

Handelsbanken's
Nature and Biodiversity
progress report

2023



Handelsbanken

About this report

The purpose of this report is to offer stakeholders an overview of Handelsbanken's work and strategy within the area of nature and biodiversity.

The Taskforce on Nature-Related Financial Disclosures published its final recommendations in September 2023. This report has taken guidance from the framework, but it does not claim to fulfil all disclosure requirements, it is however the Bank's ambition to keep developing its reporting on nature-related financial disclosures in line with the TNFD-recommendations and the Corporate Sustainability Reporting Directive (CSRD).



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Foreword from our Chief Sustainability Officer



Catharina Belfrage Sahlstrand
Chief Sustainability Officer,
Handelsbanken

At Handelsbanken, sustainability has always been central to how we run the bank, deeply rooted in our values of responsibility and long-term thinking. It is with this ethos in mind that I am pleased to introduce our inaugural report covering the Bank's current work and strategy on nature and biodiversity, guided by the Taskforce on Nature-related Financial Disclosures framework. This report reflects our commitment to understanding and addressing the potential risks and opportunities that arise from our interactions with nature. As happy as we are to be able to submit this report to our stakeholders, we acknowledge that it just a first step, with which we recognise that the analysis and assessments in it, and even more so the commenced activities and the strategies that follow, will require developing over time.

The decline of our natural ecosystems is a matter of global concern that can no longer be ignored. It is estimated by the United Nations that over one million species are at risk of extinction, many within our lifetime, largely due to human activity. Furthermore, the World Economic Forum has identified biodiversity loss as one of the most significant threats to global economic stability. Biodiversity loss and nature degradation are thus, much like climate change, relevant to businesses both as negative externalities and as a threat to their continuity. These sobering realities highlight the urgent need for businesses, including financial institutions like Handelsbanken, to play a proactive role in safeguarding and restoring the natural environment that is fundamental to our economies and communities and to stability. Identifying the concentrations of the nature-related risks in our business activities is essential to be able to manage them.

For the past one hundred and fifty years, and counting, Handelsbanken has built its reputation on stability, trust, and close, long-term relationships with our customers and communities. We believe that a sustainable approach is fundamental to maintaining this trust and ensuring the continued prosperity of the people and places we serve. As the challenges facing our natural world become more acute—from biodiversity loss to the impacts of climate change—we recognise the importance of incorporating these considerations into our business practices. Preparing this report has been a valuable exercise, reinforcing the well-established notion that nature, climate and financial activities are inseparably linked, thus enabling us to make informed decisions that benefit both our customers, Handelsbanken and the environment and society as a whole.

While this report is an important milestone, we see it as part of a longer-term undertaking where risk management and actions will become increasingly important. Measuring, analysing, developing and reporting are all positives and powerful levers of change and we thus hope that this report also contributes further insights to the broader market. We are however at the same time humble to the fact that this first report remains far from fully comprehensive in light of the complex, multi-tiered and far-reaching impacts that a financial institution like Handelsbanken has on nature. But we are committed to transparency and welcome feed-back from all of our stakeholders as we continue to refine our measuring, enhance our risk management and strategies and contribute to the broader movement towards a more sustainable and nature-positive economy. Our goal is that Handelsbanken remains a trusted partner to our customers in both financial and environmental stewardship.

General Requirements

Our economies, financial systems and the societies we live in are embedded in nature. According to the 2023 update of the Planetary boundaries, the global economy has trespassed six of the nine planetary boundaries. These boundaries represent critical thresholds for increasing risks to people and ecosystems. Nature is a term that means different things to different people. In the TNFD-recommendations, nature is made up of four realms: land, ocean, freshwater and atmosphere. Biodiversity refers to the variability among living organisms across these realms.

“Biodiversity enables Nature to be productive, resilient and adaptable. Just as diversity within a portfolio of financial assets reduces risk and uncertainty, so diversity within a portfolio of natural assets increases Nature’s resilience to shocks, reducing the risks to Nature’s services. Reduce biodiversity, and Nature and humanity suffer.”

THE ECONOMICS OF BIODIVERSITY: THE DASGUPTA REVIEW, HEADLINE MESSAGES (2021) ¹

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 wants to encourage sustainable business models which factor in biodiversity and aim to minimise damage or contributions to a negative development.

1: Approach to materiality

As part of its progress on implementing CSRD, Handelsbanken has identified that the direct impact drivers of biodiversity loss is a material topic from an impact perspective of its double materiality assessment. This is due to the potential indirect impact of our lending and investing activities.



Direct impact drivers of biodiversity loss.

In this report, the Bank allows for a more explorative approach to the different perspectives of nature. In that way, Handelsbanken wants to acknowledge that nature is not yet fully factored into financial planning, which is part of the cause of biodiversity loss.

2: Scope of disclosures

In scope of this report is the Bank’s lending operations and asset management.

For the lending operations covered in the WWF-risk filter sector screening of this report, the Bank has focused on its corporate lending, based on data as of 31 December 2023 and only includes on-balance-sheet exposures. The Bank’s volume of lending within this category amounted to just over SEK 1,038 billion. For the case study on the agriculture & forestry lending operations in Sweden, the calculations are based on data as of September 30, 2023 and only includes on-balance sheet exposures.

For asset management, the Bank has focused on its subsidiary Handelsbanken Fonder, which manages just over SEK 904 billion as per 31 December 2023, representing about 88,4 per cent of the total assets under management in Handelsbanken. Handelsbanken Fonder AB is a fund company managing 112 mutual funds. The company offers active and passive, equity, fixed income and allocation management.

3: Locations

The Bank’s home markets are Sweden, Norway, the UK and the Netherlands, with business also conducted in Luxembourg and the USA. At year-end 2023, Handelsbanken had 434 branches and meeting places. These physical locations where the Bank has own operations are mostly situated in long-standing developed urban areas and are not material in the scope of this report.

The majority of lending takes place in our home markets, and the single largest sector is lending towards real estate activities. The Bank’s investments, done mainly by the Bank’s mutual fund companies, are spread globally across many different sectors.

Analysing location criteria is challenging. For example, while real estate lending is often tied to a specific location, i.e. the property, the related supply chains are often global and difficult to map in absence of more specific disclosures from each corporate borrower. Complexity increases in financing or investing in other sectors, such as manufacturing, which may have headquarters in one country, but production spread across the world.

¹ www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review (published 2 February 2021)

The focus on location specific data when analysing the effect on biodiversity is often highlighted as necessarily different to working with climate change where there is a concept of a global carbon budget. However, since the primary global driver behind biodiversity loss is the overexploitation of natural resources, effective and circular resource utilisation is relevant regardless of location.

4: Integration with other sustainability disclosures

Handelsbanken strives to work with sustainability issues as interconnected as possible, seeking for synergies rather than handling different sustainability issues separately. Nature-related disclosures are to some extent already integrated into the Bank's ordinary reporting. These disclosures could mainly be found in the following reports:

- [Annual and Sustainability reports](#)
- [Climate Reports of the Bank and Handelsbanken Liv](#)
- [Handelsbanken Fonder's Climate and Nature reports](#)

Having said that, in the Bank's ambition to place greater emphasis on nature and biodiversity in the Bank's business, it is helpful at this point in the development of assessment and capabilities around nature, to highlight insights so far as a separate deeper report. Hence this reporting.

Handelsbanken's work on climate change

Climate change, and loss of biodiversity, are linked in several ways. Climate change itself drives, and is driven by, the loss of biodiversity. For example, plant biodiversity loss has been shown to have negative consequences on carbon storage as an ecosystem's carbon sequestration potential is tightly linked to its biological diversity². Biodiversity is also essential for providing nature-based solutions to climate adaption by providing protection against storms, fires, and floods.

Handelsbanken has an ambitious climate strategy. In 2023, Handelsbanken published its transition plan towards net-zero emissions by 2040. This plan is based on the Bank's unique corporate culture and the goal of becoming a net-zero company by 2040.

The goal encompasses the entire Group and includes lending, leasing, and investments, as well as emissions from the Bank's own operations, such as energy consumption and business travel. Handelsbanken has also set several climate targets for 2030 in line with the ambition to limit global warming to 1.5 degrees. The transition plan outlines the Bank's overarching strategy for working towards these goals and is available on handelsbanken.com.

5: Considered time-horizons

As this reporting is in an explorative stage, time horizons are not defined as they vary with the different metrics.

While it is important to acknowledge that many sustainability issues have a real impact on customers and society today, such as climate change and biodiversity loss, the required solutions almost always depend on having a long-term view and approach. This is well suited to the Bank's business culture which has a strong focus on always giving our customers the best long-term advice, regardless of what is the most profitable product for the Bank in the short term. The Bank has no volume requirements, budgets or centrally determined sales targets. Handelsbanken measures its success on the basis of customer satisfaction, cost efficiency and profitability.

6: Stakeholder engagement

Many private individuals, organisations and companies affect, and are affected by, how Handelsbanken runs its business. In order to ensure that the Bank develops its sustainability work, and continues being a responsible bank that meets stakeholders' expectations and other external requirements, stakeholder dialogues are held regularly. The process for stakeholder dialogue is described in the Bank's [Annual and Sustainability Report 2023](#), pages 41-42.

² Weiskopf, S.R., Isbell, F., Arce-Plata, M.I. et al. Biodiversity loss reduces global terrestrial carbon storage. Nat Commun 15, 4354 (2024). <https://doi.org/10.1038/s41467-024-47872-7>

Governance

The overarching direction of Handelsbanken's sustainability work aims to integrate financial, social and environmental sustainability into all of the Bank's operations, which means that the Bank is to run financially sound, sustainable operations and encourage and contribute to a sustainable development. This way, risks and costs can be reduced, while new business opportunities can be identified, employees stay motivated, and trust in Handelsbanken is maintained.

Board of Directors and executive management

The Board has adopted an overarching Policy for sustainability, which sets out the direction of the Group's sustainability work. Management of risks and opportunities related to environment and climate is an integral part of the Group's sustainability work. The Policy for sustainability in the Handelsbanken Group, is supplemented by guidelines from the Chief Executive Officer in several key areas, including for example the guidelines on the Environment and Climate change.

Group coordination

Handelsbanken's sustainability work is coordinated by a Group-wide specialist function headed by Handelsbanken's Chief Sustainability Officer. The Chief Sustainability Officer is part of the executive management team and reports directly to the CEO, which means that sustainability-related matters are factored into the ongoing executive work and strategic decision making. The Chief Sustainability Officer shall follow up and report to the Chief Executive Officer and the Board on the Bank's overall sustainability activities every quarter, including matters of urgency to the organisation, and performance in relation to the sustainability goals that have been adopted in Handelsbanken.

The Chief Sustainability Officer is also the Chair of Handelsbanken's Sustainability Committee. The Sustainability Committee analyses the sustainability work undertaken by the Group and, where necessary, takes on a coordinating role. Potential problems and business opportunities are highlighted, and pre-emptive plans of action are established. Decision-makers from both the business operations and central departments make up the Sustainability Committee. Several of the members are also part of the Bank's executive management. The Sustainability Committee convenes at least three times per year, or more often if necessary.

Human Rights

The risk of human rights violations can be high in nature- and environment-related projects. Safeguarding human rights in projects involving natural resources, land use, and other environmental aspects is crucial, especially during societies necessary climate mitigation and adaption. Robust governance processes are needed to respect the rights of indigenous people and local communities. Additionally, healthy and resilient ecosystems are considered a human right, making both the conservation and sustainable use of biodiversity and ecosystems essential.

Handelsbanken stands behind the UN's Guiding Principles on Business and Human Rights and undertakes to act in accordance with national action plans regarding these principles in the countries in which the Group operates. Structured work to safeguard human rights and good working conditions shall be a natural part of both the Bank's own operations and its business relationships, with a constant pursuit of improvements in this area. Read more in the Bank's Group policy for sustainability and guidelines for Human rights and working conditions publicly available at handelsbanken.com.

Engagement, initiatives and collaborations

Handelsbanken participates in numerous initiatives and collaborations. Through these initiatives we demonstrate our commitment to a more sustainable future regarding environmental, social and financial issues. Below follows relevant initiatives and collaborations within the topic of nature and biodiversity specifically, information about the Bank's other initiatives and collaborations, many of which are also relevant to nature and biodiversity such as initiatives in relation to climate change, are available at handelsbanken.com.

Mistra Biopath: The research foundation Mistra's programme BIOPATH, where Handelsbanken is a lead partner, brings together influential partners from the business world along with research specialists in fields such as economics and ecology. The collective goal is to stop and reverse the loss of biodiversity. New and existing approaches will be mapped, evaluated, and developed to integrate biodiversity into financial decision-making.

Nature Action 100+: Handelsbanken Fonder is a member of Nature Action 100 since 2023. The initiative aims to influence the 100 companies worldwide that are considered most systemically important in reversing the trend of nature and biodiversity loss by 2030. These companies impact the loss of habitats, overexploitation of land, and pollution of land and water. Some of the sectors initially in focus are biotechnology and pharmaceuticals, chemicals, and food.

Examples of further initiatives:

- Handelsbanken is a member of **Business@Biodiversity Sweden**.
- As part of the reference group, Handelsbanken supported the development of **CLIMB**, a new biodiversity assessment tool.
- **Space2Climb**, an ESA-finance study on how to integrate satellite data into biodiversity assessments, and Handelsbanken is part of the reference group.
- Handelsbanken Fonder endorses **Business Coalition for a Global Plastics Treaty**.
- Handelsbanken Fonder is a member of **FAIRR**, an investor network which focuses on the animal agriculture industry.
- **UN Global Compact**, an initiative aimed at companies which advocates 10 principles based on international conventions. These principles, established in 2000, include human rights, labour laws, the environment and anti-corruption.
- **The Equator Principles**, a guidance to financial institutions for assessing social and environmental risks in project finance. Members implement the principles in their internal guidelines, processes and procedures for project finance.

- **The Principles for Responsible Banking (PRB)** which aims to raise awareness of and highlight the contributions to sustainable development being made by the global banking sector.
- **The principles for Sustainable Insurance (PSI)** consists of four principles which aim to boost economic, environmental and social sustainability.
- **Principles for Responsible Investment (PRI)** is a network of investors and service providers that work to implement principles for responsible investment.

Within the framework of investor networks, collaborations, and appeals supported by Handelsbanken Fonder, 17,754 companies were contacted in 2023. More information on Handelsbanken Fonder's engagement activities are available in their Sustainability and Engagement Report available at handelsbankenfonder.se.

Strategies

Handelsbanken's impact and dependency on biodiversity is mainly indirect, through the Bank's lending and investments activities. To be able to measure and contribute to positive change, Handelsbanken collaborates with different stakeholders in its work on biodiversity. Whilst this first report is tilted towards insights and findings, we consider these and continued insights in this field to be the foundation for more and further relevant strategies and actions to contribute to nature.

Identified nature-related dependencies, impacts, risks and opportunities

At an early stage of assessing nature and biodiversity, the dependencies and impacts, as well as the risks and opportunities, are interconnected. For example, a biodiversity hot spot identified on a forestry property could be both a potential risk and a potential opportunity depending on the operations carried out by the owner.

Long-term, biodiversity loss is a potential systematic risk because its impacts are pervasive, interconnected, and capable of triggering widespread economic and financial instability across multiple sectors and regions that can affect the global economy as a whole.

Organisations that contribute to biodiversity loss face regulatory risks and have the potential to develop into an indirect risk in the Bank's value chain. The transition to a more sustainable use of resources can on the other hand develop into a financing and investment opportunity for the Bank. Handelsbanken aims to work together with its customers and portfolio companies on their transitional journey.

Downstream

The Bank has concentrated on identifying and mapping out its interactions with nature across its operations and value chain in the Locate phase of the LEAP approach, answering which sectors Handelsbanken allocate capital to or provide products and services for, and what types of ecosystem or biomes are likely to be associated with these sectors and geographies. LEAP is an internal due diligence assessment process recommended by the TNFD. LEAP stands for Locate the interface with nature, Evaluate the dependencies and impacts on nature, Assess the nature-related risks and opportunities and Prepare to respond to, report on, material nature-related risks, aligned with the TNFD's recommended disclosures.

Lending

Loans are almost exclusively granted in Handelsbanken's four home markets; Sweden, Norway, the UK and the Netherlands. These are primarily located in the Boreal and Atlantic regions and to some extent also the Alpine regions of northern Scandinavia. These regions exhibit significant contrasts, from vast forest and wetland areas in the north to densely populated areas in the south. The Atlantic region experiences an oceanic climate and hosts large-scale agricultural and industrial zones.

Besides value-chain related pressures, the primary environmental pressures come from intensely managed areas where the dominant land use is commercial forestry. The Baltic Sea, with its long Swedish coastline, is prone to eutrophication. Mountains serve as crucial but vulnerable refuges for various species, as they provide large, unfragmented habitats with minimal human disturbance. Marine life is also under increasing threat from overfishing, pollution, water abstraction, and shipping traffic.

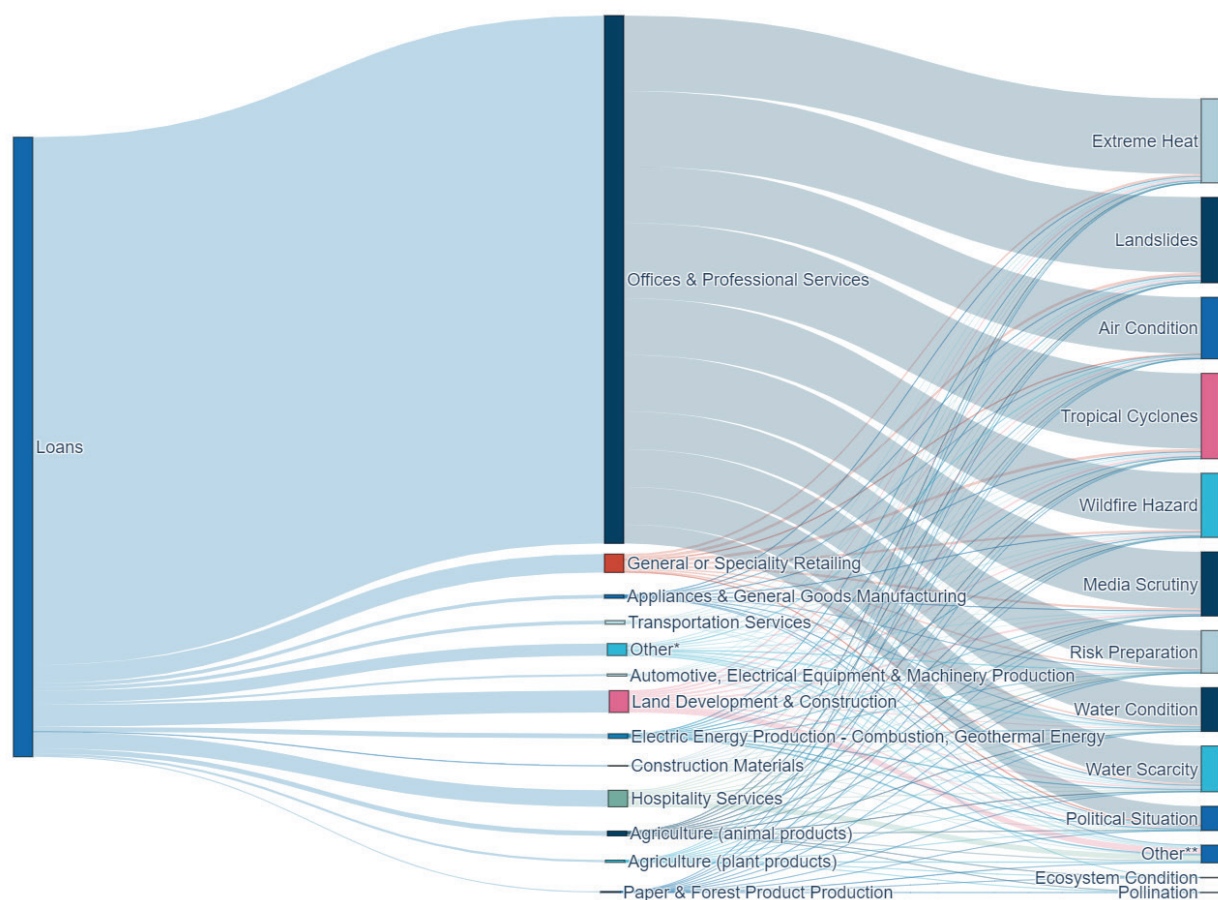


To assess Handelsbanken's exposure to potential nature-related risks and opportunities within the lending portfolio and its value chain, the first step is to identify the nature-related dependencies and impacts across the sectors that the Bank has exposure towards. This is also a first step to later being able to quantify financial risk, or nature-related value at risk, which is not included in this report. The WWF Biodiversity Risk Filter Inform Module has been used to provide preliminary insights on the potential exposure to dependencies and impacts on sectoral level for Handelsbanken's lending portfolio. This helps to better prioritise where and on what nature-related issues to further focus efforts. The results give the Bank an insight into which of the sectors are associated with potentially moderate and high dependencies and impacts on nature.

The result of using the WWF Biodiversity Risk Filter to identify the nature-related dependencies and impacts within Handelsbanken's lending portfolio is presented in two Sankey-diagrams on page 10-11, one where dependencies are presented and the other one showing the Bank's impacts. The Sankey diagrams illustrates the entry of loans, which then progress rightwards, redistributing across NACE Sections. The node size of each NACE Section is proportional to its financial value (exposure). Moving rightwards, the industries are further divided into the ecosystem services they have impact or depend on. The total height of the diagram represents the aggregate exposures held in the lending portfolio.

The WWF Biodiversity Risk Filter Inform Module

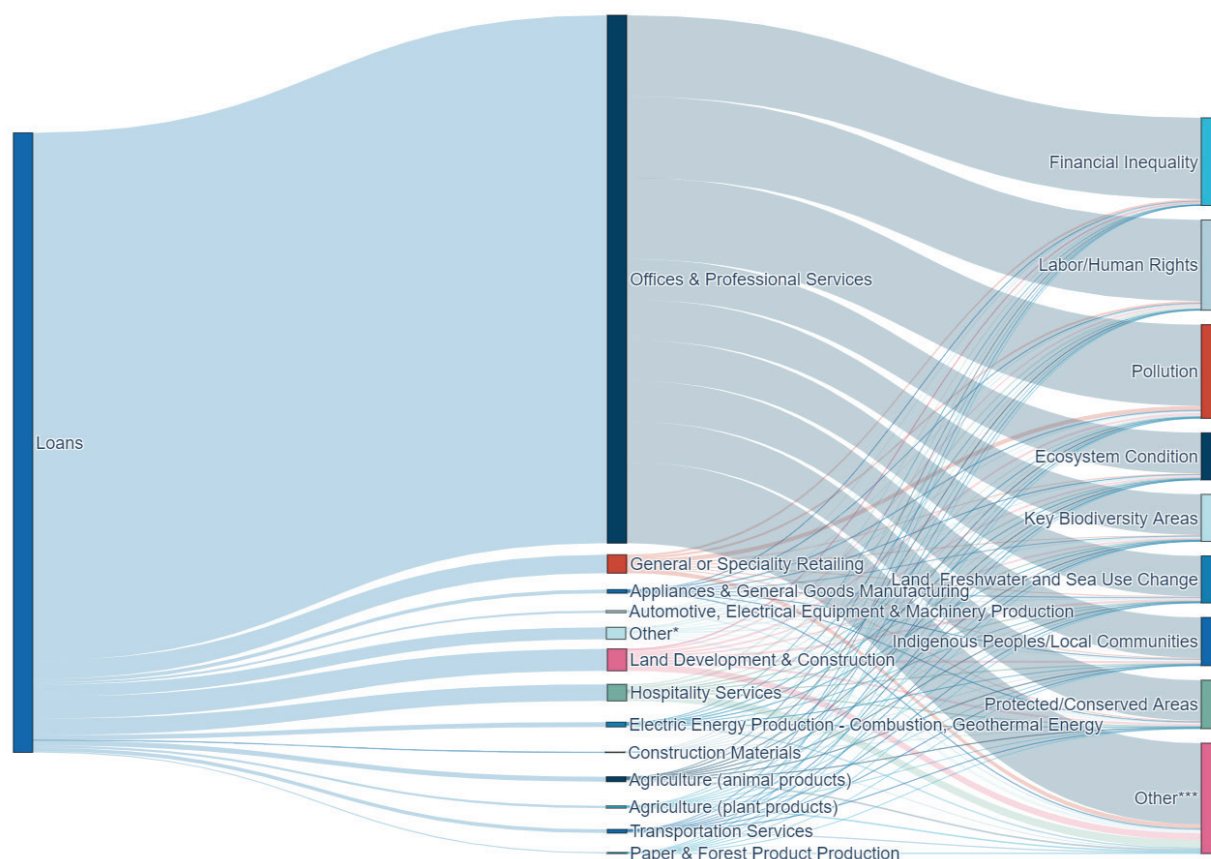
Each of the 25 industry sectors defined by the WWF Biodiversity Risk Filter has been assigned a dependency and/or impact rating for each of the 33 indicators in the BRF risk hierarchy, resulting in a total of 825 industry-indicator pairs. The ratings were on a scale from 1 to 5: a rating of 5 signifies a very high dependence or impact on the specific indicator, while a rating of 1 indicates a very low dependence or impact. If an industry has no dependence or impact on a specific indicator, a rating of 0 was assigned. The industry materiality ratings for assessing dependencies were based on work by ENCORE (2022), and for assessing impacts, they were based on work by SBTN (2020a). These ratings has been slightly adjusted following peer reviews with WWF experts, financial institutions, and companies to enable comparison between industry sectors and allow for meaningful aggregation of indicator scores into risk categories and types.



Sankey diagram of Handelsbanken's corporate lending portfolios financial exposure and their dependencies on ecosystem services. The left column specifies the asset classes included in the dataset, with the width of the flows illustrating the financial distribution to various NACE sections (central column). The right-hand flows, derived from the WWF Risk Filter, identify the dependencies of these NACE sections on ecosystem services (right column). The size of these flows indicates the intensity of the dependencies, adjusted for the financial value associated with each dependency.

* Includes Food & Beverage Production, Health Care & Pharmaceuticals, Metals & Mining, Electric Energy Production – Solar, Electronics & Semiconductor Manufacturing, Electric Energy Production – Hydropower, Telecommunication services, Water utilities / Water Service, Chemicals & Other Materials Production, Oil, Gas & Consumable Fuels, Fishing and aquaculture, Textiles, Apparel & Luxury Good, Food Retailing

** Includes Forest Productivity and Distance to Markets, Herbicide Resistance, Limited Marine Fish Availability, Limited Wild Flora & Fauna Availability, Plant/Forest/Aquatic Pests and Diseases, Sites of International Interest, Soil Condition, Tourism Attractiveness



Sankey diagram of Handelsbanken's corporate lending portfolios financial exposure and their impact on ecosystem services. The left column specifies the asset classes included in the dataset, with the width of the flows illustrating the financial distribution to various NACE sections (central column). The right-hand flows, derived from the WWF Risk Filter, identify the impacts of these NACE sections on ecosystem services (right column). The size of these flows indicates the intensity of the impacts, adjusted for the financial value associated with each impact.

* Includes Food & Beverage Production, Health Care & Pharmaceuticals, Metals & Mining, Electric Energy Production – Solar, Electronics & Semiconductor Manufacturing, Electric Energy Production – Hydropower, Telecommunication services, Water utilities / Water Service, Chemicals & Other Materials Production, Oil, Gas & Consumable Fuels, Fishing and aquaculture, Textiles, Apparel & Luxury Good, Food Retailing

*** Includes Invasives, Other Important Delineated Areas, Range Rarity, Resource Scarcity: Food - Water – Air, Tree Cover Loss

The core of Handelsbanken's lending operations is allocated towards real estate activities which is why the industry "Offices and Professional Services" stands for the vast majority of both dependencies and impact.

The analysis suggests that extreme heat, landslides, air condition, tropical cyclones and wildfire hazard are the physical risk indicators with the highest material dependency, i.e. combination of dependency score and financial exposure. The WWF BRF also include indicators for transition risks and among them points out reputational risk, where media scrutiny and risk preparation are the reputational factors with the highest materiality dependency score.

Regarding the impact analysis, pollution, ecosystem condition and key biodiversity areas are among the physical risk indicators with highest material impact. The reputational risk factors are most prominent among transition risks, with financial inequality and labour/human rights representing the most material impact.

One limitation to be aware of in solely using the WWF Biodiversity Risk Filter Inform Module is that while the industry materiality ratings provide initial insights into the significance of various industries in relation to biodiversity-related risks, they do not encompass all necessary information. These ratings help to understand how different corporate activities may impact biodiversity or rely on ecosystem services to varying degrees. This insight helps to identify and assess pivotal issues or supply chain elements that indicate industries with considerable impact or dependence. However, the module does not offer information about the likelihood of ecosystem service disruptions occurring within a given year, nor does it estimate the potential financial scale of such impacts. The module furthermore does not enable visualising individual companies' deviation from the sector at large, thereby disregarding that sectors have leaders and laggards with significant differences in risk. The impact and dependency analysis that has been conducted within this report has therefore not covered the assessment of nature-related financial risk associated with disruptions of ecosystem services.

As Handelsbanken has performed an initial impact and dependency analysis on the Bank's lending portfolio using the WWF Biodiversity Risk Filter, the Bank will continuously work to increase knowledge and gain tools for how to take further action on this initial analysis.

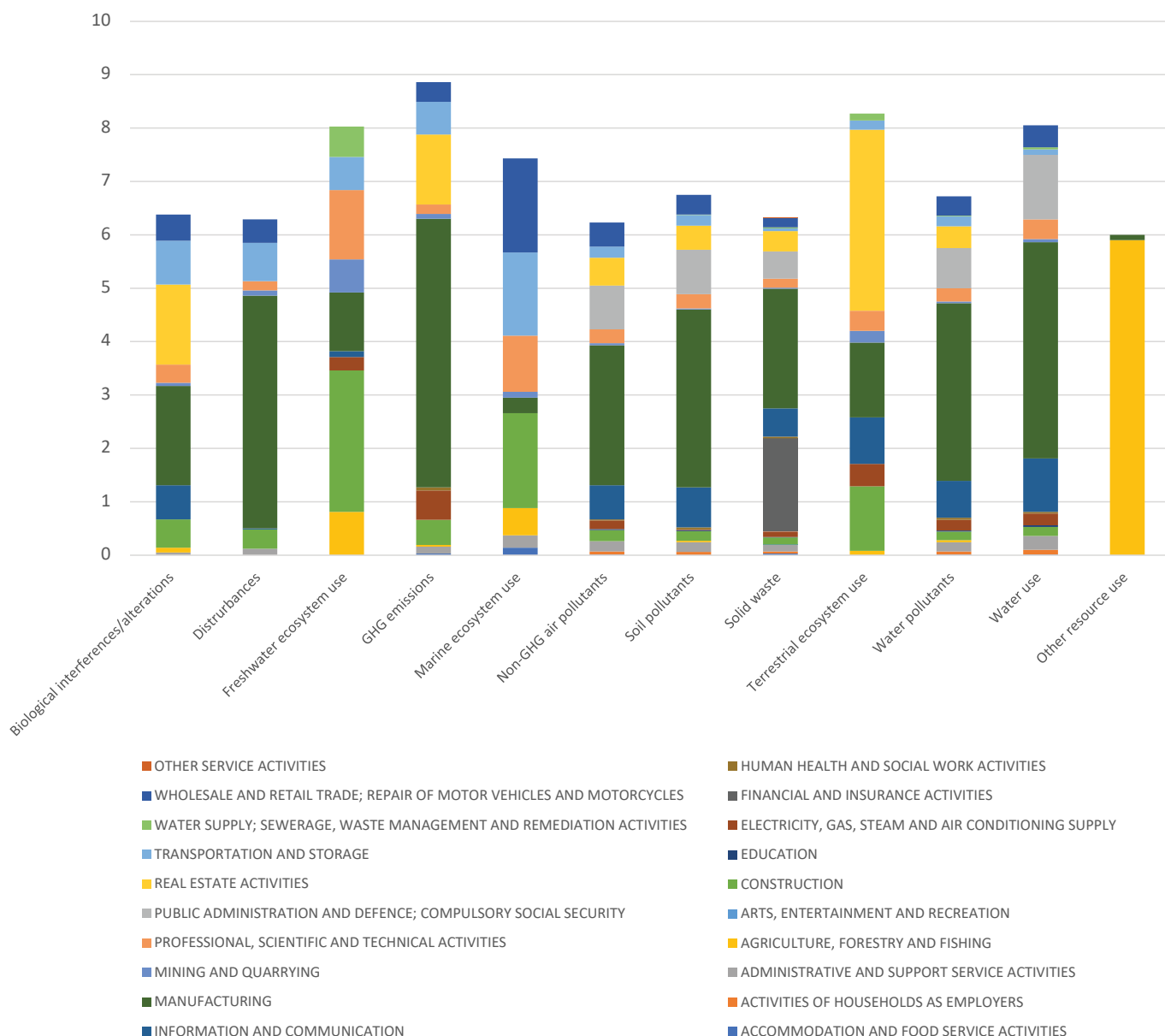
Investing

Handelsbanken Fonder have made an initial mapping of how the fund management company's investment portfolio at an overall level can, through its combined exposure to different sectors, be assumed to affect and be dependent on nature and its ecosystem services. The mapping provides an initial guidance in which sectors and areas may be relevant to evaluate more closely as an investor. The analysis is based on research-based assumptions about how sectors in general can be linked to the impact on different ecosystem services, as well as which ecosystem services the different sectors' production processes are primarily dependent on. The assessment is designed at global and sector level and does not take into account company-specific or geographically specific factors. The mapping was carried out using the tool Encore, developed by Global Canopy, UNEP FI and UNEP-WCMC

For risks related to impact drivers, Encore creates a risk score of 3 – 9, where 3 corresponds to a very low risk and 9 corresponds to a very high risk. The score is derived as a sum of the values for three underlying categories: i) Frequency, ii) Timeframe, and iii) Severity, each assigned a value of 1-3.

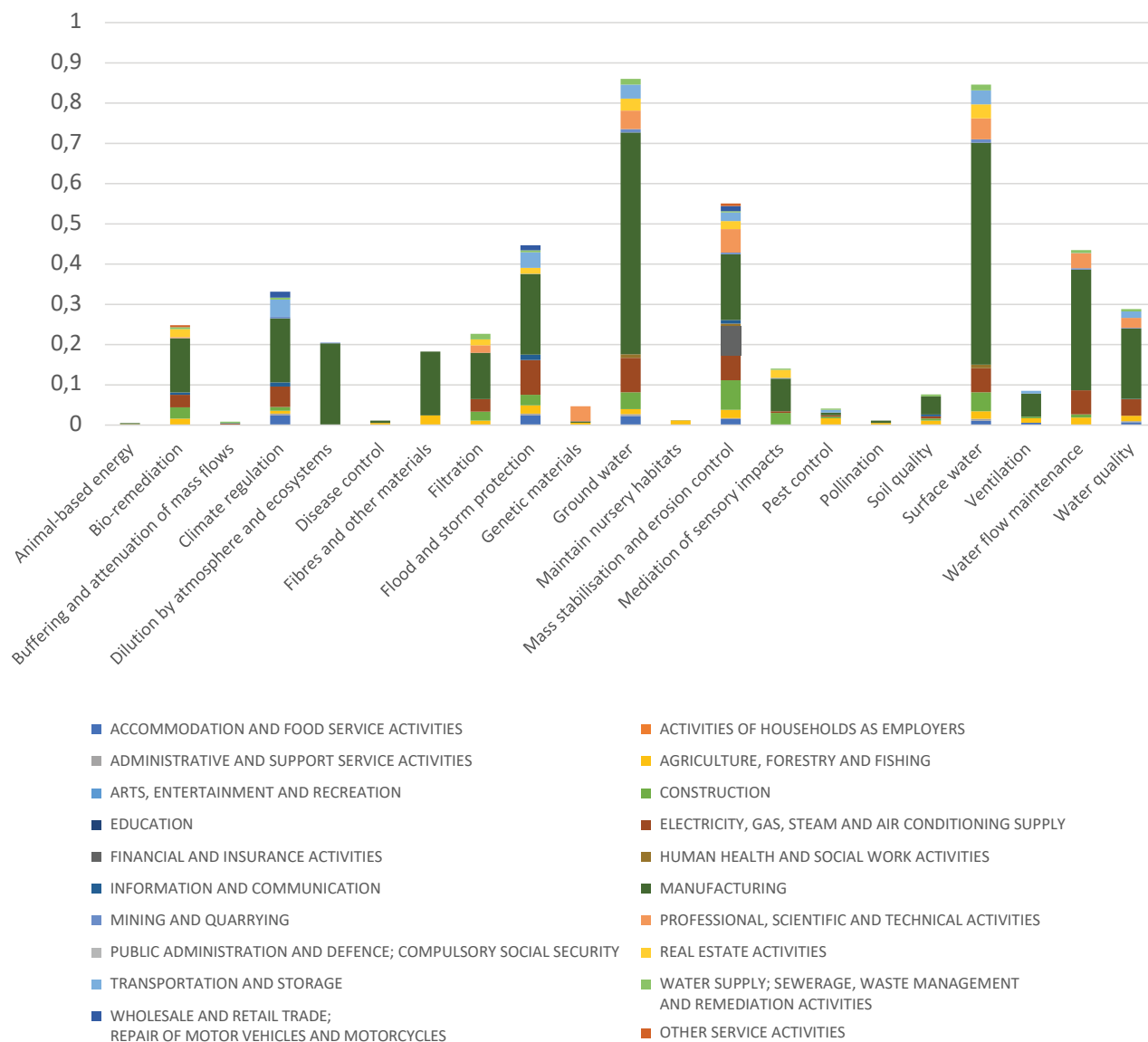
The weighted risk exposure per impact driver shows that GHG emissions, terrestrial ecosystem use, along with water use and freshwater ecosystem use, are the largest potential impact drivers of the total portfolio. To better understand the sources of the risk exposure, the results are shown for each sector – which highlights that the exposure to manufacturing companies is the largest contributor to the total risk exposure related to GHG emissions.

Weighted risk exposure score per impact driver

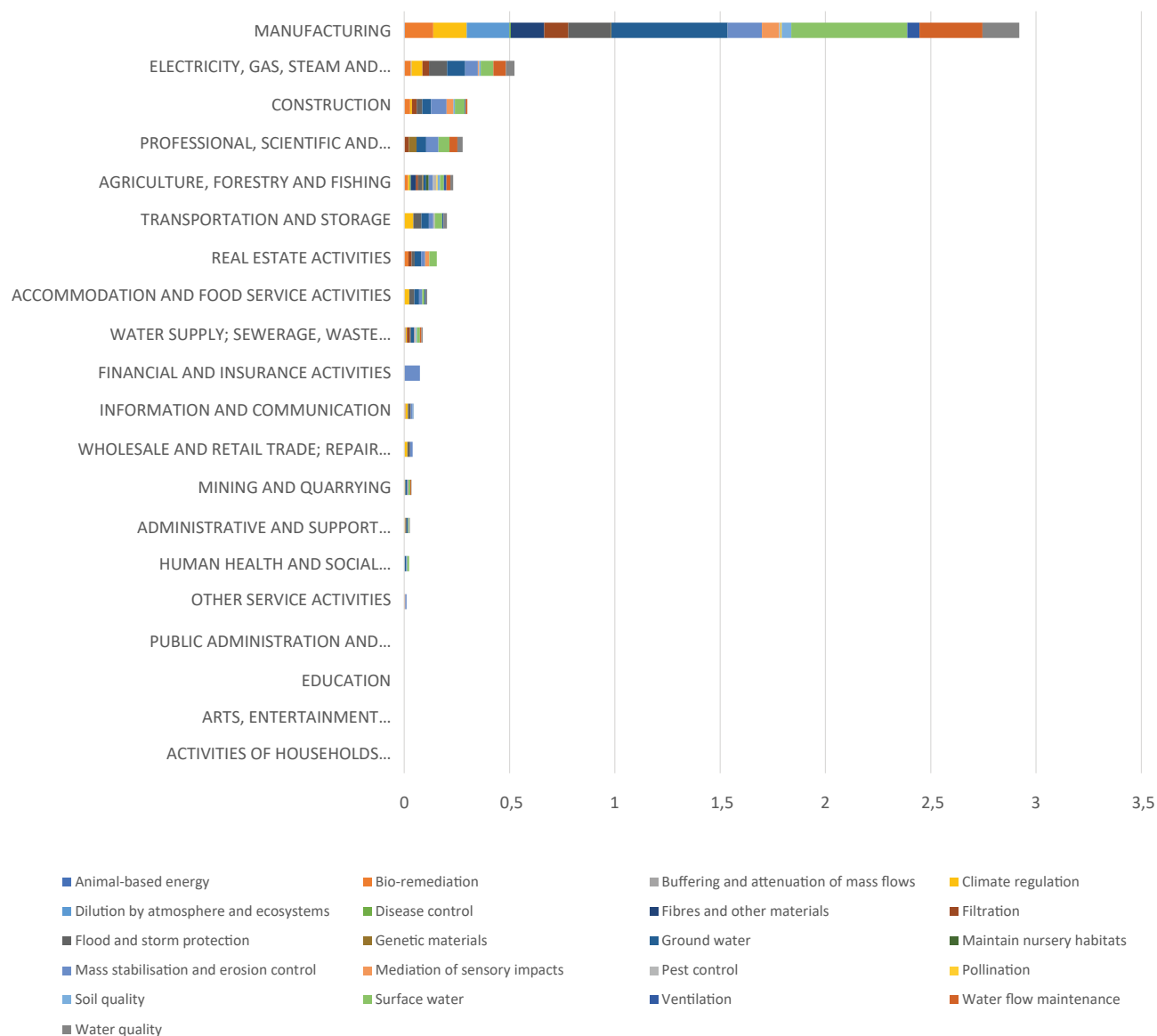


For risks related to dependencies on ecosystem services, Encore uses a similar scoring method as for impact drivers – where a higher value indicates a higher risk. The portfolio weighted score should however only be interpreted as a relative ranking of the risk exposures, rather than an absolute measure. The weighted risk exposure of dependencies per ecosystem service show three large potential dependencies on water: i) ground water, ii) surface water, and iii) water flow maintenance. Three other large dependencies are related to climate change mitigation and adaptation: i) mass stabilization and erosion control, ii) flood and storm protection, and iii) climate regulation.

Weighted risk exposure score per ecosystem service



Weighted risk exposure score of dependencies per sector



The weighted risk exposure of dependencies per sector shows that the portfolio's exposure to manufacturing companies represent the largest potential dependencies on ecosystem services. Overall, the mapping highlights sectors and issues that may be important to the fund company and provides guidance on prioritized next steps in the development of a biodiversity strategy. It is however important to note that the mapping does not highlight all spill-over effects of certain dependencies that may affect a larger part of the portfolio's exposure indirectly. An apparent example of this would ecosystem services such as pollination and soil quality, upon which all companies with employees are naturally dependent due to humans' need to food and nutrition.

Upstream and own operations

In the Bank's upstream value chain the most relevant drivers of nature change are climate change, land-use change and use of resources. As a financial institution, the Bank might not be as directly dependent on natural resources as a company in the manufacturing sector.

Effects on business model, Policies and Transition Plan

Handelsbanken's strategic focus will be on reducing the Bank's impact on the direct drivers of biodiversity loss, as identified in the Bank's double materiality assessment. Handelsbanken will do so working together with our clients and the companies we invest in.

To strengthen the analysis, Handelsbanken will also continue to evaluate its biodiversity and nature impact and dependencies, and risk and opportunities. In order to do so, the Bank collaborates with different societal stakeholders, such as the Mistra research programme BIOPATH, in which Handelsbanken is a lead partner, and the Business@Biodiversity Sweden, a platform for knowledge sharing, training and exchanging experiences in respect of biodiversity.

Downstream

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.

Business model

The Bank's best chance to make a positive impact is by supporting customers through their sustainable transition. By helping the Bank's customers – whether large companies, SMEs or private customers – to be more sustainable, Handelsbanken itself becomes more sustainable. Handelsbanken thus works actively to support and accelerate its customers' sustainable development. This takes the form of knowledge sharing, tools, and dialogue, within the framework of financing, in discussions regarding savings and by building close relationships with customers.

Lending

Handelsbanken has set a target for responsible finance for which the Bank will achieve its emissions reduction targets primarily by supporting customers via products and advisory services for reduced emissions and greater energy efficiency. In the Bank's [Green Bond Framework](#) updated in 2022, the Bank has included a category for biodiversity, specifically for financing in activities that promote, restore and/or preserve biological diversity such as protection and restoration of natural resources and ecosystems, and conservation and restoration of forest, woodlands and wetlands. Sustainable financing represents a growing segment and the market for sustainable finance is undergoing rapid development due to regulations and reporting requirements. The Bank reports its volume growth on an annual basis in the Annual and Sustainability Report. Read more about responsible financing in [Handelsbanken's Annual and Sustainability Report 2023](#).

Forestry and farming is one of the primary global causes of the loss of biological diversity. Land use change is one of the main sources of global greenhouse gas emissions. At the same time, responsible, sustainable forestry and farming is essential for maintaining and recreating sustainable ecosystems and a stable climate. Handelsbanken has a comprehensive offering to customers who own forest land or agricultural properties in Sweden. Work on implementing sustainability topics as a natural part of individual customer dialogues within forestry and farming continued in 2023, in line with the Bank's overall sustainability objective. Checklists and business support were gradually refined to help identify customer interests and needs linked to green and sustainable investments. The sector specific guidelines for forestry and farming was also updated and is available at handelsbanken.com.

Recognising the potential environmental and social impacts of large-scale projects, Handelsbanken became a signatory of the Equator Principles in 2016. The Equator Principles are a risk management framework for financial institutions for determining, assessing and managing environmental and social risks in projects. Since then, Handelsbanken has developed procedures, processes, and policy documents detailing how the Equator Principles are to be applied. More information is available at handelsbanken.com.

Handelsbanken's ambition over the coming years is to continue to improve and expand its development and range of products and services as well as its decision-making process to address nature and biodiversity.

Investing

Together with financial criteria, ESG factors are integrated into Handelsbanken Fonder's analysis and investment decisions. The purpose of the sustainability analysis is both to identify risks in companies' business models and to find companies at the forefront of the transition to sustainable development. The approach varies depending on the asset class and asset management strategy, but the work is based on the following three methods: inclusion of investments, exclusion of investments and active stewardship.

Sustainable bonds are one way of injecting capital to finance a company's sustainability initiatives, and the availability of various types of sustainable bonds on the bond market continues to grow. Handelsbanken Fonder's active fixed-income management has been monitoring this trend closely, and is a major investor in green, social and sustainable bonds.

An example is a sustainability-linked bond issued by a Brazilian company operating in the paper and packaging industry. The framework includes a goal for biodiversity, where the company aims to reintroduce two regionally extinct species and enhance at least four threatened species. More examples can be found in Handelsbanken's Sustainability and Engagement Report, available at handelsbankenfonder.se

Upstream

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.

IT-equipment

Group Technology, Data & Innovation is working proactively towards achieving carbon neutrality in Handelsbanken's IT operations by 2040. A transition plan has been developed that currently focuses on areas such as energy efficiency, life cycle optimisation and reuse of IT-equipment. The Bank's goal is to move as many Windows and Linux servers as possible from its own data centres to the cloud, which will create the conditions for enhancing energy efficiency and thereby reduce the Bank's carbon emissions. This is an ongoing process. At the same time, a review is being carried out in cooperation with the responsible units with the aim of eliminating data environments that are no longer in use. Please see further on the Bank's reuse and recycling program for IT-equipment on page 19.

Transition Plan

In 2023, Handelsbanken published its updated climate transition plan, outlining the overarching strategy of how the Bank will work to achieve its climate targets. Given that climate change is a material driver of biodiversity loss, the Bank's climate transition plan is material to the impact on biodiversity as well. The Bank has not defined a transition plan on biodiversity specifically, but the pathway is still clear. Through its operations and business relationships, Handelsbanken aims to encourage responsible, efficient use of natural resources and developments towards more circular business models 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 environmental and climate impact.

Resilience and scenarios

Transition to a greenhouse gas-neutral economy in line with Paris alignment is one important element of creating resilience both for the Bank and its customers. Handelsbanken's approach to actively support and accelerate its customers' sustainable development, together with its low and integrated risk tolerance, creates a solid starting point for resilience against biodiversity loss.

In a longer perspective, biodiversity loss is recognised as a global systemic risk. Handelsbanken will strive to incorporate nature and biodiversity into its scenario analyses and collaborates with other stakeholders to develop method to integrate nature and biodiversity into financial planning.

Disclosure of Priority Locations

Priority locations, according to the TNFD, are material or sensitive areas where nature-related considerations significantly impact decision-making and risk management. Analyses of supply chain dependencies and impacts are so far mostly limited to sectorial proxies with limited geographical input, cau-

sing limitations in the Bank's ability to identify priority locations downstream. In its own operations Handelsbanken does not have any priority locations in scope of this report.

In asset management, sensitive locations could partly be disclosed using the principal adverse impact indicator nr 7, activities negatively affecting biodiversity sensitive areas. It's an indicator included in the Sustainable Finance Disclosure Regulation (SFDR) and is disclosed under the section Metrics and Targets. As a bank with a significant exposure towards real estate, representing more than 80 per cent of the Bank's total lending, it is a sector where Handelsbanken can be assumed to have a major impact. Since loans secured by real estate are a core business for Handelsbanken, it comes with the opportunity to use location-based data on property level for the Bank to explore and understand the means the Bank can use to identify location-specific risks and opportunities in the areas where the Bank's financed securities are located. To strengthen the sector analysis presented in the Strategy section, the Bank has performed a case study on how location specific data can be used to provide insights regarding nature and biodiversity.

The case study was carried out using data from official sources, Nationella Marktäckedata, Swedish Forest Agency and Lantmäteriet, which were then matched with the properties classified as forest and agricultural and held as on-balanced securities in Handelsbanken. This sector was chosen because it can be assumed that there are some sensitive locations within that sector of which the Bank wants to analyse its interface with. Regarding the data from official sources, the Bank has selected a number of metrics that it considers suitable to draw indicative conclusions about the conditions for biodiversity locally. The chosen biodiversity metrics are held at property level for the given portfolio and were delivered in the form of total amount of hectares that each indicator represents for Handelsbanken's individual mortgaged forest and agricultural properties in Sweden.

The indicative metrics used in the case study are:

- Forest outside Wetland
- Arable Land
- Trivial Deciduous
- Pasture
- Forest on Wetland
- Open Wetland
- Noble Deciduous
- Lakes and Watercourses
- Trivial and Noble Deciduous Total
- Key Biotopes
- Mountainous Areas
- Sea

The result of the case study is disclosed under the section Metrics and Targets.

Nationella Marktäckedata is a national raster format map data (pixel data) with a resolution of 10 x 10 meters. The official reference year for Nationella Marktäckedata is 2018, and information retrieved from it can be considered to reflect 2018. For tree species classification, an update has been made using current information on harvests carried out after 2017-01-01. This information is obtained from the Swedish Forest Agency. The mountainous border is an official boundary obtained from the Swedish Forest Agency. Information on arable and pasture land is obtained from the Swedish Board of Agriculture and refers to the latest officially published block data, which pertains to 2022. Information on key biotopes was retrieved from the Swedish Forest Agency on 2023-10-20.

Risk Management

All types of sustainability related risks are managed using Handelsbanken's decentralised model for risk assessment which is described in this section. Acknowledging that nature-related impact, dependencies, risks and opportunities are complex and evolving, Handelsbanken strives to develop methods to be able to map and assess these factors and is working together with different stakeholders to do so.

Processes for assessing and managing sustainability risks

Handelsbanken has two processes that are essential for all sustainability related risks: a materiality assessment and an integral risk assessment.

Materiality assessment

In the materiality assessment, the Bank has identified, assessed and prioritised actual and potential impacts, considering economic, environmental and social perspectives, including the effects on human rights.

Using the results of the materiality assessment, the Bank defines the most material sustainability topics to be focused on, followed up, reported and communicated within financing, savings and investments, advisory services and corporate social responsibility.

Within the framework of the Bank's activities to prepare for and implement the new Corporate Sustainability Reporting Directive (CSRD), a double materiality assessment was performed during the autumn in accordance with the associated European Sustainability Reporting Standards (ESRS). The result of the double materiality assessment will then form the basis of the Sustainability Report for 2024. The assessment was based on two dimensions: impact materiality and financial materiality.

Integral risk assessment

Activities for managing sustainability risks follow Handelsbanken decentralised model and are aligned with the Bank's generally low tolerance of risk. The Bank's business operations bear the responsibility for identifying and managing sustainability risks. This is done within a framework of established processes for risk management.

A number of leading conventions and guidelines for managing sustainability risks :

- Task Force on Climate-related Financial Disclosure (TCFD).
- UN Environment Programme Finance Initiative (UNEP FI).
- EBA Guidelines on loan origination and monitoring.
- Partnership for Carbon Accounting Financials (PCAF).
- Science Based Targets initiative (SBTi).
- UN Principles for Responsible Banking (PRB).
- UN Principles for Responsible Investment (PRI).
- Equator Principles.
- Taskforce on Nature-related Financial Disclosures (TNFD).
- UN Universal Declaration of Human Rights.
- International Labour Organisation's core conventions.
- UN Convention on the Rights of the Child.
- UN Guiding Principles on Business and Human Rights.
- Children's Rights and Business Principles.
- UN Global Compact.
- UK Modern Slavery Act.
- EU legislation for anti-money laundering and customer due diligence.
- ISO 27001 international standard.
- Standard of Good Practice produced by Information Security Forum (ISF).

Metrics and Targets

Nature disclosure metrics are not yet as established as carbon footprint metrics within climate reporting. Handelsbanken collaborates with different stakeholders to find new ways of integrating nature into financial-planning and encourages its clients, and companies Handelsbanken invests in, to evaluate their impact and dependencies on nature. As this work progress, when more parts of the Bank's value chain disclose their own nature disclosure, Handelsbanken will be able to more thoroughly analyse its own portfolios.

Metrics

The metrics presented in this report are explorative. They may not cover all the criteria in the TNFD-framework, nor give the full picture of Handelsbanken's total impacts and dependencies on nature. However, they provide an insight of the Bank's current progress of working with nature disclosure metrics.

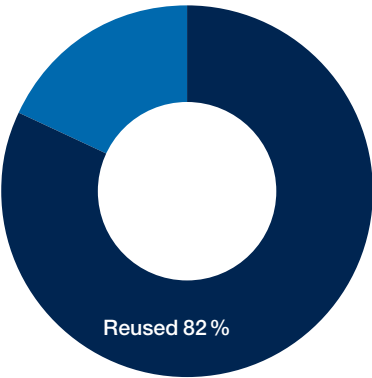
Own operations

Even though Handelsbanken does not consider own operations to be in scope of this report, the Bank still considers efficient resource use to be an important topic. The Bank's IT-equipment, computers and screens are reused or recycled within a supplier program. In 2023, this corresponded to approximately 800 tonnes of CO2 emissions avoided. Nearly 30 tonnes of equipment were handled within the program. The proportion of recycled or reused devices within the program was 100 per cent.

Lending

In the case study conducted by Handelsbanken on the forest and agricultural lending portfolio in Sweden, an effort was made to measure and provide insights from location-specific data to explore the possibilities to integrate nature and biodiversity in the dialogue with the Bank's customers operating within the forest and agricultural sector. The indicative metrics that the Bank used to draw conclusions about the conditions for biodiversity locally were delivered in the form of total amount of hectares that each indicator represents for Handelsbanken's individual pledged forest and agricultural properties in Sweden. These metrics were then processed with the Bank's data on exposure and valuation, resulting in two metrics presented in the figures below; Normalised Exposure per Indicative Biodiversity Metrics and Financed Indicative Biodiversity Metrics .

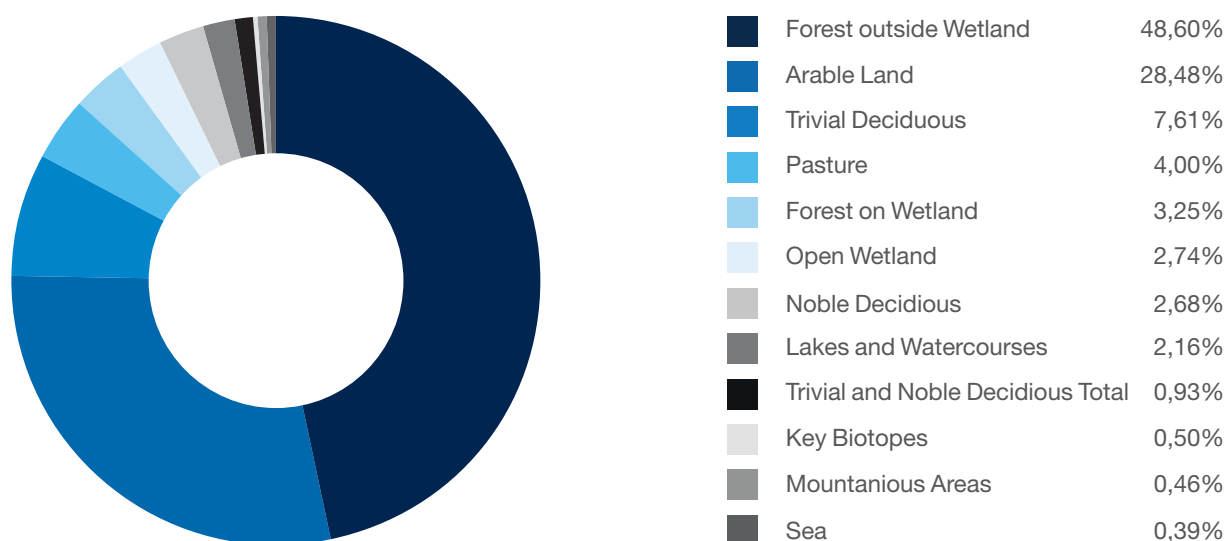
Percentage of reused/recycled units



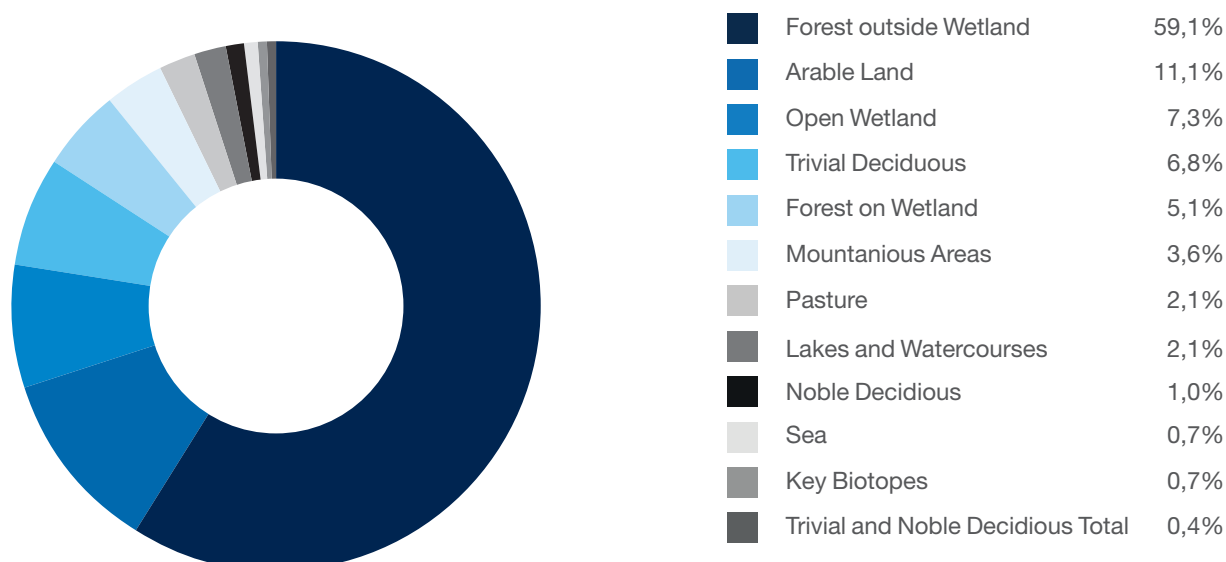
Resources used in our home markets	2023
Paper use	516 tonnes
Water consumption	77,857 m³

It was not possible to strictly convert the number of hectares each indicator represented per property from the original data, as the total hectares associated with each indicator might not be fully financed by Handelsbanken . Therefore, it was necessary to develop a separate metric for hectares related to our financed properties to gain insight into the number of hectares with biodiversity metrics that the Bank has financed which is presented in the “Financed indicative biodiversity metrics” diagram.

The calculations for this case study are based on data as of September 30, 2023 and only includes on-balance sheet exposures. For inclusion in the analysis, the base requirement is that the exposure is secured by a mortgage on immovable property. As eligible exposures are the only part of the exposure which has an attributed real estate collateral according to Handelsbanken's capital requirements allocation, it is possible that an agreement can have a larger exposure than included in the analysis.

Normalised exposure per indicative biodiversity metric (%)

The diagram presents normalised exposure (%) per biodiversity indicator within forestry and agricultural lending portfolio in Sweden. Normalised means that the Bank has taken into account that the total hectares, when summing up the individual metrics, can exceed the total hectares for the property, i.e. the different metrics may overlap, causing the number of hectares to add up to more than 100 per cent. Normalising means to divide the relative shares for each indicator by the sum of the shares to obtain the share that each indicator represents.

Financed hectares biodiversity metric (%)

This diagram presents the total financed hectares (%) per biodiversity indicator. Financed is calculated by multiplying the number of hectares per indicator with an attribution factor. The attribution factor is calculated by dividing the exposure with the valuation, serving the percentage of total exposure that Handelsbanken has financed. By multiplying the attribution factor by the number of hectares per indicator it is possible to determine how many hectares Handelsbanken has financed. The Bank will consider the results from this case study in further development of agricultural and forestry lending business activities. For example, it may further on serve as a source to provide the Bank's customers with insights or relevant advisory services within the topic of nature and biodiversity.

Investing

As a major investor and owner, Handelsbanken Fonder has a responsibility and an opportunity to influence companies to act responsibly and run their operations in a sustainable manner. Active stewardship is carried out in a number of ways.

In 2023, Handelsbanken Fonder held direct dialogues with 199 companies. Of them, 80 were held with companies on climate, 53 on human rights and 27 on biodiversity. Within the framework of investor networks, collaborations and statements supported by Handelsbanken Fonder, 17,754 companies have been contacted during 2023. For more information, please visit handelsbankenfonder.se.

SFDR PAI indicators

In the additional guidance for financial institutions, TNFD provides a mapping of how the Sustainable Finance Disclosure Regulation (SFDR) maps against the TNFD metrics. SFDR is an EU-regulation intended to help investors to assess how sustainability risks are integrated in the investment decision process. It contains several mandatory indicators of Principal Adverse Impacts (PAI). Handelsbanken Fonder have chosen to include a set of voluntary indicators, above the minimum requirements, to provide a broader disclosure of nature-related impacts. A full statement of how Handelsbanken Fonder AB considers principal adverse impacts of its investment decisions on sustainability factors is available at handelsbankenfonder.se

Drivers of nature change	PAI-indicator	Description	Result
Climate change:	Table 1, indicator 1. Greenhouse gas emissions	Scope 1 greenhouse gas emissions	1,468,047 tCO ₂ e
	Table 1, indicator 1. Greenhouse gas emissions	Scope 2 greenhouse gas emissions	528 705 tCO ₂ e
	Table 1, indicator 1. Greenhouse gas emissions	Scope 3 greenhouse gas emissions	36,336,407 tCO ₂ e
	Table 1, indicator 1. Greenhouse gas emissions	Total greenhouse gas emissions	38,333,158 tCO ₂ e
	Table 1, indicator 1. Greenhouse gas emissions		
Land/freshwater/ocean use change:	Table 2, indicator 10. Land degradation, desertification, sealing of soil	Share of investments in investee projects whose activities cause soil degradation, desertification or sealing of land	11,00%
	Table 2, indicator 15. Deforestation	Share of investments in companies without a policy to address deforestation	81,42%
Pollution/pollution removal	Table 1, indicator 8. Discharge to water	Tonnes of water emissions generated by investees per million euros invested, expressed as a weighted average	1.40 t/mEUR
	Table 1, indicator 9. Hazardous waste and radioactive waste	Tonnes of hazardous waste and radioactive waste generated by investees per million euros invested, expressed as a weighted average	3.27 t/mEUR
	Table 2, indicator 1. Emissions of inorganic pollutants	Tonnes of inorganic pollutants equivalent to per million EUR invested, expressed as a weighted average	0,00 t/mEUR
	Table 2, indicator 2. Emissions of air pollutants	Tonnes of air pollution equivalent to per million euros invested, expressed as a weighted average	0.02 t/mEUR
	Table 2, indicator 3. Emissions of substances that deplete the ozone layer	Tonnes of ozone-depleting substances equivalent to per million euros invested, expressed as a weighted average	0.03 t/mEUR
	Table 2, indicator 13. Non-recycled waste quota	Tonnes of non-recycled waste generated by investees per million euros invested, expressed as a weighted average	73.79 t/mEUR

Drivers of nature change	PAI-indicator	Description	Result
Resource use/ replenishment	Table 2, indicator 6. Water use and recycling	1. Average amount of water consumed by the investee (in cubic metres) per million EUR of revenue of the investee companies	1 516.65 m3/mEUR
	Table 2, indicator 6. Water use and recycling	2. Weighted average share of water recycled and reused by investee companies	100.45%
	Table 2, indicator 7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	17.69%
	Table 2, indicator 8. Exposure to areas with high water stress	Share of investments in investee companies with sites located in areas of high water stress without a water management policy	No data
	Table 2, indicator 11. Investments in companies without sustainable land/agricultural practices	Share of investments in investee investments without sustainable land/agricultural practices or policies	No data
	Table 2, indicator 12. Investments in companies without sustainable ocean/seas practices	Share of investments in investee companies without sustainable oceans/seas practices or policies	93.91%
State of nature	Table 1, indicator 7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	1.76%
	Table 2, indicator 14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species	No data
	Table 2, indicator 14. Natural species and protected areas	2. Share of investments in investee investments without a biodiversity protection policy covering operational sites owned, leased, managed in or, adjacent to a protected area or an area of high biodiversity value outside protected areas	1.23%

Metrics and targets – goals

Since Handelsbanken is in an early phase of adapting to TNFD, the metrics presented in this report are not part of a goal or target. Alongside the Bank's overarching sustainability goal *To be, and to be recognised as, the most sustainable bank among peer competitors*, the Bank has other sustainability targets already in place that cover its work on nature as well, including:

- Achieve net zero emissions of greenhouse as soon as possible, and by 2040 at the latest. This applies to our business operations, for example lending, leasing and investments, but also the emissions deriving from our own operations such as energy consumption, business travel and the purchases of goods and services.

Handelsbanken has also established several climate goals for 2030 in line with the objective to keep the global mean temperature increase below 1.5°C. The transition plan sets out the Bank's overall strategy for working towards these goals. Progress on the climate targets is disclosed in the Bank's transition plan and in Handelsbanken's Annual and Sustainability Report 2023 available at handelsbanken.com.

In addition to the climate goal, the Bank works actively on measuring and growing the volume of green financing, social financing or financing that contributes to the borrower's measurable sustainable transition, the volumes of which are reported annually in the [Bank's Annual and Sustainability Report 2023](#) and have grown substantially over the last years and are also reflected in several issuances by the Bank of green bonds.

Handelsbanken Fonder's strategic goals for investment are:

- By 2030, reduce carbon intensity by 50 per cent, double investments in environmental and climate change solutions.
- By 2025, achieve a 30 per cent increase in sustainable investments and have increased engagements activities with positive results each year.

Progress on these targets is disclosed in Handelsbanken Fonder's Sustainability and Engagement Report available at handelsbankenfonder.se.

Read more about Handelsbanken's Sustainability Goals in [Handelsbanken's Annual and Sustainability Report 2023](#). Handelsbanken will continue to develop and evaluate relevant metrics covering lending and investment activities that enable the Bank to set goals within its lending operations and asset management. The Bank will, within the scope of the Bank's reporting in accordance with CSRD, disclose its targets and work ahead in relation to nature and biodiversity for these businesses.

End note – Next steps forward

Handelsbanken will continue to collaborate with different stakeholders in society in order to further integrate nature into financial planning. Biodiversity loss is an ongoing crisis with a serious potential of disturbing stability in economies locally and globally. As the Bank has performed an initial impact and dependency analysis on its lending operations and asset management portfolio, the mapping has highlighted sectors and ecosystem of particular interest to further review in order to advance the Bank's strategies for nature and biodiversity moving forward. The Bank will continue to develop its mapping and disclosure of nature-related risks, opportunities, impacts and dependencies, and encourages customers and companies that Handelsbanken invests in to do the same.

Furthermore, the Bank will work closely with its customers to drive developments aligned with the strategic focus on reducing the Bank's impact on the direct impact drivers of biodiversity loss. As the Bank continuously develops and improves its assessment of nature and biodiversity impacts and dependencies, it creates an understanding of the customer's need for transition, and how Handelsbanken can support them on that journey.



We would like to express our sincere gratitude to all the individuals and teams whose guidance, cooperation, and dedication made the successful completion of this report possible. For further information about this report, please reach out to:



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