branch responsible for customers has full credit responsibility. Identifying and assessing a company's climate-related risks is a part of the Bank's credit risk assessment of its customers. This includes assessing whether, and if so to what extent, climate change affects the risk of financial strain and the credit risk that could arise. The Head of Group Credits is responsible for the quality and maintenance of the Bank's credit process.

The Head of Group Credits reports to the CEO and is a member of the credit committee established by the Board. The Head of Group Credits also reports to the Board regarding losses and risks in the credit portfolio.

Policies and conditions

The Board has adopted an overarching sustainability policy, which sets out the direction for the Group's sustainability work. The direction of the sustainability work is that Handelsbanken aims to integrate financial, social and environmental sustainability into all its operations, which means that the group is to run financially sound, sustainable operations and to encourage and contribute to sustainable development. This applies to day-to-day operations as well as, for example, to credit and investment decisions, business development, advisory services and purchase decisions.

This way, risks and costs can be reduced, while new business opportunities can be identified, employees stay motivated, and confidence in Handelsbanken is maintained. This policy applies throughout the Handelsbanken Group, its operations and employees, and encompasses all activities in relation to customers, suppliers and other business partners. The sustainability policy has been supplemented with a number of CEO guidelines that address specific areas and sectors. Among these are guidelines on matters relating to the environment and climate change.

Engagement strategy

Customer engagement

Supporting our customers in their transition is central to succeeding in our net zero target and we work to support all customer groups on their sustainable development. This requires us to develop more sustainable and competitive financing products. Therefore, we will establish ambitious development plans for new products based on local conditions in terms of customers and regulations, particularly in the construction and property sectors in each of our main markets. Customers in other sectors will also be able to access corresponding financing products. International regulations such as the EU taxonomy will be of great importance in classification of green assets. In order to achieve our goal, we work with both green loans and sustainability-linked loans, for which the terms and conditions must contribute to the borrower's measurable, sustainable transition.

Focus on energy issues and climate adaptation, as well as sustainability in general, as increased among our customers and we see the importance of meeting our customers' needs around these issues. Extensive work on product development has therefore been carried out in recent years in all markets where we operate. The positive development that we have seen, with high demand from our customers, also means that we plan to launch more loan products and services with sustainable goals for both private and corporate customers in the coming years.

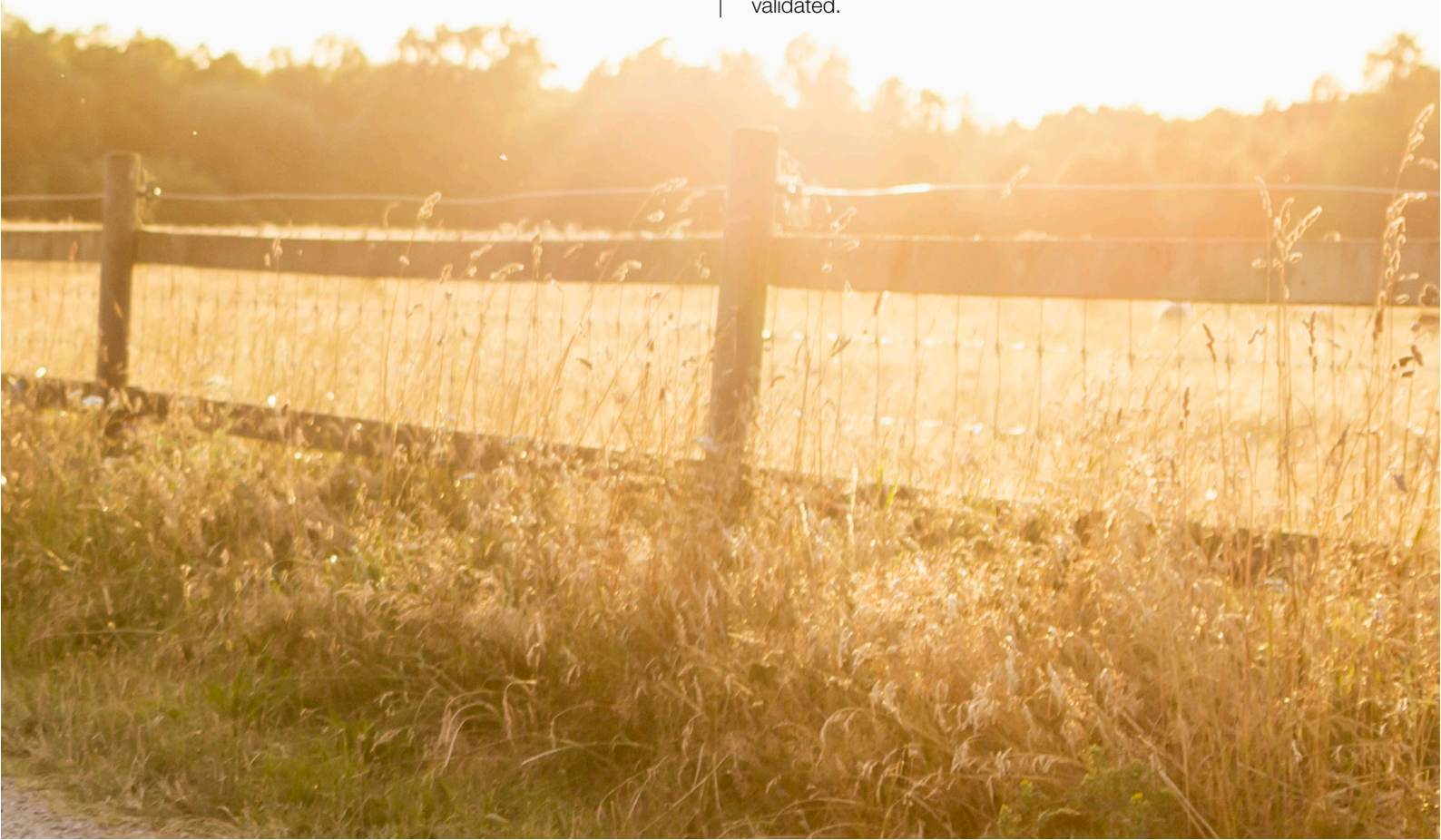
To smooth the way for our customers in the climate transition, and to help them understand the importance of reviewing their energy consumption, Handelsbanken has created a website with tips and advice on energy efficiency improvements.

In conjunction with this, in 2021 we began a collaboration with Vattenfall, a Swedish energy company, to present discounted solar panel offerings to private customers. In 2022, the Bank launched a third-party collaboration in Sweden with technology consultancy company Sweco, which offers our real estate customers advice and analysis of climate risks, energy consumption measures and other sustainability aspects relating to their properties.

External engagement

Climate change is a global problem requiring global solutions and co-operation. This is why Handelsbanken has proudly endorsed the Principles for Responsible Banking (PRB) for several years, and why it continues to support other international initiatives for sustainable business: the 2030 Agenda for Sustainable Development and the Sustainable Development Goals, the UN Global Compact and the Principles for Responsible Investment (PRI), to name a few. In an attempt to help shape political action on the climate, Handelsbanken joined a number of other companies in signing an open letter to the leaders of the G20 countries. The letter was co-ordinated by the global "We Mean Business" collective and urges governments to strengthen and renew their obligation to achieve the Paris Agreement's target of limiting global warming to 1.5°C.

In 2021, Handelsbanken joined the UN's Net Zero Banking Alliance (NZBA) as one of the founding signatories. The objective of the alliance is to recalibrate the financial system to achieve net-zero emissions of greenhouse gases globally. By joining the NZBA, Handelsbanken commits to set targets that at least shall align with the temperature goals of the Paris Agreement and support the transition towards a net-zero economy. Handelsbanken has also committed to the Science Based Targets initiative, meaning that we commit to set reduction targets in line with scientific knowledge based on methodology provided by SBTi and to get our targets validated.



As a means to ensure that our calculations of financed emissions, which will form the baseline for our target setting, are performed correctly, the Bank joined the Partnership for Carbon Accounting Financials (PCAF) in 2021. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. In collaboration with other Swedish banks, Handelsbanken is part of a working group with the aim of establishing common methodologies and assumptions for cases where method support from PCAF is missing, incomplete or not applicable in a Nordic context, in order to promote transparency and comparability.

Governance

Governance The Board of Directors – The Board has adopted an overarching sustainability policy, which sets out the direction for the Group's sustainability work. The direction of the sustainability work is that Handelsbanken aims to integrate financial, social and environmental sustainability into all our operations, which means that the group is to run financially sound, sustainable operations and to encourage and contribute to sustainable development. This way, risks and costs can be reduced, while new business opportunities can be identified, employees stay motivated, and confidence in Handelsbanken is maintained.

Climate-related issues are considered together with other relevant factors when setting the overall strategic targets for parts of the operations, such as the climate-related targets set in 2021. Reporting to the Board on work related to the Bank's sustainability targets was initiated as of the fall of 2021 and will be broadened as the targets gradually become further integrated in the ordinary operations.

Executive Management – Group-wide decisions concerning strategies for work related to climate change, and targets linked to this area, are made by the Bank's Group Chief Executive (CEO). It is also the CEO who adopts new guidelines such as Handelsbanken's guidelines on the Environment and Climate change. In May 2022, the Bank's guidelines on Environment and Climate change was updated to further establish our commitment to a 1.5°C target, expanding on the Bank's stance on financing of fossil fuels to restrict new relations with fossil fuel companies and disclose our view on fossil fuel companies in transition in the lending portfolio.

The Bank's central sustainability department, Group Sustainability, has the task of co-ordinating, supporting and acting as a driving force behind our sustainability work. This includes the responsibility of developing proposed improvements to the Bank's sustainability strategy, as well as compiling and communicating the work externally. The work is led by the Head of Group Sustainability, who reports directly to the Bank's CEO. In March 2022, the Head of Group Sustainability also became a member of the Executive Management, further strengthening Handelsbanken's ambition to integrate sustainability into all operations. With this, Handelsbanken became the first major bank in Sweden with a dedicated Head of Sustainability as part of Executive Management.

A key factor in our ability to support our customers and identify climate related risk and opportunities is the competency of our employees. For this reason, a new training course in sustainability was launched in 2021, mandatory for all employees. The aim is to give the Bank's sustainability expertise a broad boost, and to highlight the opportunities available to the financial sector to contribute to a green transition. The training course takes its lead from relevant regulations and initiatives, and how these impact the financial sector, our services, products and, not least, interactions with customers.

Metrics and targets

Measurability and reporting is a central part of our climate strategy and our ambition to achieve both our long-term climate goal and interim targets, as well as to fulfill upcoming regulatory reporting requirements. As a means to ensure that this is done correctly, Handelsbanken has joined several initiatives supporting this objective.

In 2021, Handelsbanken joined the Partnership for Carbon Accounting Financials (PCAF), which is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments. The same year, the Bank also joined Net-Zero Banking Alliance (NZBA) as well as committing to validate climate targets through the Science Based Targets initiative (SBTi).

Handelsbanken published its first climate report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) related to the lending portfolio in 2021, including disclosures of financed emissions from the Bank's Swedish real estate lending portfolio. In 2022, a supplemental TCFD report was published, with an increased scope and updated methodologies. Going forward, the Bank will annually publish updated TCFD disclosures and will work to continuously expanding the scope of the analysis, as more data and methodologies become available.



The Bank's climate targets

Net Zero by 2040

In 2021, Handelsbanken published Group-wide sustainability targets, addressing not only the Bank's long-term climate ambition, but also our determination to further and fully integrate sustainability into our core business – financing, asset management and our advisory services. This included an overarching climate targets to achieve net zero emissions of greenhouse gases as soon as possible, and by 2040 at the latest.

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.

Sector specific intermediate targets

As part of the commitment to NZBA, Handelsbanken published its first round of target setting in October 2022. Due to the Bank's predominant exposure in the lending portfolio towards the real estate sector, we have chosen to prioritise this sector for the first round of target setting.

- Handelsbanken commits to reduce its real estate portfolio GHG emissions by 36 % per square meter by 2030 from a 2021 base year.

Over time, the scope of our targets will increase to cover more sectors, following the guidelines set by both NZBA and SBTi.

Paris-aligned investments portfolios within Handelsbanken Fonder

The climate transition requires us to shift away from carbon dioxide-intensive technologies, which among other things requires major investment in solutions relating to renewable energy and energy efficiency. Therefore, Handelsbanken Fonder has set a goal of net-zero emissions from all investment portfolios by no later than 2040. To this end, we are working towards two main interim targets:

- 50 per cent reduction in our funds' emission intensity by 2030
- doubling of investments in climate-related solutions by 2030

Disclosures

Handelsbanken will continuously monitor and report on the progress related to each climate target as part of annual reporting and TCFD reporting for the separate business areas.

Directory of Handelsbanken's climate related reporting

Type of reporting	Description	Link to reporting
Sustainability policy	The Board has adopted an overarching sustainability policy, which sets out the direction for the Group's sustainability work.	www.handelsbanken.com/tron/xgpu/info/contents/v1/document/72-95821
Guidelines regarding environmental impact and climate change	The sustainability policy has been supplemented with a number of CEO guidelines that address specific areas and sectors. Among these are guidelines on matters relating to the environment and climate change.	www.handelsbanken.com/tron/xgpu/info/contents/v1/document/72-97675
Annual and Sustainability Report and Sustainability Fact Book	Handelsbanken's Annual Report and Sustainability Report contains Handelsbanken's statutory sustainability reporting. Together with Handelsbanken's Sustainability Fact Book, this reporting comprises Handelsbanken's complete sustainability reporting.	www.handelsbanken.com/tron/xgpu/info/contents/v1/document/72-97675 www.handelsbanken.com/tron/xgpu/info/contents/v1/document/72-134661
Climate reports	Climate change is perhaps the greatest challenge of our time, and we see an increasing interest and demand concerning how the financial industry handles risks and opportunities linked to climate change. To meet the need for increased transparency regarding these issues, Handelsbanken has published three climate reports covering the bank's lending, mutual funds and pensions and insurance. All three reports are prepared in accordance with the global recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).	www.handelsbanken.com/en/sustainability/climate-impact
Target Reporting	Handelsbanken has published sector specific intermediate targets as part of its commitment to Net-Zero Banking Alliance. For specific information regarding the target setting, please see <i>Net Zero Banking Alliance – first round of target setting</i> .	www.handelsbanken.com/en/sustainability/climate-impact