

Guidelines regarding business relations with companies with operations within fossil fuels

Established by the Group Chief Executive on 8 June 2016

These guidelines describe the Handelsbanken Group's view of business relations with companies operating within the extraction of fossil fuels or energy production based on fossil fuels. The purpose of these guidelines is to guide the Handelsbanken Group's work and to establish the basis for instructions for business operations with regard to fossil fuels. These guidelines apply throughout the Handelsbanken Group's operations, e.g. granting credit, asset management*, payment transfer services and deposits.

Background

The Handelsbanken Group supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability. These initiatives and guidelines represent an important basis for the Handelsbanken Group's work with sustainability.

In accordance with the targets internationally agreed upon at the COP21 climate change conference in Paris in December 2015, all players in the community must work actively to sharply reduce emissions of greenhouse gases. At the same time, the world is currently dependent on energy from fossil fuels. Combustion of fossil fuels such as coal, oil and gas gives rise to emissions of harmful particles and greenhouse gases. If the targets internationally agreed upon at the COP21 climate change conference in Paris are to be achieved, it will probably not be possible for a high proportion of the known current fossil fuel reserves to be combusted. The combustion of coal in energy production represents the single largest component of greenhouse gas emissions.

In addition to the emissions during the combustion process, fossil fuels are associated with other environmental and social risks in the extraction process. Extraction of unconventional energy sources, as well as mines, etc. that are difficult to access, also entail higher environmental and social risks.

General principles

Through its operations, the Handelsbanken Group aims to seek, encourage and contribute to sustainable development. Therefore, the Handelsbanken Group's intention is to contribute to the actions that will gradually lead to a changeover to renewable energy sources and greater energy efficiency.

Reduced negative impact

The Handelsbanken Group must be aware of, and act upon the risks associated with, fossil fuels in 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, etc. 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 unconventional or particularly high-risk extraction of fossil fuels (see definition below).

The Handelsbanken Group must seek to minimise its negative impact through lending, investment, etc. of customers' funds (for example in mutual fund management) in companies whose operations consist of extraction of, or energy production based on, fossil fuels, which are not actively working to ensure a changeover to renewable energy sources.

Coal

The Handelsbanken Group shall not, by granting credit or investing customers' funds, directly finance new mining of coal for combustion or new coal power plants. Nor shall the Handelsbanken Group initiate new business relations with companies that are active in mining coal for combustion, or with energy companies that are dependent on coal and are not working actively to ensure a transition to renewable energy sources.

Implementation

Application of, and compliance with, these guidelines is regulated in the policy documents for the Handelsbanken Group's various operations. It is the responsibility of every unit involved to ensure that the relevant policy documents are formulated so that these guidelines are applied and complied with in the unit's operations.

Relevant initiatives, voluntary guidelines and conventions:

The Handelsbanken Group supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability. Such initiatives and guidelines, together with the relevant internationally agreed environmental conventions, constitute an important basis for the

*) certain exceptions are made for index management – see Xact Kapitalförvaltning's Policy for responsible investment

Handelsbanken Group's environmental activities. In the area of fossil fuels, the following initiatives and guidelines can be mentioned in particular:

- The UN Principles of Responsible Investment (PRI)
- The UN Environmental Programme Finance Initiative (UNEP FI)
- The UN Global Compact, particularly principles 7, 8 and 9
- The OECD Guidelines for Multinational Enterprises, particularly Chapter VI

The principles of the following international conventions and agreements, etc. are incorporated in the above initiatives and guidelines:

- The Rio Declaration on Environment and Development
- The UN Framework Convention on Climate Change, including:
 - The Kyoto Protocol (1998)
 - The Paris Agreement (2015)

Definitions

Fossil fuels

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.

Unconventional oil and gas

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

Particularly high risk extraction

This relates to the extraction of oil and gas where the geographical area entails particularly high risks or difficulties – e.g. ecologically sensitive areas (such as the Arctic) and deep sea drilling. It also includes socially sensitive areas such as conflict zones.