

ENVIRONMENT AND CLIMATE CHANGE – HANDELSBANKEN'S GUIDELINES

established by the Group Chief Executive on 12 May 2021

Handelsbanken's view is that responsible actions are essential to long-term value creation. Long-term business relationships, low risk-taking and cost-awareness are cornerstones of Handelsbanken's business culture. They form the basis of successful banking operations being run in a responsible, sustainable manner.

The purpose of these guidelines is to make clear the Handelsbanken Group's (i.e. Handelsbanken's) view, approach and activities pertaining to environmental and climate-related matters. These guidelines should provide a guide for decision-making and establish the basis for instructions for the business operations. These guidelines apply throughout Handelsbanken and to all its operations, e.g. financing, asset management, advisory services, product development and purchasing.

Background

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

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

Individual players cannot resolve all the challenges associated with environmental damage and climate change. Instead, international co-operation, shared responsibility and global efforts will be required. As an important provider of financial services, Handelsbanken has a role to play in the realisation of the Paris Agreement, etc. and in the changeover to a sustainable economy.

Handelsbanken's undertakings

Handelsbanken's goal is to actively work to minimise its direct environmental impact by constantly developing its environmental activities, taking into account developments in the community and in technology. This is to be achieved through high resource efficiency, reuse and recycling. Emissions linked to operations are to be reduced over time, well in line with the Paris Agreement, and with the aim, for example, of eliminating sources of greenhouse gas emissions in the Bank's operations. Where this is not feasible, emissions must be minimised.

Handelsbanken is to carry out climate compensation for the remaining emissions. Projects and methods for climate compensation must be selected taking into account the actual reductions in emissions that we cannot assume would have been achieved without the climate compensation funding.

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

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

Through its operations, Handelsbanken is to work actively to ensure a transition to a greenhouse gas-neutral economy, in line with the Paris Agreement. This also entails the expectation that companies with which Handelsbanken has business relations pursue their operations in line with the long-term goals of the Paris Agreement, e.g. by transitioning to renewable energy production. Handelsbanken is to work to ensure that companies exposed to climate-related risks increase their transparency and reporting in line with international frameworks and evolving standards.

Handelsbanken must be aware of, and act upon, the risks associated with the extraction and usage of fossil fuels¹ among the companies with which the Bank has business relations. It is a matter of the risks linked to climate change and environmental damage, as well as to corruption and human rights. The basic principle is that credit is not to be granted/investments are not to be made in cases where the risks are deemed to be too high. Special caution must be exercised when it comes to companies that are involved in extraction of unconventional fossil fuels² or of particularly high-risk extraction.³

Handelsbanken must not directly finance companies that are involved in the new mining of coal or new coal power plants, or companies that use the hydraulic fracturing extraction method (i.e. fracking), or companies involved in the exploitation of oil sands. Nor will the Bank initiate new business relations with companies that are active in mining coal or with energy companies that are dependent on coal and are not working actively to ensure a

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

² For example oil sands, oil shale, heavy crude oil, shale oil, shale gas.

³ This relates to the extraction of oil and gas where the geographical area entails increased risk. For example: ecologically sensitive areas (such as the Arctic), technically complex extraction such as deep sea drilling, or socially sensitive areas such as conflict zones.

transition to renewable energy production, at a pace that is in line with the long-term objectives of the Paris Agreement.

Biodiversity is an area that is closely linked to environmental and climate change, and sustainable development in the community. Biodiversity⁴ is defined as the variability among living organisms from all sources, including from terrestrial, marine and other aquatic ecosystems and the ecological complexes of which these organisms are part; this includes diversity within species, between species and of ecosystems. Biodiversity is shrinking at an increasing rate. This is a serious environmental issue that threatens species, ecosystems and ecosystem services such as food security and the amenity value of nature. Through its operations and business relationships, Handelsbanken aims to encourage sustainable business models which factor in biodiversity and aim to minimise damage or contributions to negative development.

The earth's limited natural resources⁵ are being used at an increasing rate, which entails risks to the environment and climate, as well as to human beings and the community. It is therefore vital that natural resources are managed carefully and efficiently throughout their life cycle, which encompasses extraction, transport, refining and consumption, as well as recycling and waste management. Through its operations and business relationships, Handelsbanken aims to encourage responsible, efficient use of natural resources and developments towards more circular business models⁶ that contribute to sustainable production and consumption of products and services. The transition to a circular economy has great potential to reduce resource utilisation, and thus limit the environmental and climate impact.

How Handelsbanken works

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

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

Handelsbanken's direct environmental work is co-ordinated centrally. This work includes supporting the integration of environmental aspects into business operations, as well as compiling and reporting environmental impact, including greenhouse gas emissions. Handelsbanken must measure, evaluate and report its environmental and climate-related activities in a transparent manner. This reporting is to be in line with the accepted

⁴ See the UN Convention on Biological Diversity

⁵ Examples of such resources include water, energy, metals, minerals and forest.

⁶ Circular business models are a cycle rather than a linear process, which entails, for example, recycling and re-creation of products and services.

frameworks and standards. This also entails developing tools and methods for better measurement and management of climate-related risks, e.g. in the form of climate-related scenario analysis.

Relevant initiatives, guidelines and conventions

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

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

A. Initiatives and guidelines

- CDP
- The Equator Principles
- Montreal Carbon Pledge
- The UN Principles for Responsible Banking (PRB)
- The UN Principles of Responsible Investment (PRI)
- The UN Environmental Programme Finance Initiative (UNEP FI)
- The UN Global Compact
- The UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- International Finance Corporation's Performance Standards

B. International conventions and agreements

- The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
- The UN Framework Convention on Climate Change (UNFCCC)
 - The Kyoto Protocol
 - The Paris Agreement
- The Convention on Wetlands of International Importance, especially as Waterfowl Habitat (the Ramsar Convention)
- The International Convention on Civil Liability for Oil Pollution Damage
- The Convention on Biological Diversity

- The Convention on International Trade in Endangered Species of Wild Fauna and Flora
- The Convention on the Conservation of Migratory Species of Wild Animals
- The Convention Concerning the Protection of the World Cultural and Natural Heritage (the UNESCO Convention)
- The UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (the Aarhus Convention)
- The Rio Declaration on Environment and Development