

Sustainability Report 2017



Handelsbanken

Sustainability at Handelsbanken

The cornerstones of our business culture and the basis of successful banking operations run in a sustainable, responsible manner are a long-term approach, low risk tolerance and cost-awareness. Our chief contributions to more sustainable development are embodied in the financial products and services we offer, to private as well as corporate customers, through our local branches and digital channels.

The Bank's success is measured not only in profitability but also in a strong brand and the high level of trust that customers, employees and other stakeholders have in us.

Handelsbanken has a nationwide branch network in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank was founded in 1871 and currently has more than 11,800 employees and operations in more than 20 countries.

More than 800 branches in our six home markets.

For a long time,
Handelsbanken has
**had much lower
loan losses** than
peer banks.

Handelsbanken and the Sustainable Development Goals.

We are working with the 2030 Agenda and the Sustainable Development Goals. The following goals are in focus at Handelsbanken:



146 years of availability.

In 2017,
Handelsbanken launched
green loans for buildings.

**More satisfied
customers**

than the sector average
in all of our six home markets.

Source: SKI/EPSI 2017.



46 years

running with better profitability than the average of peer banks in home markets.

32% of total fund volume is fossil-free* and managed in the Bank's Criteria funds.

*As defined by the Swedish Investment Fund Association.



Handelsbanken arranged green bonds for SEK 8 billion in 2017.

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About this report

This report describes how Handelsbanken works on its most important sustainability topics. The aim of the report is to enable our stakeholders to find out about our sustainability work in a simple way and gain a good understanding of the results. The first part of the report follows the structure of Handelsbanken's material sustainability topics and describes work and events that have taken place during the year. Supplementary information and data are provided in the part titled In-depth information about sustainability.

The Sustainability Report encompasses the Group as a whole and constitutes the formal sustainability reporting in accordance with the Swedish Annual Accounts Act for the companies that are subject to the reporting requirement.

This is Handelsbanken's eighth sustainability report based on the Global Reporting Initiative (GRI) guidelines for reporting and it covers activities and results for 2017. The information refers to the Group unless otherwise stated. Handelsbanken's reporting meets the 'Core' level of GRI Standards, which has been confirmed by the Bank's external auditors. See the auditor's report on page 59.

A comprehensive index according to GRI principles can be found on pages 56–58.

The report constitutes Handelsbanken's Communication on Progress for the UN Global Compact.

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This report is also available in Swedish. Every care has been taken in this translation into English. In the event of discrepancies, the Swedish original will supersede the English version.

An ordinary year for our extraordinary bank

It was a fairly ordinary year for our rather extraordinary bank.

This doesn't mean that the year was uneventful - on the contrary, the level of activity was high throughout the Bank. This led to more customers, more satisfied customers, and more stable finances - just as usual.

During the past year, Handelsbanken has gained many good, new customers. To a large extent, our existing customers also did more business with us this past year and, as in previous years, we had more satisfied customers than our competitors in all our home markets.

We have developed new products, solutions and services. We have also worked methodically to constantly improve and develop our existing offerings, and continued our efforts to comply fully with all regulations by focusing on good administrative order. Despite several large, far-reaching projects, particularly new, digital services, we have steadily worked away at keeping costs in check, this year as in previous years.

Our return on equity was 12.3 per cent. This means that for the 46th year running, we achieved our corporate goal of higher profitability than the average of our competitors.

We achieved this goal primarily through our constant efforts to have lower costs and more satisfied customers than our competitors. This may sound contradictory: higher return, lower costs, and more customer satisfaction. Isn't it incompatible to strive for shareholder value and customer benefit at the same time?

We don't think so – quite the opposite, in fact. We believe that satisfied customers in particular are essential to achieving good, stable profitability in the long term. More satisfied customers do more business, use more services and are also our best form of marketing. Our customers telling their friends and business associates about us gives a credibility that no advertising agency in the world can match.

In fact, this is not just conjecture – it's also backed up by scientific evidence. For several years, researchers at the Stockholm School of Economics and the independent research firm SKI/EPSI have mapped the relationship between satisfied customers and profitability. They have found a correlation, not just in general but in precise, quantifiable numbers, right down to the individual branch office.

“We believe that satisfied customers in particular are essential to achieving good, stable profitability in the long term.”

This is why we regard everything we do to increase customer satisfaction not as a cost but as an investment.

Handelsbanken has also had more satisfied customers than the sector average in all our home markets since SKI/EPSI started its surveys. In Sweden, our largest market, the gap between us and our major competitors increased in 2017, for corporate and private customers alike.

We have more satisfied customers neither by chance nor coincidence. They are the result of extremely consistent, long-term efforts to win, retain and develop satisfied customers.

We speak to tens of thousands of customers every day. We engage independent survey companies that continuously monitor and analyse

what customers expect of us. Every day throughout the Bank we discuss what more we can do to meet – and preferably exceed – our customers' expectations.

Above all, I believe customer satisfaction is the product of our corporate culture, of the way we organise ourselves and how we work. Handelsbanken has a highly decentralised way of working: in simple terms, you might say that the person who is closest to the question makes the decision. This means that our most important business decisions are made locally, at our branches – quite often at the meeting with the customer affected.

“Handelsbanken has a highly decentralised way of working: in simple terms, you might say that the person who is closest to the question makes the decision.”

The fact that the customer participates in the discussion in which the decision is made – is key to customer satisfaction. Our customers always meet the person who will make the decision, not a messenger with no actual authority.

Decentralisation gives us many other competitive advantages, too. These include highly skilled branch managers who are used to making decisions and are well acquainted with their local market and their customers. Our local responsibility and knowledge of customers have also greatly contributed to Handelsbanken consistently having lower loan losses than its peer banks.

In other words, every business decision is backed up by experience, solid information about customers and knowledge of the local market. That's also how we grow as a bank – through local decisions firmly grounded in knowledge and expertise.

We have made no central decisions about growth targets or universal goals for expansion or the like. Instead, each branch is allowed to grow in step with its market, in a way they choose themselves – always at low risk and low cost. In other words, we grow transaction by transaction, customer by customer. We grow through our existing branches that win new customers and continually seek to enhance business with their existing customers. And where the business opportunities are favourable, we are happy to open new branches in those locations.

So our growth is not limited to any particular market or special condition. In the Netherlands, for example, we are growing at a considerable pace – a rapid influx of new customers and new business – which is not that strange, since this is our newest home market, established in 2013. At the same time, we are also growing in Sweden, a market we became



established in almost 150 years ago. So our model works regardless of whether the market is mature or we're newcomers.

This also means that no two of Handelsbanken's 800-plus branches are alike. Each branch manager decides independently how that branch will become the best bank in that local market – and then customises everything for that purpose: staff, skills and offering. So the branches do vary widely. Yet they all share the same core values and the same culture that embodies a high standard of service, good administrative order and the constant quest to be the best bank in the community.

And yet as stated above, even with that common platform, the differences between branches can be great.

For example, Erwin van der Steur, our branch manager in Groningen, a town with many private houses, has some of the Netherlands' most competent mortgage advisors on his team. At the same time, Paul Brooksbank has deliberately brought in staff with many years' experience of working with small and medium-sized enterprises, because his branch is in Leamington Spa, in the UK, home to many companies of this type.

Another example is Tarja Suvisalmi, who has worked to make Handelsbanken's Kuninkaankatu branch the natural choice for private banking customers in Tampere, Finland. Yet another example is our branch manager at Humlegården in Stockholm, AnneMarie Dahlstedt, who has some of the banking sector's most competent corporate advisors to attract the many excellent corporate customers in her market.

Add to this the fact that each branch always has access to all of Handelsbanken's collective breadth and strength. Any expertise that a branch does not have on-site is located regionally or centrally and is fully available to the branch. No expert or specialist is further away from the branch than a phone call.

Although Handelsbanken is one of Europe's strongest banks, with six home markets and branches in more than 20 countries, we have a very strong local presence, uniquely adapted to local conditions wherever we operate. We've known our customers, often personally, for many years. And our customers know us.

In recent years and perhaps especially during 2017, we've heard many reports of 'the death of the branch'. The bank branch, it is said, is expensive and old-fashioned. Digital is the way to go, so they say.

If a bank holds on to its branch network, it won't be able to afford the necessary investments in digital services.

We beg to differ. In the past year, our home market in Sweden achieved a C/I ratio of 34.2 – which is one of the best results ever. For Handelsbanken, then, the reverse is true: without our branches – and their healthy profitability – we couldn't afford to invest in digital advances.

In addition, our branches provide us with a unique and continuous reality check with our customers in their everyday activities. What do they want? What do they not have?

The answers will vary, of course, to some extent depending on the market, but in general it's safe to say that our customers expect us to continue developing our digital services. Based on consistent independent surveys, our customers give high marks to the Bank's existing digital solutions and offering.

For example, in its annual report on Swedish bank customers, the independent research firm SKI wrote: "Handelsbanken's technical solutions – for both corporate and private customers – have come out on top."

"The pace and scope of digitalisation in our operating environment has accelerated in recent years. Accordingly, we have stepped up the pace and scope of our digital advances."

We will continue to digitalise Handelsbanken. The pace and scope of digitalisation in our operating environment has accelerated in recent years. Accordingly, we have stepped up the pace and scope of our digital advances.

At the same time, it is important to emphasise that our customers see no contradiction between more digitalisation and local branches. On the contrary, one message from the EPSI/SKI surveys that comes in loud and clear is that customers want our continued local presence and opportunities for face-to-face meetings. So even if our customers are becoming ever more digital, they are still local, which is why Handelsbanken will also continue to be both local and digital.

One of our aims is for Handelsbanken's digital solutions to be locally customisable as far as possible. I believe that such 'localisation' – coupled with continued opportunities for face-to-face meetings with skilled staff who are well acquainted with their customers and local conditions – will give us an outstanding competitive advantage and also be fairly hard to copy.

Quickly adapting to new circumstances and demands in the business environment is not that difficult at Handelsbanken. I think that here, too, decentralisation plays a key role. Throughout the Bank there are people with the authority to make decisions independently. This brings with it greater personal responsibility and strong commitment from all employees.

Let me share an example from the United Kingdom, a part of the Bank that I have known well for many years. In the past decade, our business there has progressed tremendously. Several years ago, we realised that sooner or later we would have to convert that part of the Bank into a subsidiary so that we could optimise our banking operations in the UK market. This is happening now, a little earlier than envisioned, to accommodate Brexit. I know that the employees who lead our operations in the UK can handle whatever is demanded of them, whether on the commercial front or compliance with the new regulations. They are making all the decisions now and implementing changes and modifications without disrupting their customer business.

In other words, a typical way of doing things at Handelsbanken.

“At the same time, it is important to emphasise that our customers see no contradiction between more digitalisation and local branches.”

There is a great deal of interest in our work with sustainability. Our customers want more than just good service and good products. They also want to buy them from good, worthy companies.

For us at Handelsbanken, sustainability is nothing new. We were already working with these issues long before they were pulled together as a concept called 'sustainability'. It's not so much a matter of adapting to the demands of the present but of continuing to work with issues we have always worked with.

One example of this is our view of gender equality and diversity. For decades we have been working to foster an inclusive work environment based on trust and respect for every individual. If we can attract, recruit and develop employees with different backgrounds and experiences, we will become an even better bank and enhance our ability to adapt to a constantly changing society.

Handelsbanken will without doubt continue to support and work with international initiatives for corporate sustainability, such as the Principles for Responsible Investment (PRI), the Sustainable Development Goals in the 2030 Agenda, and the United Nations Global Compact. This is also completely in line with Handelsbanken's way of working.

In brief, sustainability is a natural part of Handelsbanken's business concept, corporate culture and method of running a bank. Our work on sustainability significantly contributes to the Bank's reputation as well.

Ever since the independent research firm SIFO began surveying the public on their opinions of Swedish companies, Handelsbanken has

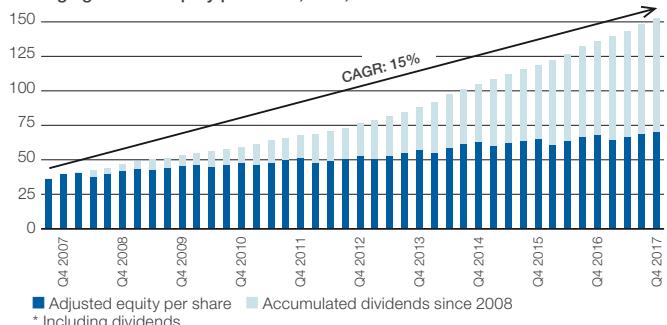
ranked among the top 10 companies in Sweden with the best reputations. This reputation is also bolstered by Handelsbanken's financial stability and consequent ability to always be an asset – and not a burden – to the societies where we operate.

2018 is the anniversary of an event that is relatively painful for many: 10 years ago in September, Lehman Brothers crashed, marking the beginning of the most recent financial crisis. In the autumn of 2008, governments and central banks intervened in all of our home markets with extensive bail-out schemes for the financial sector.

We were the only large bank in Sweden that did not receive any aid. The reason was simple: we didn't need it. We had a healthy supply of capital and solid reserves, so we were able to continue doing all the business we and our customers wanted to do.

Today, almost 10 years later, we also have the benefit of hindsight. We have steadily grown shareholder value during the past 10 years.

Average growth in equity per share, SEK, 2007–2017*



This diagram illustrates how Handelsbanken has generated shareholder value since the third quarter of 2007. The bars show adjusted equity and accumulated dividend in terms of SEK per share. Average annual growth equals 15 per cent. Growth has been stable, quarter by quarter, which reflects the Bank's low risk profile and robust business model. This business model has proven manageable in a variety of challenging market conditions and continues to deliver stable, increasing value creation.

The major rating agencies continue to rank us as one of the world's strongest banks. Naturally, a key factor contributing to this is our proven ability to continue operating regardless of changes in the business environment.

This ability stems from our rather uncomplicated ideas about how to run our bank: we strive for profitability that is higher than the average figure for our competitors, through lower costs and more satisfied customers. We have achieved this for 46 years running.

This working method increasingly sets us apart as a bank. But, we have no desire to diverge from industry practice – we aren't different just for the sake of being different. We are different because that is how we have achieved more satisfied customers, sound profitability, and thus strong shareholder value.

In order to achieve this again in 2018, all our employees need to continue doing as they have done during the past year: working with commitment and attention, each individual taking responsibility for advancing the Bank and our business.

Many thanks to all of you for doing just this.

I would also like to offer my warmest thanks to our shareholders for the trust you have in Handelsbanken.

And finally, many thanks to all our customers. In the coming years, we will continue to do our utmost to live up to – and preferably exceed – your expectations.

How? By continuing to be Handelsbanken – only a little better, and maybe also a little more different – just as usual.

Stockholm, February 2018
Anders Bouvin, President and Group Chief Executive

Our concept and working methods

Handelsbanken has a decentralised way of working and a strong local presence through its nationwide branch networks. We attach great importance to availability and long-term customer relations where personal meetings with our customers are key.

A long-term approach

Long-term business relationships, low risk-taking and cost-awareness are cornerstones of Handelsbanken's business culture. They form the basis for successful banking operations being run in a responsible, sustainable manner.

Handelsbanken has been conducting banking operations since 1871 and has the oldest listed share on the Stockholm stock exchange. Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. This goal is to be achieved primarily by having more satisfied customers and lower costs than our competitors do.

"The whole of a bank's business is based on trust."

Our idea of how we should run our bank is based on trust and respect for individuals. This is why we are decentralised. This approach leads to better, quicker decisions taken close to the customer and creates commitment and the opportunity for our employees to make an impact and do an even better job. This in turn helps the Bank to gain more satisfied customers.

The whole of a bank's business is based on trust. Our customers have chosen us because they trust us and have confidence in the way we do banking. In short, our customers attach great importance to the fact that we are available, easy to deal with, and show understanding and care when interacting with them.

Slightly simplified, our method of building and running Handelsbanken is based on the following key elements: a long-term approach, satisfied customers, profitability before volume, organic growth, and low risk tolerance.

Satisfied customers

Practically all important business decisions are made close to our customers, at one of the more than 800 local branches in our six home markets. This contributes to better decisions and more satisfied customers: our customers meet the person who makes the decision – not a messenger. This gives a sound basis for successful customer meetings, both at branches and our other meeting places. The customer's trust is built up over the long term, but is won and nurtured at every meeting. By winning its customers' trust, Handelsbanken becomes their natural choice as a provider of financial services.



Availability, simplicity and care

Our customers appreciate the fact that we are local, we know them and the local market, and we make our business decisions there, locally together with the customer. But our customers also expect to be able to do their banking when and where they please. This is why we are continually developing and improving our availability and our digital meeting places, thus enabling customers to visit their branch via their phone, tablet or computer. In several home markets, we also offer personal technical support 24 hours a day. In addition, in Sweden our customers can be served by qualified bank officers by phone 24 hours a day, 365 days a year.

When a customer contacts us, the meeting should be simple and unbureaucratic. Our aim is that the customer should be able to do the same type of business with the Bank, regardless of the meeting place. That is why we are constantly working to develop and improve the Bank's technical solutions.

In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. This is how we create, maintain and develop strong, long-term customer relationships.

Meetings with customers not only entail finding a simply way to solve their everyday banking needs. We must also provide service that embodies care and focuses on the customer's needs.

The branch is the Bank

Handelsbanken is geographically organised so as to create the best possible conditions for building relationships with customers.

At Handelsbanken, the local branch always has customer responsibility, regardless of how, where or when the customer contacts the Bank. The business is led by a manager who is responsible for all operations in his or her branch's local area. The branches' independence enables them to have a very strong local presence, leading to long-term customer relationships. Short decision paths make it possible to adapt more quickly to changes in local markets and make the most of new business opportunities.



Skilled staff

Handelsbanken's decentralised working methods mean that we give our staff a high degree of responsibility and authority to make decisions in all kinds of matters important to the customer. This high degree of trust is based on a belief in people's willingness and ability to seek and overcome new challenges and continuously hone their skills.

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers. To retain employees, the right conditions must exist for personal development through work while each individual's work-life balance must be respected.



"We always offer the customer our best advice, without looking at what is the most profitable product for Handelsbanken in the short term."

A full range of products and services

A prerequisite for successful customer meetings is that Handelsbanken offers a full range of products and services to meet the various financial needs of its customers. We do not divide customers into different segments or target specific product or service areas. The individual customer's unique needs are the deciding factor.

Our best advice

We always offer the customer our best advice, without looking at what is the most profitable product for Handelsbanken in the short term.

The customer's needs are the basis for the Bank's advisory services, and we take into account each customer's overall situation and circumstances. By offering our best advice, we build trusting, long-term relationships with every customer.

Profitability before volume

Our employees who meet customers are paid no variable remuneration – neither in the form of bonuses nor commissions – and therefore have no financial incentive to convince the customer that a particular service or product suits them best. Nor does the Bank have requirements regarding volumes, budgets or centrally determined sales targets. Instead, the Bank measures its success in terms of customer satisfaction, cost-efficiency and profitability.

Handelsbanken achieves higher profitability by running the Bank more efficiently, and thus at a lower cost than peer banks on its home markets. Consequently, high profitability does not mean that Handelsbanken's customers pay more.

Organic growth

For Handelsbanken to retain high profitability in the long term, growth is necessary. Handelsbanken primarily grows by opening new branches in locations where the Bank has not previously had operations. In this way, Handelsbanken grows customer by customer, branch by branch. This organic model enables Handelsbanken to achieve growth coupled with low risk and good cost control. This method of working and of achieving growth has proved successful in an increasing number of locations and countries. Handelsbanken has a nationwide branch network in its six home markets: Sweden, the UK, Denmark, Finland, Norway and the Netherlands.



Low risk tolerance

Handelsbanken has a low risk tolerance. The Bank's strict approach to risk means that it deliberately avoids high-risk transactions, even if the remuneration is high at the time. This low risk tolerance applies to all areas of the Group and is maintained through a strong risk culture that is sustainable in the long term.

The Bank's business model focuses on taking credit risks in the branch operations, and the only risks we are prepared to take are credit risks on customers whom we know well and with whom we build long-term relations. The objective is therefore to minimise other risks, such as market risk, so that we have a business model that is stable over time, regardless of changes in the business cycle. Position-taking in the Bank's business operations is only accepted in customer-driven transactions, and only within strictly defined limits.

Focus on essentials

Simple and clear principles apply at Handelsbanken, as we grow customer by customer, branch by branch with a focus on the long term and stability in all our relationships – internal as well as external. The result is profitable, stable growth that creates value for our owners and builds trust in us as a business with a role in society.

CORPORATE GOAL

Handelsbanken's goal is to have higher profitability than the average of peer banks in its home markets. In our experience, profitability is the result of focusing on the right things by doing what is right by our customers, employees and the community.

Our overall goal of profitability provides Handelsbanken with the prerequisites to take a long-term approach, and by taking a long-term approach we ensure profitability. Similarly, the sustainability topics we consider top priority align closely with a long-term approach and profitability.

Return on equity 1973–2017



* Only Swedish banks for the period up to and including 2002.

STAKEHOLDER DIALOGUE

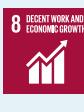
It is vital that we keep ourselves up-to-date on what stakeholders want and demand from Handelsbanken. As well as engaging thousands of stakeholders in dialogue on a continual basis, in 2017 we also held in-depth, qualitative discussions with selected groups of stakeholders, inside and outside the Bank, as part of the process of continuing to define the Bank's most material sustainability topics. As a result of these stakeholder dialogues, Handelsbanken's material sustainability topics have been grouped into six areas:

- the Bank and its customers
- the Bank's role in the community
- the Bank's indirect impact
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

THE SUSTAINABLE DEVELOPMENT GOALS

In September 2015, the UN General Assembly adopted the 2030 Agenda and the 17 Sustainable Development Goals (SDGs). Handelsbanken's Sustainability Committee has analysed these Goals and identified the ones that we will focus on in our operations. In 2017, we worked on integrating the Goals in our operations, within the framework of our material topics.

	The Bank and its customers	The Bank's role in the community
Material topics	<p></p> <p>The Bank and its customers</p> <ul style="list-style-type: none"> – Satisfied customers – High availability – Responsible lending – Responsible sales and advisory services – Integrity and confidentiality <p>Read more on page 10.</p>	<p></p> <p>The Bank's role in the community</p> <ul style="list-style-type: none"> – Local presence – Financial stability and profitability – The Bank should not be a burden on society – The Bank as a taxpayer – Direct environmental impact <p>Read more on page 14.</p>
What does it involve?	<ul style="list-style-type: none"> – Continue to meet and preferably exceed expectations on quality and service through products designed for customers' individual needs. – Maintain a high degree of availability through our branches, by phone and via digital services. – Always consider the customer's financial circumstances when granting credit. – Advise customers based on their individual needs, without looking at what is the most profitable product for the Bank in the short term. – Take responsibility for protecting customers' banking business, such as from unauthorised access, through strict IT security. 	<ul style="list-style-type: none"> – Maintain a strong presence in the local community, with a nationwide branch network in the Bank's six home markets. – Contribute to the community in the countries where the Bank operates, such as by employing people and paying taxes and government fees. – Handelsbanken is – and will continue to be – a bank with stable finances, which manages without support from the government or central banks or any need for capital contributions from its shareholders. – Reduce our direct environmental impact, such as from business travel and paper consumption.
Outcome 2017	<p>For key figures, see page 46.</p>	<ul style="list-style-type: none"> – More satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. – Highest rating for digital services. – For many years, Handelsbanken has had much lower loan losses than its peers in the banking sector. Loan losses corresponded to 0.08 per cent (0.09) of lending.
Contributing to the Sustainable Development Goals (SDGs)	<p> 8 DECENT WORK AND ECONOMIC GROWTH</p> <p> 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p> 13 CLIMATE ACTION</p>	<p> 8 DECENT WORK AND ECONOMIC GROWTH</p> <p> 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p> 16 PEACE, JUSTICE AND INSTITUTIONS</p>

	 The Bank's indirect impact	 The Bank as an employer	 The Bank's business culture	 The Bank as an investment
Material topics	<ul style="list-style-type: none"> – Responsible lending – Responsible investment <p>Read more on page 20.</p>	<ul style="list-style-type: none"> – Responsible employer – Working conditions and union rights – Employee commitment – Leadership and development – Health and work environment – Gender equality and diversity <p>Read more on page 26.</p>	<ul style="list-style-type: none"> – Business culture – Salaries and remuneration – Anti-corruption and bribery – Counteracting money laundering and terrorist financing <p>Read more on page 32.</p>	<ul style="list-style-type: none"> – Creating shareholder value <p>Read more on page 35.</p>
What does it involve?	<ul style="list-style-type: none"> – Credit risk assessments must take into account the customer's approach to human rights, fundamental principles of working conditions, environmental concerns and anti-corruption. – As part of the investment process in mutual fund, asset and pension management, Handelsbanken promotes sustainable development in financial, environmental and social terms in the companies in which the Bank invests on behalf of customers. 	<ul style="list-style-type: none"> – We aim to be a secure, attractive employer. – We promote ways of working that allow employees to be proactive and influence operations. – All employees have the right to join a trade union or employee organisation. – Managers at Handelsbanken aim to identify, encourage and develop new managers at the Bank. – We aim to create the conditions for a sustainable long-term working life. – When recruiting new employees, we aim to take a broad-based approach so the workforce reflects the community where the Bank operates. – Our culture should be inclusive and informed by an open attitude to diversity. 	<ul style="list-style-type: none"> – Handelsbanken aims to conduct its operations with high ethical standards. – We have a sound remuneration model. No performance- or volume-based bonuses or other forms of variable remuneration are paid to Handelsbanken's executive officers or to any other employee who takes decisions on credits or limits. – The Bank's employees must never be involved in activities that could involve bribery or corruption. – We aim to work pro-actively to prevent all kinds of criminal activity such as money laundering, terrorist financing and other financial crime and corruption. 	<ul style="list-style-type: none"> – Sustainable long-term growth and shareholder value can only be achieved if the Bank simultaneously creates long-term value for its customers and society as a whole. – One of the purposes of Handelsbanken's goal is to offer shareholders long-term, high growth in value, expressed in increasing earnings per share over a business cycle. – The Bank aims for the ordinary dividend to show long-term, stable growth which reflects the value creation.
Outcome 2017 For key figures, see page 46.	<ul style="list-style-type: none"> – Procedures were updated for assessing sustainability risk in connection with credit to companies. – The Bank's global index funds track sustainability-oriented indexes. – The number of Handelsbanken's mutual funds meeting sustainability criteria increased to 24, representing SEK 221 billion in total assets under management. – Green loans were launched for buildings meeting specific environmental and climate-related criteria. – The Bank's Hållbar Energi (Sustainable Energy) Criteria fund earned the Nordic Swan environmental certification. – Handelsbanken Asset Management intensified its active corporate governance by participating in and voting at 75 per cent more AGMs. – The number of women on boards where Handelsbanken Fonder serves on the nomination committee increased to 38 per cent. 	<ul style="list-style-type: none"> – External staff turnover was 4.7 per cent in the Group. – The total sickness absence rate for employees in the Bank's six home markets was 2.5 per cent. – The proportion of managers in the Group who are women was 40 per cent at year-end. – A forum has been created for gender equality and diversity with representatives from the management teams in the home markets and from Handelsbanken Capital Markets, Group IT and Group HR. The aim is to ensure a Group-wide focus on this issue. 	<ul style="list-style-type: none"> – In 2017, employees of the Bank completed a mandatory training programme on ethical standards and sustainability at Handelsbanken, including a module on anti-corruption. – The principle of only having a fixed salary applies to 98 per cent of the Group's employees and is applied without exception to executive officers, all staff who decide on the Bank's granting of credits, and employees in the Bank's control functions. – The Bank continued its work implementing a code of conduct for major suppliers in all home markets. In Sweden, we have also begun to introduce a requirement in particular sectors that suppliers sign our code of conduct regardless of purchase volume. 	<ul style="list-style-type: none"> – Every year for more than 20 years, Handelsbanken has paid a dividend to its shareholders. – Handelsbanken is included in the following sustainability indexes: ECPI (including ECPI Global Developed ESG Best in class Equity), Ethibel Sustainability Index, FTSE4Good, OMX GES Sustainability, SIX Sweden SRI Index and STOXX Global ESG Leaders. – Handelsbanken was included in the Robecosams Sustainability Yearbook 2018 as a 'Sustainability Yearbook Member'.
Contributing to the Sustainable Development Goals (SDGs)				

The Bank and its customers

Handelsbanken attaches great importance to being available for our customers - being there whenever and wherever they need us. Our customers appreciate the fact that we are local, we know them and the local market, and we make our business decisions there, locally together with the customer.



Strandvägen branch, Stockholm | Sweden

SATISFIED CUSTOMERS

For Handelsbanken, the starting point is always meeting individual customers' requirements. In this way we build a trusting, long-term relationship with every customer.

Handelsbanken continuously strives for all important business decisions to be taken as close to the customer as possible. This contributes to better meetings with customers, better decisions and more satisfied customers. In everything it does, the Bank aims to create the best possible conditions for successful meetings with customers. By gaining its customers' trust, Handelsbanken becomes their natural choice for financial services.

Satisfied customers in all our home markets

Handelsbanken considers customer satisfaction surveys very important. Every year, EPSI Rating – which includes SKI (Swedish Quality Index) – carries out independent surveys of customer satisfaction. This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. Thus the Bank remains strong in customer satisfaction. Customers also gave the Bank's digital services high marks in this year's surveys. In addition, the surveys showed that the relationship between community involvement and customer satisfaction is growing stronger, especially among private customers. This year's insurance industry survey also showed that, in Sweden, Handelsbanken has the most satisfied customers of the major banks in private pension savings.

These independent surveys of customer satisfaction are proof of Handelsbanken's success in working consistently and continuously to nurture long-term customer relationships.

Having loyal customers is just as important as having satisfied customers – the benefits are numerous.



For example, loyal customers are less likely to get dissatisfied and change banks. In EPSI and SKI's annual surveys, loyalty is a key outcome associated with customer satisfaction. There is a link between customer satisfaction and loyalty. Loyalty reflects whether customers intend to remain with their bank, how they talk about their bank, and whether they would recommend their bank to other people.

In addition to the fact that Handelsbanken's customers are very satisfied, the results for 2017 show that they are also very loyal. In all home markets, loyalty to the Bank is considerably stronger than the average for the sector. This is also true in markets where Handelsbanken is seen as a major player, which can be considered unique.

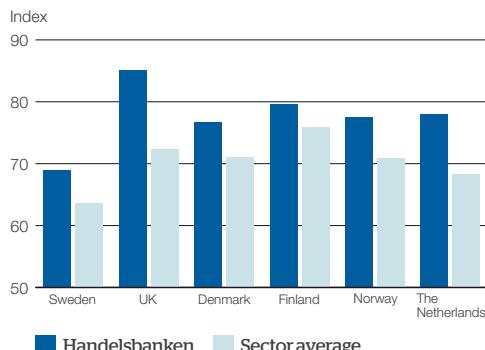
Good reputation

According to the Kantar Sifo Reputation Index for 2017, based on public opinion Handelsbanken is one of the 10 companies in Sweden with the best reputation, regardless of sector. The Bank's index score of 58 can be compared with those of the other major banks in Sweden, which are between 20 and 42.

The survey shows that Handelsbanken is perceived as maintaining high ethical and moral standards, demonstrating social responsibility and being a good

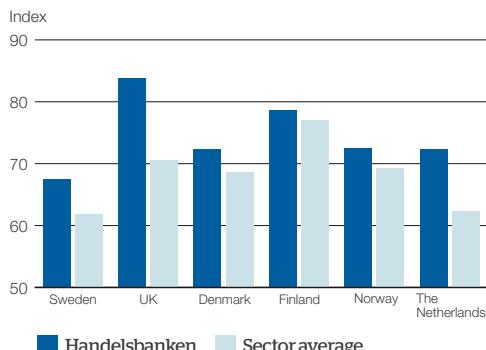
This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets.

Customer satisfaction - private customers 2017



Source: SKI/EPSI 2017.

Customer satisfaction - corporate customers 2017



Source: SKI/EPSI 2017.

“Customers also gave the Bank’s digital services high marks in this year’s surveys.”

workplace. These are important factors influencing the Bank’s reputation in a sustainability context. Handelsbanken receives higher marks than its competitors in these areas.

Managing customer complaints

For Handelsbanken, it is important that customers who lodge complaints are satisfied with how their complaints are managed. We attach great importance to handling opinions and complaints in a manner that inspires trust. Thus the Bank takes customer complaints very seriously, and we have well-established procedures for handling these cases. The results from the EPSI and SKI surveys show that the proportion of complaints at Handelsbanken, for all home markets combined, is below the average for the sector.

AVAILABLE FOR OUR CUSTOMERS – BOTH LOCALLY AND DIGITALLY

Handelsbanken attaches great importance to being available for our customers – being there whenever they need us. Our customers appreciate the fact that we are local, we know them and the local market, and we make our business decisions there, locally together with the customer. At the same time, our customers expect to be able to do their banking transactions when and where they please. This is why we are continually enhancing our availability and our digital meeting places – so customers can visit their branch through various digital channels, such as by phone or on a tablet or computer. Regardless of how our customers choose to meet the Bank, the local branch is always responsible for the customer meeting – whenever and wherever this takes place. In several of the Bank’s home markets, we also offer our customers personal technical support 24 hours a day. When their branch is closed, our customers in Sweden can also receive personal service from advisors by phone if they need help with their banking transactions. Via our personal telephone service, we can also meet our customers in several languages.

Digital accessibility – on the customer’s terms

Good accessibility in our digital meeting places also means the Bank strives to provide all our customers – regardless of their circumstances – with the same opportunities to access the information and services that the Bank provides. This means the information is also accessible, for example, by people who have disabilities or language difficulties. We work continually to identify and remove obstacles in our digital services. When the Bank builds new services or develops existing ones, we do it based on international standards in

the market. We have also drawn up our own guidelines that go further than these standards, with the aim of being accessible for all our customers. Accessibility is one of the cornerstones of all our development work, and we use external parties to check the quality of accessibility in our digital meeting places.

THE CUSTOMER IN FOCUS

In financial advisory services provided when granting credit, recommending investments or mediating insurance, the Bank always considers the customer’s overall situation and financial circumstances. Using this knowledge, we can provide guidance on financing, payments or investments that is adapted to each customer’s individual requirements. We focus on the customer’s needs – not individual products or services.

Advice from the Bank always prioritises the customer’s interests. Our advice is professional, observes high ethical standards and is provided in compliance with current laws and regulations.

The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term. With this as our starting point, the individual customer is protected from running into financial difficulties due to excessive indebtedness, which also benefits the Bank and society at large.

At Handelsbanken, we do not pay performance- or volume-based bonuses or other forms of variable remuneration to the Bank’s management or to any other employee who takes decisions on credits or limits. Nor do we have volume or market share goals.

INFORMATION SECURITY AND IT SECURITY

In its operations, a bank continuously processes sensitive information about customers and customer relations. Handelsbanken’s work with information and IT security focuses on availability, integrity, confidentiality and traceability. The information and business systems must be available based on the business requirements of the operations. All information must also be reliable, correct and complete. It should never be disclosed to unauthorised persons and may only be used to the extent required by the assignment. In addition, it must be possible to determine afterwards who has read or changed the information, when it was changed and which changes were made. Structured development is under way in the Bank to increase the level of awareness among employees and customers concerning the threats and risks in information security, through presentations, training programmes and information initiatives.

Read more on page 47.

Relevant SDGs



Meeting our customers and putting them in the best possible situation through our business decisions generates multiple positive effects in society as a whole. This contributes to the healthy conditions for private enterprise and entrepreneurship in goal 8 and promotes the economic growth and development in goal 9. Our work to enable our customers to meet the Bank through digital channels contributes indirectly to goals 13 and 8, target 8.10, to promote and expand access to bank and insurance services as well as financial services for everyone.

The Bank's role in the community

Handelsbanken acts in a socially responsible manner and contributes to economic development in the community by running stable, long-term banking operations that focus on customer needs.

Handelsbanken is a bank with long-term stability – a bank which, regardless of the situation in the world around us, is there for our customers. As a bank with stable finances and a stable local presence, Handelsbanken aims to fulfil its role as a responsible business in society. Handelsbanken also takes responsibility by managing risks so that as few customers as possible have payment difficulties. Thus, Handelsbanken can continue to be a bank with stable finances, making a positive contribution to customers, shareholders and the community.

Accessible local branches

The Bank's local branches must also be accessible to customers with reduced mobility. Most of the Bank's branches in Sweden meet these requirements, and where they are not met it is usually because of restrictions on alterations to the building exterior or street environment. Our nationwide branch network means that, if necessary, we can often offer customers a nearby branch suited to their needs.



Lillestrøm branch | Norway

Handelsbanken in the local community

We are convinced of the need for local presence, and the basic concept of the Bank's way of operating is that business decisions are made as close to the customer as possible, based on local information. This is why we have nationwide networks – more than 800 branches – in the six countries we identify as our home markets. Our decentralised organisation, where the local branch manager is responsible for all the Bank's business in its local operating area, means that Handelsbanken is deeply rooted and plays a vital role in the local community.

An important part of the Bank's sustainability efforts, in addition to providing banking services, is to play a role in the local community through the branches. Many of the branches are involved in the local community in initiatives and activities carried out by local associations and charities. For example, the branches contribute knowledge about the economy at schools and universities, advise young entrepreneurs, and participate in various mentor programmes. The branches also participate in activities that promote diversity and integration in the local labour market, such as offering trainee positions to recently arrived immigrants.

Handelsbanken is involved in other collaborations, too, such as the Gothenburg Award for Sustainable Development, in which Handelsbanken is a corporate partner working with the City of Gothenburg and other organisations. This international prize recognises work towards sustainable development, and the prize-winners are influential role models who have gone from words to action.



The Gothenburg Award
For Sustainable Development

Contributions to economic research and higher education

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse.

Together, these foundations are some of the most important sources of funding for economic research in Sweden. In 2017, 179 grants were awarded for a total of SEK 215 million.

At the end of 2017, the foundations' combined capital was SEK 7,674 million.

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and contributed to the Swedish House of Finance (SHoF). We also support a research project in which studies and analyses are performed on the most important factors in creating customer satisfaction and also in monitoring the link between loyalty and profitability.

For several years, Handelsbanken has supported a project to improve young people's knowledge of personal finance by financially supporting information campaigns and contributing the Bank's expertise.



"The relationship between community involvement and customer satisfaction is growing stronger, especially among private customers. Customers want to do business with a bank that they perceive as fair, responsible and involved at the local level."

SKI (Swedish Quality Index) 2017.

Corporate social responsibility

Corporate social responsibility at Handelsbanken is manifested in responsible lending and advisory services, as well as our efforts to have satisfied customers and be an attractive employer. In our own operations as well as in our business relations with external service providers and when investing customers' funds and lending to companies, we strive to prevent or limit negative impact on human rights and working conditions.

A bank can make a major difference in terms of social responsibility towards customers, employees and taxpayers. The most recent financial crisis showed that unless a bank acts in a responsible manner, it is not only the bank's shareholders that run the risk of being adversely affected, but customers, employees and taxpayers, too.

Low loan losses

Aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the

customer hardest. At Handelsbanken, we have a very low risk tolerance, and the Bank's strict approach to risk means that we deliberately avoid high-risk transactions, even if the customer is willing to pay a high interest rate. This low risk tolerance is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group. The loan loss ratio provides an indication of how responsibly a bank runs its operations. When banks have a negative impact on their environment, the problems are often due to high loan losses, or an expectation that the loan losses will rise sharply. If a bank suffers high loan losses, most stakeholders are negatively affected.

For many years, Handelsbanken has had much lower loan losses than peer banks. During the 1998–2017 period, the average loan loss ratio at Handelsbanken was 0.06 per cent, as compared to the average of 0.19 per cent for the five other major banks in the Nordic countries: Danske Bank, DnB, Nordea, SEB and Swedbank.

Relevant SDGs



We are convinced that a smoothly functioning bank in the local community generates many positive effects, promotes inclusive, long-term sustainable economic growth, and is part of a smoothly functioning and sustainable infrastructure. This relates to goals 8 and 9. Handelsbanken is, and will continue to be, a bank with a stable financial base. When we pay taxes and fees and employ staff in the countries where we conduct operations, we are contributing to goal 16, which encourages the building of accountable institutions at all levels.

Integration in the local labour market

Offering internships to recently arrived immigrants is an activity that promotes diversity and integration in the local labour market, notes Susanne Moström, Branch Manager in Kramfors, Nordanå and Ullånger, in northern Sweden, who has helped recently arrived immigrants enter the labour force.

"It started when Folkuniversitetet asked if the Kramfors branch would like an intern from Sudan, a woman with a business degree who would practice

her Swedish and learn how a workplace in Sweden works," Susanne says.

A few years later, a similar query came from the Swedish Public Employment Service.

"When you're caught up in your day-to-day work, you might think it would be challenging to take on a trainee, but it's really worth it. When you pool knowledge and experience like this, you get a new perspective on things," Susanne says.

The branch keeps in touch with its former interns.

"On top of everything, they've done very well afterwards, too. And that feels good," Susanne says.



Susanne Moström

Human rights

At Handelsbanken, respect for and protection of human rights is a fundamental condition for long-term value creation. This is true in our own operations and in operations that are associated with the Bank through products, services, and business relationships.

Handelsbanken's work to protect human rights is based on international norms and agreements. These are based on the UN Universal Declaration of Human Rights, the International Labour Organization's core conventions, and the UN Convention on the Rights of the Child. Handelsbanken also supports the UN Guiding Principles on Business and Human Rights as well as the Children's Rights and Business Principles and, in 2009, signed the UN Global Compact. In addition, Handelsbanken provides reports on its work against modern slavery and human trafficking pursuant to the UK's Modern Slavery Act. The Bank's approach to human rights is also regulated by policies adopted by the Bank's Board, such as the Sustainability Policy.

We want to avoid causing any negative impact on human rights through our own operations. Nor do we want our operations or our business relations to contribute to violations of human rights. By identifying and assessing our most material risks connected with human rights, we plan to take preventive measures and make better business decisions. If we were to find that we had committed violations or in some other way made a negative impact, we would take corrective measures.

During the year, Handelsbanken has carried out structured work to identify our most material risks for having a negative impact in terms of human rights. Such risks may exist in our own operations – chiefly concerning the Bank's employees – but are primarily found in the Bank's business operations. This applies mainly when the Bank invests customers' funds in equities and other securities issued by companies with a broad range of operations and geographic locations as well as when the Bank grants credits or provides other financial services to corporate customers. There are also risks

connected with the Bank's role as a purchaser of products and services.

To prevent and limit any negative impact on human rights, in the following areas Handelsbanken works with procedures and processes connected with the Group's operations, products, or services.

- Gender equality, diversity, and an inclusive culture are cornerstones of the Bank's human resources activities, as is systematic work against discrimination, victimisation and harassment.
- Handelsbanken has a Supplier Code of Conduct, which focuses on how factors such as human rights and working conditions are managed and which also prohibits child labour. In addition, we are now working in the Swedish operations to have all suppliers that provide facility services sign the Bank's code of conduct.
- In corporate lending, project financing, and other corporate business, we assess and

document how the customer's approach to human rights affects their repayment capacity and reputation.

- Sustainability analysis is an integral part of the investment processes used in Handelsbanken's fund management. Human rights is included in the periodic screening of all mutual fund holdings. The handling of and incidents concerning human rights affect the companies selected as well as those excluded and may lead to engagement through dialogue or influence voting at shareholders' meetings.
- In 2017, the Bank's employees completed a mandatory training programme on ethical standards and sustainability, which included a module on human rights.

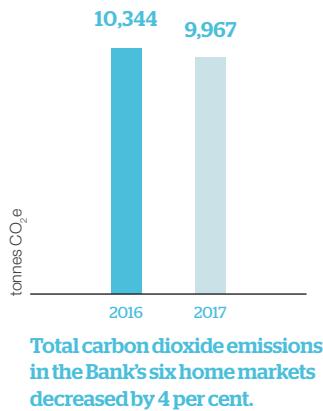
For more information, please see The Bank as an employer (page 26), The Bank's business culture (page 32), and The Bank's indirect impact (pages 20 and 50).

Collaboration in support of children's rights

Many collaborations in which Handelsbanken plays a part are intended to promote the rights of children, a commitment that reflects the Bank's principles and the importance of children's rights in society as a whole.

What these initiatives have in common is the exchange of ideas, information, and best practices. For example, Handelsbanken is a partner in the non-profit foundation Global Child Forum, an independent forum for exchanging best practices and facilitating discussion about children's rights.

Within the framework of our operations, we also work proactively to obstruct and prevent payments linked to the commercial sexual exploitation of children and material depicting sexual abuse of children. Handelsbanken, together with the Swedish Bankers' Association, collaborates with ECPAT Sweden and is a member of the Financial Coalition Against Commercial Sexual Exploitation of Children. The Bank also supports the work of the World Childhood Foundation to ensure every child's right to a safe and happy childhood.



Reducing our environmental impact

At Handelsbanken, we aim to minimise the Bank's impact on the environment. Our direct impact derives mainly from energy consumption, business travel and transport, and use of resources such as paper. We measure our direct environmental impact in all six home markets. These markets represent 97 per cent of the Bank's total number of employees.

We are working to minimise the carbon dioxide emissions generated in our operations, and our goal is to continually reduce such emissions and our environmental impact. For 2017, total carbon dioxide emissions from Handelsbanken's operations were 9,967 tonnes, down 4 per cent from the preceding year, mainly because the Bank increased the proportion of renewable electricity. Since 2013, the Bank has reduced its carbon dioxide emissions by 42 per cent, and total electricity consumption has decreased by 19 per cent. Read more on page 49.

For more information about the Bank's work on its indirect environmental impact, such as in investments and lending, please see the section titled The Bank's indirect impact.

Services for the public good

A bank's fundamental tasks are, on the one hand, to manage the money of those who wish to postpone their spending and save their money and, on the other, to lend money to companies and households that wish to spend and invest today. Together, banks must also maintain an efficient, functioning payment system, as well as managing risk. The payment systems that Handelsbanken and other banks have developed together are technically advanced and are characterised by a high degree of efficiency and security.

Digital solutions

The increased use of cards and mobile apps for executing payments is making everyday life easier for our customers while reducing our direct environmental impact. Handelsbanken also sees a growing need for new forms of services and offers connected with digital payment solutions and has contributed to such development – often in collaboration with others. For example, Handelsbanken in Denmark has a distribution agreement with MobilePay whereby our customers can easily make payments using their smartphones: between users and in shops, online stores and apps. In Norway, Handelsbanken entered into an agreement during the year with Vipps, the country's leading app for payments. Corporate customers have access to integrated solutions for tasks such as invoice processing, e-commerce payments and payments by mobile phone. In Sweden, Handelsbanken collaborated with other Swedish banks to develop the Swish payment service and the BankID electronic ID system. Using Swish, all of our customers in Sweden can quickly and simply make payments in real time to individuals, companies, associations and organisations that are linked to the service. Using BankID, public authorities, organisations, companies and banks in Sweden can identify individuals and enter into agreements with them remotely, via a computer or phone.



Cash services

Our customers in Sweden can use the automatic teller machines (ATMs) owned by Bankomat, a company in which we are also an owner. These ATMs are in about 570 locations, and Bankomat works continually to enhance security as well as accessibility. For example, when accessibility experts test dialogs in development, they use a speech function for visually impaired persons.

The ATMs meet current height-to-keyboard standards and provide dialogs in different languages. As far as possible, ATMs are installed in well-lit, safe settings where people are often present. Our private customers who have certain types of cards can also make deposits via Bankomat's ATMs in some 160 locations around Sweden. In addition to withdrawals and deposits, our customers can also change their PIN code and request their balance at these ATMs.

As a complement to ATM withdrawals, customers can also order banknotes – online, by phone or at branches – to pick up at a Postnord service point. Another service for the majority of Handelsbanken's card customers is cash withdrawals in almost 1,300 ICA shops around Sweden with no purchase required.

EFN shares financial knowledge

At Handelsbanken, we believe that customers who are aware of and understand their financial situation are more satisfied customers. That is why we work continuously to provide our customers with the best conditions possible for making better financial decisions. Since 2013, Handelsbanken's subsidiary EFN has provided financial news online. EFN.se is an independent source of journalism that broadcasts programmes in three areas: financial news, personal finance and financial markets. Through news reports, in-depth programmes and features, EFN explains complex subjects, relationships and events around the world. EFN.se gives viewers the opportunity to deepen their knowledge of their own finances as well as broader international issues. The service is free of charge and accessible by everyone via a computer, smartphone or tablet.

In 2016 and 2017, EFN.se was voted Sweden's best financial news TV in the annual ranking of journalists carried out by Hallvarsson & Hallvarsson.

EFN wishes to cover financial news from all over Sweden and in 2017 launched programmes with local news. Currently based in Umeå, Gävle, Stockholm, Gothenburg and Malmö, their goal is to cover the entire Swedish economy and business community. This initiative demonstrates their interest in what is happening in local communities and promotes the use of communication technology.

EFN.se broadcasts the most important news on personal finance, stock and other financial markets, the business community including small and large companies, macroeconomics and international economics.



GDPR boosts security

Handelsbanken has strict demands on data protection and observes high ethical standards concerning our customers' business and personal data. How we handle and process personal data is governed in part by current legislation – in Sweden and abroad – on the handling of personal data, and in part by the Swedish Banking and Financing Business Act, which regulates confidentiality in banking.

In April 2016, the EU adopted the General Data Protection Regulation (GDPR) to regulate the processing of personal data. The purpose is to further strengthen protection of personal data and personal privacy. The GDPR will become law in May 2018.

Handelsbanken will appoint a Data Protection Officer for the Group who will play an independent role and monitor the Bank's compliance. The Data Protection Officer will also liaise with the Swedish Data Inspection Board, the designated supervisory authority for the new legislation.

Economic value creation

- our value chain

THE FOUNDATION OF A BANK'S OPERATIONS

The raw material in a bank is money. The money comes from the capital that initially consists of the share capital that the owners pay in when a bank is founded, but also from profits generated over time and other funding. The funding consists of deposits and borrowing from the public and money that the bank borrows in the capital markets. In the same way as a manufacturer's process for its raw materials is relevant from a sustainability perspective, important factors to consider for a bank include how that bank manages its capital and how it works with funding.

Capital

To ensure that banks are sufficiently resistant to the risks arising in their operations, but also to protect customers' assets and interests, the public authorities have established capital requirements. These are rules for the minimum amount of capital a bank must have in order to run its operations. If a bank wants to meet customers' future loan requirements and be able to do more business, it must have sufficient capital for its current business volume and enough capital to continue to grow. From the customer's viewpoint, it is particularly important that the bank has resources available in times of financial turmoil, as in the early 1990s or during the financial crisis that peaked in 2008–2009. If a bank makes substantial losses, its shareholders may have to contribute more share capital through a new share issue, which may be difficult in such circumstances. One condition for customers putting money in a bank is that they have confidence in the bank. A bank that does not meet its customers' expectations risks an outflow of deposits when the crisis is at its peak. If the outflow is large, the bank's survival could be jeopardised. Outflows of savings that customers have invested in mutual funds, insurance and other types of saving not used for the operations' own funding are not as grave. Nevertheless, they can significantly harm the bank's earnings capacity, perhaps leading to problems.

Funding in capital markets

For a large part of deposits, customers can withdraw money from their account at any time. But much bank

lending has a long maturity – mortgage loans, for example. Funding long-term lending with short-term deposits creates liquidity risks that may cause serious problems in the financial system. So it is not prudent to fund all lending with deposits. Handelsbanken's approach to funding is based on a well-structured balance sheet in which long-term loans to the Bank's customers are financed with stable funding. For this reason, mortgage loans are financed by covered bonds of long maturity issued by Handelsbanken's wholly owned mortgage institution, Stadshypotek. By always maintaining a balance sheet that is structured to safeguard the Bank's commitments to customers and investors, Handelsbanken acts responsibly in its role as a major player in the financial system. It is vital that banks have a solid long-term funding strategy so they avoid running short of liquidity, a situation in which they might not be able to fulfil their undertakings to customers with money on deposit and to other providers of funding.

"A well-run bank that acts sustainably and responsibly has a substantial positive impact on the economy in general."

VALUE CREATION IN 2017

It is vital that a bank makes a profit. Not only does the profit generate tax revenue for the community and a return for shareholders, but a large proportion of the profit is reinvested in the operations. That means the bank can grow and meet customers' future needs, such as for loans.

Since 1973, in every year but three, Handelsbanken has allocated part of the Bank's profits to the employee-owned profit-sharing foundation Oktogonen. One condition for the allocation is that Handelsbanken meets its



Rating at 31 December 2017	Long- term	Short- term	Counter- party risk assessment
Standard & Poor's	AA-	A-1+	
Fitch	AA	F1+	
Moody's	Aa2	P-1	Aa1
DBRS	AA (low)		

Handelsbanken's profitability benefits society at large as well as the Bank's shareholders. Handelsbanken is one of the few Nordic banks that has not sought financial support from central banks or taxpayers in modern times.

corporate goal. Each employee receives an equal part of the allocated amount. The Oktogonen profit-sharing foundation is described in more detail on page 54.

In 2017, Handelsbanken's profit before taxes and government fees was more than SEK 26 billion. This created value was distributed as follows: over SEK 10 billion in taxes and government fees, SEK 14.6 billion in proposed dividends, to be paid to the shareholders in the spring of 2018, and the remaining amount reinvested in the operations.

HANDELSBANKEN AS A TAXPAYER

For Handelsbanken, tax is an important sustainability topic. We contribute to the community in the countries where the Bank operates, by paying taxes and government fees and by paying taxes to local tax authorities on behalf of employees and customers. The section on taxes in the Bank's policy for sustainability is one of the starting points for work with tax-related matters in the Bank. The Bank also has a guideline for managing taxes that describes Handelsbanken's co-ordinated management, governance and follow-up of tax-related matters.

We maintain an open dialogue with the tax authorities in the countries where we operate. In addition, Handelsbanken adheres to the OECD Guidelines for Multinational Enterprises, whose purpose is to encourage and facilitate corporate sustainability. In the UK, Handelsbanken has adopted the code of conduct for banks issued by HM Revenue & Customs, the UK tax authority. Handelsbanken also publishes a summary of the Bank's guidelines for managing taxes, in compliance with guidance from HM Revenue & Customs on making public corporate tax strategy.

For many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden. In addition to corporate tax, Handelsbanken also pays substantial amounts in social security contributions and other taxes. Historically, it has been the largest payer to the Swedish resolution reserve (formerly the Stability Fund) for the financial system and one of the largest payers to the state deposit guarantee scheme. Another significant expense for Handelsbanken is value-added tax (VAT), because the Bank cannot recover all input VAT that it pays when buying external products and services. This is an effect of the fact that a large part of our business is not subject to VAT, i.e. the Bank's customers do not pay VAT on financial services. For 2017, Handelsbanken's total taxes and government fees exceed SEK 10 billion (8). In addition to the taxes relating to the Bank's own operations, Handelsbanken reports and pays substantial amounts to the tax authorities in the countries where it operates, on behalf of its customers and employees.

STABLE THROUGH THE FINANCIAL CRISIS

During the most recent financial crisis, Handelsbanken did not use the Swedish government's capital support or guarantee programme. Nor has Handelsbanken received capital support in any other country where the Bank operates. Handelsbanken is the only listed Swedish bank that did not need to ask its shareholders for fresh capital during the financial crisis.

A well-run bank that acts sustainably and responsibly has a substantial positive impact on the economy in general. This applies not only to direct economic effects such as paying corporate tax, but also to the indirect effects.

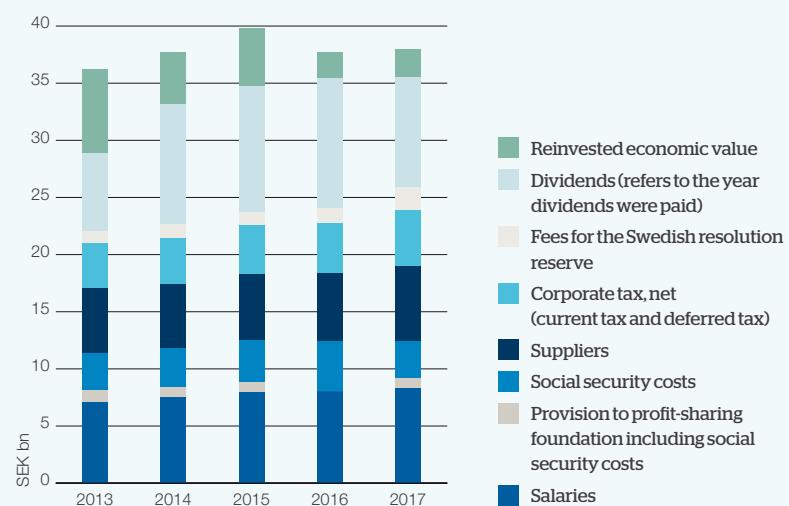
DIRECT ECONOMIC VALUE

During the most recent business cycle, Handelsbanken paid dividends to its shareholders every year, while remaining one of the largest payers of corporate tax in Sweden.

INDIRECT ECONOMIC EFFECTS

Through its lending to companies in the Bank's six home markets, Handelsbanken helps finance growth and increased employment. Handelsbanken is the largest player in terms of lending to companies in Sweden. By enabling households to finance home purchases, the Bank helps them move to locations with, for example, better employment prospects. The Handelsbanken Group finances almost one quarter of household mortgage loans in Sweden.

Distribution of economic value



The Bank's indirect impact

Handelsbanken primarily contributes to the Sustainable Development Goals indirectly, through its business operations, by granting credits to households and companies and by making investments on behalf of customers.

Responsible lending

Credits to households and companies are Handelsbanken's core business. The Bank considers it vital that lending be based on an assessment of the individual customer's repayment capacity, so the Bank does not grant credit to customers who cannot repay their loans. A weak repayment capacity can never be justified by arguments that the customer is prepared to pay a high interest rate or can offer the Bank good collateral. The Bank's view of lending protects the individual customer from running into financial difficulties due to excessive indebtedness – which also benefits the Bank and society at large.

DECENTRALISED DECISIONS

Decision-making at Handelsbanken is strictly decentralised to the local branch. Each branch has its own area of operations which constitutes the branch's local market, and that gives Handelsbanken a distinct local presence in all markets where the Bank operates. Taking important business decisions face-to-face in discussion with the customer is a sound basis for successful customer meetings. This creates close, long-term relationships with our customers.

PRINCIPLES WHEN GRANTING CREDIT

Sustainability aspects are a vital part of the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high demands for sound ethical standards. Handelsbanken respects human

rights and fundamental principles of working conditions and environmental considerations, and supports anti-corruption measures, regardless of where in the world the Bank operates. The Bank supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability. Thus, in our lending we must assess and evaluate each customer's stance on these principles and guidelines.

Ultimately, this can result in the Bank declining credit to companies that do not apply these principles. When assessing creditworthiness, we take into account factors such as how environmental risks affect the customer's repayment capacity. Such risks might include the customer being unable to sell its product or the risk that more stringent environmental regulations on the customer's manufacturing process might damage the company's repayment capacity. The branch which is responsible for the customer assesses the credit risk. Thus, the branch also assesses how factors such as environmental risks or the customer's approach to human rights will affect the customer's repayment capacity. All this is part of the business evaluation, the Bank's method for evaluating a customer. The business evaluation is an effective method for branches to identify and assess risks.

It also provides good documentation for higher levels in the Bank when they must evaluate credit risk and monitor that branches are taking into account sustainability criteria when assessing credit risk.

Relevant SDGs



Handelsbanken contributes to the Sustainable Development Goals primarily indirectly, through the financial services and products in our core business. Lending and financing, such as through green loans, contribute to goals 9, 11, and 13. In the management of mutual funds, pension funds and other assets, our products are clearly linked with several SDGs, such as 5, 8, 9, 13 and 16.



Sustainability overview

The sustainability overview is available at handelsbanken.se/sustainability and shows how a sustainability perspective is applied in the Bank's lending to companies.

For a long time, Handelsbanken has taken a restrictive approach to risk. This risk culture and expertise on the part of the staff is best maintained and developed in day-to-day work and learning at the branches.

Handelsbanken considers it vital that the Bank's lending is responsible and is based on a thorough assessment of the customer's repayment capacity. In 2017, we updated procedures for assessing sustainability risk in connection with lending to companies. The changes consist of a clearer, more transparent approach to sustainability in the credit process. The procedures contain expanded assessment and documentation of sustainability aspects and cover the majority of credit limit volumes granted to companies in the Bank. New instructions have been drawn up to serve as expanded guidance for the branches in their work assessing sustainability risk when granting credit. The branches have also been given tools to help with assessment as well as documentation. For example, branches and credit departments now have access to independent analyses to help them make their own assessments. In addition, special training has been conducted involving all employees who work with lending to companies.

"Handelsbanken considers it vital that the Bank's lending is responsible and is based on a thorough assessment of the customer's repayment capacity."

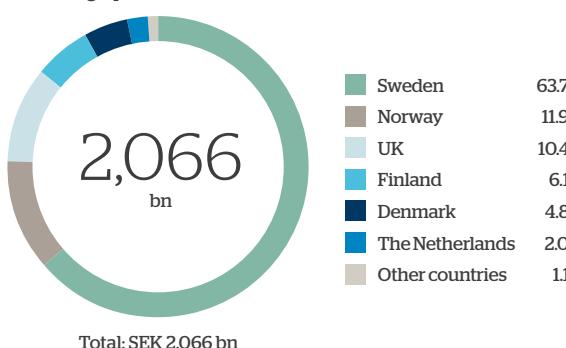
EXPOSURE TO CLIMATE RISK



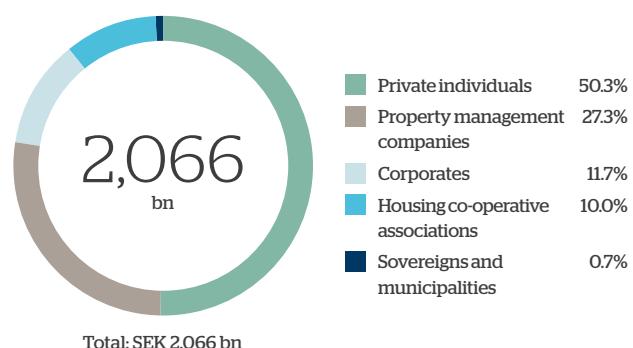
The production of energy using fossil fuels accounts for a high proportion of greenhouse gas emissions. Fulfilling SDG 13, Climate action, requires a transition to energy production based on renewable sources.

A screening of the Bank's lending at 30 June 2017 shows that loans to energy production represent only about 1 per cent of total loans to the public. Of this lending to energy, in turn, about 12 per cent was to production based on fossil fuels, about 7 per cent to nuclear power, and about 81 per cent to energy produced from renewable sources.

Loans to the public 2017
Geographical distribution



Loans to the public 2017
Sector



Green financing

Green loans at Handelsbanken

In 2017, Handelsbanken launched green loans for buildings. Worldwide the real estate sector accounts for a very large proportion of energy consumption and - directly and indirectly - for a large proportion of global emissions of greenhouse gases. To minimise the long-term negative impact from the real estate sector, it is vitally important that new and old buildings consume less energy and that new buildings and major renovations take into account the environment and climate through the sound choice of materials, low energy consumption and proper operation and maintenance of the building

over time. Technical criteria have been developed to ensure that the environment and climate are taken into consideration when a green loan is used to finance buildings, and Handelsbanken continuously monitors each project financed with a green loan.

Green bonds

Interest in green bonds continues to grow. Handelsbanken Capital Markets is very active as an advisor to new and existing issuers of green bonds, in formulating terms and conditions as well as in issuing green bonds. During the year, Handelsbanken participated in working groups connected to the

Swedish government's inquiry to identify ways to promote the market for green bonds, whose final report was presented on 10 January 2018. Handelsbanken has also joined the Climate Bonds Initiative (CBI), which plays an important role in the continued existence and development of this product in international capital markets. The market is growing fast, and a volume close to SEK 80 billion was issued by Nordic borrowers during the year, representing growth of 49 per cent. During the year, Handelsbanken Capital Markets was advisor to almost one third of the borrowers who issued green bonds for the first time in the Swedish market.



*“Our goal is to generate long-term returns, which **requires that we invest in a sustainable, responsible manner.**”*

Responsible investment

Handelsbanken is entrusted by its customers to manage their savings capital in the optimum way. Our goal is to generate long-term returns, which requires that we invest in a sustainable, responsible manner. Thus responsible investment is a vital condition for achieving our goal of generating long-term returns. We do this by integrating sustainability in our investment process and offering a wide range of mutual funds and other savings, pension and insurance products that meet customers' expectations.

OUR APPROACH TO ENGAGEMENT

Engagement with companies in which we are shareholders is an important way for us to contribute to sustainable development. This includes both proactive dialogue aimed at influencing companies to improve their sustainability activities as well as engagement with companies which we have identified as not compliant with the international norms and conventions that we respect.

We engage with companies through dialogue in various ways:

- direct contacts between asset managers and companies
- together with other investors and through sector-wide initiatives.

To complement ongoing efforts to integrate sustainability in our investment research, all holdings of listed equities and corporate bonds are screened. The purpose of this screening is to identify companies that do not comply with international norms and conventions. We also engage with companies based on the themes and sustainability risks we identify. We conduct such dialogues either on our own or through international collaboration such as PRI and CDP.

HOW WE APPROACH OUR WORK AS A RESPONSIBLE INVESTOR

In day-to-day operations, our work for responsible investment may take different approaches depending on whether the activity is choosing individual companies to invest in or choosing mutual funds to include in our fund portfolios or insurance or pension-related offerings. The choice of asset class and management focus also influences the approach. Handelsbanken's fund managers integrate environmental, social and corporate governance criteria with financial criteria to establish a better basis for decision-making in the investment process.

Inclusion

We integrate sustainability in our investment decisions.

Exclusion

We exclude companies whose business operations are incompatible with our policies for responsible investment and companies which do not meet the specific sustainability criteria of our Criteria range.

Engagement

We engage with companies through dialogue to influence them to comply with international norms and conventions. We also take a proactive approach to influence companies to improve their preventive work in the field of sustainability.

Engagement and dialogues



Environmental issues	34%
Social issues	44%
Corporate governance	7%
Overlapping areas of sustainability	15%

PRODUCTS WITH SPECIFIC SUSTAINABILITY CRITERIA

Structured products

In 2017, Handelsbanken issued its first equity-linked bonds based on the 17 Sustainable Development Goals (SDGs) adopted by the UN. The equity-linked bonds track indexes that are exposed to companies that, through their behaviour and their products, contribute to the SDGs.

Additionally, in 2017 Handelsbanken issued 12 more equity-linked bonds focused on sustainability and climate factors. The total value of these products exceeded SEK 170 million.

Criteria funds

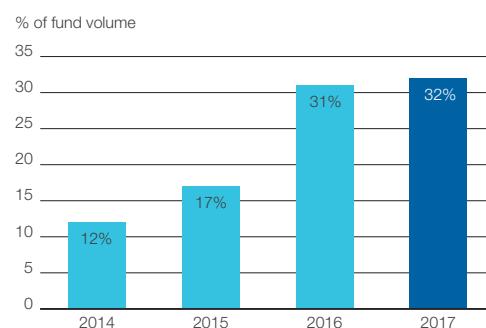
Handelsbanken also offers funds that adhere to specific sustainability criteria in their investment strategy, for example, excluding investments in controversial businesses such as alcohol, armaments, pornography, tobacco, gambling products and services and fossil fuels. These funds also exclude companies that are regarded as contravening international norms and conventions. The Bank now offers a total of 24 mutual funds with specific sustainability criteria. The range comprises index funds, actively managed equity funds, fixed income funds and an allocation fund with a special investment focus – all under the name of Criteria. At year-end, the total assets managed in these funds were SEK 220.6 billion, accounting for more than 32 per cent of the total fund volume, up 3 percentage points. The fund volume is based on Handelsbanken's own mutual funds in the Nordic market and mutual funds managed by Optimix (the Netherlands).

When the Nordic Swan environmental certification for mutual funds was launched in October 2017, one

of the Bank's Criteria funds – Handelsbanken Hållbar Energi (Sustainable Energy) – was certified as 'Svanenmärkt', demonstrating that the fund fulfils the Nordic Swan environmental certification's 25 mandatory criteria for sustainable investment. The purpose of the certification is to make it easier for consumers to choose sustainable funds.



Percentage of Handelsbanken's total fund volume in Criteria funds 2014–2017



CLIMATE-RELATED SCENARIO ANALYSIS



Together with the 2° Investing Initiative, Handelsbanken has performed an initial analysis of the Bank's mutual funds based on a two-degree scenario. The analysis targets investments in three sectors: energy production, automotive manufacturing, and extraction of fossil fuels. The overall results show that Handelsbanken's mutual funds are well aligned with the two-degree target and confirm that the climate issue is an integral part of our fund management operations.

Index funds that comply with **sustainability requirements**

Choosing the right index is essential when working with sustainability in index funds.

"Sustainability-oriented indexes can be used to exclude companies that don't comply with Handelsbanken's sustainability policy," says Emma Viotti, Head of Responsible Investment at Xact Kapitalförvaltning.

During the year, extensive efforts were made to spur the development of more indexes that exclude companies that violate international norms and

conventions on the environment, social issues and corporate governance.

"As a global asset manager, we have chosen to work together with international index providers such as MSCI. We have engaged in dialogue on sustainability from a Nordic perspective and initiated the development of more sustainable indexes for the United States, Europe and emerging markets. Thus all our international index funds now comply with our sustainability requirements – not just the sustainability-oriented Criteria funds, as was

previously the case. In the future, we hope to continue improving our engagement process and also to further integrate the Sustainable Development Goals in our asset management," Emma says.



Emma Viotti

RESPONSIBLE INVESTMENT AND THE SUSTAINABLE DEVELOPMENT GOALS

During 2017, Handelsbanken actively worked to integrate the Sustainable Development Goals in its operations. As an asset manager and insurance company, Handelsbanken can contribute through the mutual funds and products that we offer our customers as well as through our investments and our efforts as asset owners and managers to influence others.

One of the investment processes is based on thematic investing. Thematic investing is a way of identifying external changes with a long-term impact on companies' profitability.



THE GLOBAL GOALS
For Sustainable Development



Gender equality

Womenomics is a recurring theme in several of our mutual funds and contributes to goal 5, gender equality. This theme aims to increase the number of women in the workplace and in leadership positions. In many Western countries, women are a well-educated but under-utilised resource. Japan is an obvious example: the proportion of gainfully employed women must increase if the economy is to continue growing. The government has pursued various reforms, such as expanding pre-school capacity and requiring stricter disclosure of statistics related to gender equality. Our investments in the Womenomics theme benefit from these structural changes.



The environment and working conditions

Production of palm oil is one sector with significant sustainability risk in terms of the environment and working conditions. Our basic position is that companies that buy palm oil must buy oil that is certified by the Roundtable on Sustainable Palm Oil (RSPO). The RSPO is an organisation of diverse stakeholders – producers, consumers, NGOs –

working for sustainable palm oil production. Through dialogue we can influence companies to work towards the fulfilment of goal 8, decent work and economic growth. In 2017, we had such a dialogue with a Nordic company concerning the purchase of sustainable palm oil to increase the proportion of certified oil.



Climate action

One important contribution to the Climate action goal (SDG 13) is to invest in solutions for a sustainable energy system. In several of our actively managed funds, energy efficiency has long been an investment theme.

During the year, Handelsbanken Liv expanded the proportion of mutual funds which it offers that avoid investments in fossil fuels, from 14 per cent to 21 per cent. Also, compared to 2016, in 2017 we offered more mutual funds that invest in solutions contributing to sustainable development. In the traditionally managed portfolios, Handelsbanken Liv contributes to reducing climate impact by investing in equity funds that exclude fossil fuels or take a restrictive approach to coal and by increasing investment in green bonds.

Opportunities for healthy returns – in a responsible way

A growing number of people not only want their savings to grow but also to contribute to a sustainable world.

Johann Guggi, Chief Investment Officer at Handelsbanken, relates how Asset Management works with sustainability in their multi-asset portfolios, which invest chiefly in mutual funds instead of directly in companies.

"Our daily tasks revolve around incorporating sustainability as a natural part of our investment processes and influencing companies, index providers and fund managers to work towards sustainability."

The careful selection of products and service providers is the foundation of qualitative asset management.

"We choose each product that we judge will contribute to the portfolio's return and risk profile in the best way. If two products are judged to be equivalent, then we always choose the product that is more sustainable," Johann says.

Twice a year, all holdings are screened to identify any company behaviour that conflicts with the international norms and conventions supported by Asset Management, for example, in human rights and business ethics.

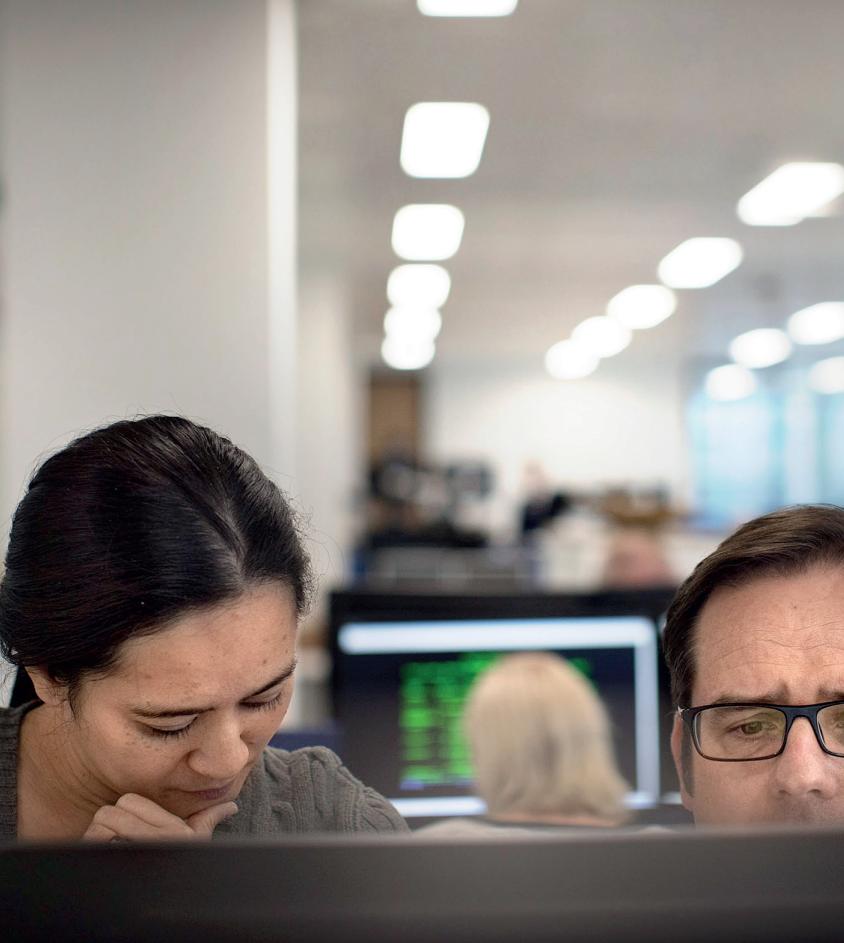
"We also try to persuade other fund management companies to take an approach to sustainability similar to

ours at Handelsbanken, so there are more mutual funds to invest in. For example, in 2017 we've taken part in a dialogue about the construction of a new global fund with an ESG* focus. The fund's transparent and obvious sustainability focus has convinced our fund portfolios to invest in the fund," Johann says.



Johann Guggi

* Environmental, Social and Governance (ESG).



Equity and credit research

At Handelsbanken we are working to increasingly integrate our sustainability work with the equity and credit research that we offer professional investors who are our institutional customers. In 2017, the Bank took a big step and published sustainability research on about 200 Nordic listed companies, to scrutinise the companies from a sustainability viewpoint and to discuss the challenges and opportunities the companies face. The goal of our sustainability research is to examine information in a standardised way with a sustainability perspective and to enable peer comparisons of companies.

Sustainability declaration

SWESIF's sustainability declaration for funds makes it easier for customers to compare and read more about how each fund applies sustainability criteria in their investment process. The declaration (sustainability profile) is a standardised fact sheet produced by the sector organisation SWESIF together with its corporate members. The profiles are available at the Bank's website and in our apps. Each profile includes the fund's sustainability rating, which is based on Morningstar's Sustainability Rating and measures how well the companies in which the fund is invested manage sustainability compared with other funds in the same category.

MORE INFORMATION

For more information, please see
handelsbanken.se/csreng and
handelsbanken.se/responsibleinvestments.

There you will find policies and documents such as:

- Sustainability overview, which shows how a sustainability perspective is applied in the Bank's lending to companies.
- Corporate governance policy and policy for responsible investment for Handelsbanken Fonder.
- Corporate governance policy and policy for responsible investment for Xact Kapitalförvaltning AB.
- Handelsbanken Liv's policy for responsible investment and policy for sustainability.
- Examples of companies we are engaged with through dialogue.
- Examples of companies that we exclude.
- Information brochure about Responsible Investment.
- List of carbon footprints for Handelsbanken's equity funds.



Collaboration and initiatives for sustainability in asset management

Read more on page 38.

Swedish Investors for Sustainable Development



Signatory of:



The Bank as an employer



At Handelsbanken, we constantly strive for our corporate culture, with its decentralised working methods and belief in the individual, to be integral to our operations. This applies no matter where in the world Handelsbanken opens new branches. In 2017, Handelsbanken had more than 11,800 employees, working in over 20 countries, of whom more than 40 per cent were employed outside Sweden.

Handels



AN ATTRACTIVE, LONG-TERM EMPLOYER

Handelsbanken's concept of how to run a successful bank is based on trust and respect for the individual – both customers and employees.

Above all, working at Handelsbanken is about relationships with other people. It does not matter how good the products or services are if the Bank does not have the most suitable staff. When we recruit new employees, we seek people who share the Bank's core values and who contribute their diverse experiences and perspectives. For us, it is vital that employees are driven by putting the customer first, enjoy taking a large amount of individual responsibility, and want to take their own initiatives.

The Bank continues to have low external staff turnover: 4.7 per cent in the Group and 3.9 per cent in Sweden. A pre-condition for this is a healthy, inclusive work environment where each employee's potential is made the most of and each individual is able to develop in their work based on their ability and personal circumstances.

Handelsbanken's guidelines for employees are based on the Bank's corporate culture, working methods, and fundamental view of people. Dialogue and trust are fundamental to people working together at Handelsbanken. If this were to break down and an employee were to suspect some form of internal fraud or other irregularity, the Bank has an established system for whistleblowing in which the employee can make a report anonymously. The system for whistleblowing is described on the Bank's intranet, where it is accessible to all Handelsbanken employees.

CONSTANT DEVELOPMENT

Handelsbanken's strength is derived from the combined expertise of our employees. When employees develop, the Bank develops. The most important source of increased professionalism is learning in our

daily work, where all our employees are responsible for continual development – their own and that of the operations. Learning on a daily basis is supplemented by various training activities, including annual training on ethical standards and sustainability, which contains an anti-corruption module, and training to counter money laundering and terrorist financing. These training courses are mandatory for all employees in the Group. It is important that employees have the skills they need to help our customers in the best way possible, to provide advice based on customers' needs, and to comply with the current policies and regulations.

The employees and the business can move forward together because all employees play an active role in formulating their own unit's business plan each year. After the plan is set, individual competency mapping, planning dialogues and performance reviews are carried out, linking the business operations' goals with each employee's goals. The result is an individual action plan for each employee which is followed up regularly during the year and then forms the basis of an annual salary dialogue review between employee and manager.

INTERNAL LABOUR MARKET AND CULTURAL AMBASSADORS

Handelsbanken's strong corporate culture and values are vital to our success. Due to the Bank's decentralised working methods, employees take a large amount of personal responsibility, are given a mandate to take their own decisions, and are driven by putting the customer in focus. During their period of employment, employees have the opportunity to develop within different professional roles, to work in different areas of the Bank, and also to work in different countries where the Bank conducts its operations. Internal mobility contributes to both the working methods and culture being spread to all parts of the operations, so internal recruitment and long-term employment are important to us.

Managers at Handelsbanken must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2017, 97 per cent of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure was 92 per cent.

A structured approach to management succession planning is crucial in satisfying the current and future demand for managers at the Bank. One of the most important tasks for managers at the Bank is to identify, encourage and develop new managers in operations. To further strengthen management succession, preparatory programmes are arranged for manager candidates before their first leadership assignment in the Bank.

For newly appointed managers at the Bank, Group-wide management training is conducted with the aim of inspiring and developing them to lead with a focus on customers and based on our values and our culture.

Handelsbanken's traditionally good relationships with unions are a valuable component of the Bank's culture. There is an ongoing, close dialogue between union representatives or employee representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged from the very early stages.

As well as matters dealt with in a dialogue with the union organisations and other types of employee

Relevant SDGs



Handelsbanken must be a company where women and men can contribute their knowledge and ability on equal terms and have opportunities to develop their leadership skills at all decision levels, goal 5, target 5.5. As an employer, we must also promote a safe and secure work environment for all our employees, goal 8, target 8.8.

The Wheel – interaction between the operations and the employees



The Wheel reflects the relationship between the operations and the employee's development. Managers and employees work together to create their own unit's operational plan each year. After the plan is set, planning dialogues and performance reviews are carried out, linking the business operations' goals with each employee's goals. The result is that all employees have an individual action plan which is followed up regularly during the year and forms the basis of a salary dialogue review between employee and manager.



Internal leadership development

After a few years at Handelsbanken's branch in Give, in southern Denmark, Kathrine Vesterager Andersen was ready for new challenges. In Handelsbanken's preparatory programme for manager candidates, she acquired the basic knowledge she needed for her first leadership assignment in the Bank.

"I was able to combine personal and professional development at the same time as I gained broader insight into our business model and more understanding of what is required to take on the role of manager," she says.

It was at the end of 2015 that Kathrine's manager at the time, together with her HR manager, encouraged her to apply for the one-year programme.

"We learned more about everything from Handelsbanken's concept and decentralised working method, to how we as employees handle the huge responsibility embodied in our customers' trust," she says. Kathrine has been the Branch Manager in Give since summer 2017.

"The new network I gained through the programme was one of the biggest benefits. You learn so much when you

meet your colleagues and exchange experiences," she says.



Kathrine Vesterager Andersen

organisations in each country, there is also Handelsbanken's European Works Council (EWC), which serves as a forum for joint and cross-border questions in the countries in Europe where the Group has operations. In 2017, a group comprising representatives from the Bank and employee representatives from the European Works Council carried out work aimed at improving and streamlining the flow of information related to issues that concern multiple countries.

LOCAL COMMITMENT

It is important that those who work at branches have natural links to, and good knowledge of, the town and local market. The branch's manager and staff are involved in the local community. In the Bank's home markets, the majority of managers and employees work and live in the local community where their branch does business.

GENDER EQUALITY, DIVERSITY AND INCLUSIVE CULTURE

Gender equality, diversity and an inclusive corporate culture are part of our core values and must be a natural and integral part of our daily work. This entails making the most of the employees' combined potential, and of broadening the recruitment base to become, to an even greater extent, a bank that reflects the community in which we operate. Diversity encompasses various individuals' different backgrounds, skills and work experience as well as different ways of thinking and solving problems.

Handelsbanken's gender equality goal is to be a company where women and men have the same opportunities and conditions to shape the Bank and their own career. In all countries where we operate, a gender equality plan must be formulated to support the Group's gender equality goals. The plan must be based on Handelsbanken's core values and take into account the laws and guidelines that apply in the country. One aim of this is to create an even gender balance within different professional roles, working groups and units.

Through goal-oriented work, the gender balance has been improved in different roles and realised in several groups.

For gender equality and diversity

Our work with gender equality continues, with various measures aimed at making Handelsbanken an even more gender-equal company. Training is carried out within the organisation to increase awareness of how social and cultural norms affect attitudes and behaviour in everyday life. During the year, in Sweden we continued our gender and diversity training for members of management teams, employees in human resources and trade union representatives. Other examples may be found in the UK, where all managers are taking professional development courses on how unconscious prejudices affect us, and Finland, where gender equality and diversity are being integrated in all internal leadership development and the orientation course for new hires.

"Several of the Bank's managers and employees are active in various external mentor programmes and networks to contribute to activities that promote integration and diversity."

During the year, a Group-wide Diversity Council – a forum for gender equality and diversity – was formed with members from the management teams of all home markets, Handelsbanken Capital Markets, Group IT and Group HR. Its aim is to ensure our long-term focus and development in this area and to circulate good examples.

In 2017, the Swedish operations worked on how we can, in different parts of the Bank, promote greater diversity, contribute to an inclusive culture and counteract the risk of discrimination. For example, the recruitment process has been refined, and work on gender equality and diversity is now integrated in our systematic work environment efforts.

All around Sweden, the Bank offers internships for recently arrived immigrants. Our aim is to help improve opportunities for getting established through different types of co-operation.

All types of discrimination, harassment and victimisation are unacceptable at Handelsbanken, as made clear in the Group-wide guidelines for employees. Handelsbanken's HR departments are responsible for investigating and dealing with any cases reported inside the Bank together with the responsible manager. For many years, the Bank has had an effective incident reporting system. It includes work environment incidents which are followed up continually. Any case reported to the national discrimination ombudsman or a corresponding official body is followed up at Group level.

GENDER-EQUAL SALARIES AT HANDELSBANKEN

The Bank is working to rectify unwarranted pay differentials between women and men. In Sweden this work has advanced for several years in co-operation with the union organisations, so it is now an integral part of ordinary business operations. The Bank and the union organisations work together to safeguard the results achieved and to closely monitor trends in gender-equal salaries within the Bank. Managers at the Bank have a mandate and the tools to correct any differentials that are discovered, and every year all salaries are mapped by the Bank to act on any differentials that have arisen.

HEALTH AND WORK ENVIRONMENT

Handelsbanken's guidelines for the health and work environment describe how we continuously improve our work environment and the conditions for good health. Our overall goal for the work environment is that employees should be able to enjoy good health, develop on a personal level and function in an optimal way. The efforts are based on a number of health factors with the aim of achieving our work environment goal. All employees are responsible for their own health and for contributing

to a positive work environment. An ongoing, daily dialogue between managers and employees makes it possible to detect early signs of poor health and to ensure the work situation is sustainable in the long run.

Each manager is responsible for performing regular work environment surveys, based on our health factors, with their employees and union representative or employee representative. These include topics relating to the physical and psychosocial work environment, security, gender equality, diversity and inclusiveness. Based on the results, managers and employees formulate a work environment plan containing activities to maintain and develop a positive, health-promoting work environment and to counteract health risks. The plan is then integrated with the business plan and, in this way, becomes a natural part of how the operation develops.

In each work group, the planned activities are regularly followed up to evaluate and continuously improve the Bank's efforts for the work environment and health. Every country and department regularly monitors their work environment, sickness absence rate and reported incidents for all employees in a joint health and safety forum involving employee and employer representatives.

Guidelines and procedures help in dealing with and providing support in cases of poor health, sickness or crisis situations. If additional expertise is needed, the Bank has special agreements with external service providers.

All managers attend ongoing skills development in this area. For example, in 2017 activities were carried out aimed at raising awareness of the importance of a good organisational and social work environment for health and work capacity.

CULTURE AND ACTIVITIES

Handelsbanken offers a large number of subsidised health-promotion and recreational activities. We have a long tradition of clubs, societies and the like and a rich variety of activities. One sports and leisure association in Sweden dates back to 1919 and has almost 4,400 members. Finland and Denmark have corresponding associations.

There is also an art association with more than 3,700 members and the Handelsbanken Historical Association, whose aim is to spread knowledge about and preserve the Bank's cultural heritage.

Within the Group, numerous health-promoting activities have been organised during the year, one aim being to increase everyday physical activity and reinforce our sense of community. In Sweden, more than 3,700 employees participated during the year.

Staff magazine

The staff magazine *Remissan* started in 1948 – for, about and by the employees of Handelsbanken. *Remissan's* task is to create a sense of community, belonging and commitment among the employees and to reflect the culture throughout the Group. In the autumn, *Remissan* became a digital website. The new format was conceived after a Group-wide survey, taking into consideration the wishes of employees as regards content and availability. Both English- and Swedish-language versions of the site are accessible to all current and retired employees of the Group.

Health and work environment at Handelsbanken



Handelsbanken's overall goals for health and the work environment is that employees should be able to enjoy good health, develop on a personal level, and function in an optimal way. Our efforts for the work environment focus on several health factors that collectively provide the conditions for a positive, secure and inclusive work environment.

"Handelsbanken's concept of how to run a successful bank is based on trust and respect for the individual - both customers and employees."

COLLABORATIONS WITH YOUNG PEOPLE

Handelsbanken has a number of collaborations with schools, universities and colleges that are an important part of its long-term employer branding work. For example, we participate in training courses, contribute our competency and experience, and offer opportunities for internships that give students experience and contact with workplaces. Each summer, many students work at the Bank as temporary staff, which contributes to Handelsbanken's development as well as that of the students.

Student degree thesis projects are another valuable way of exchanging knowledge. Several of the Bank's managers and employees are active in various external mentor programmes and networks to contribute to activities that promote integration and diversity.

Handelsbanken's Student Programme

Handelsbanken has Student Programmes in Sweden and Norway aimed at young people studying at university or college. The students participate in the Bank's programme in parallel with their studies. The aim of the programme is to attract and recruit young employees as part of Handelsbanken's future management succession, and to promote gender equality and diversity. The programme includes the student working at the Bank during their student years, having their own action plan and receiving the internal training relevant for them to develop at Handelsbanken.

OKTOGONEN FOUNDATION

One condition for achieving the Bank's corporate goal of better profitability than the average of peer banks in its home markets is that the Bank's employees outperform their peers in the rest of the sector. In every year but three since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to Handelsbanken achieving its corporate goal. Each employee receives an equal part of the allocated amount, regardless of their position, form of employment or tasks. The profit-sharing scheme is long-term, as payments cannot be made until the age of 60. Of the Group's employees, 98 per cent are now covered by Oktogonen.

For many years, the profit-sharing foundation has been one of the Bank's largest shareholders, and Oktogonen nominates two representatives for election to the Board of Handelsbanken. Since Oktogonen's board is made up of representatives from an employee organisation, the employees have the opportunity to influence the election of Handelsbanken's Board.

Student Programme

Through Handelsbanken's Student Programme, young people have an opportunity to combine their studies with an internship. Torbjørn Schjøtt Lie is one of about 50 students participating in Norway. With the help of an individual action plan and internal training, he and his fellow interns aim to develop themselves at Handelsbanken in parallel with their studies.

"This gives me work experience as well as an opportunity to influence my personal development and prepare for a career at Handelsbanken after I graduate," says Torbjørn, who studies at the Norwegian

School of Economics, in Bergen, and works at the Åsane branch.

In the Student Programme, Torbjørn has been able to work at three different branches and meet new people with varied experience and backgrounds. At the same time, thanks to his individual action plan and learning on a daily basis, he has been able to start acquiring the knowledge that an advisor needs.

"I've gained good insight into the operations at several branches and been able to build up a valuable network. My colleagues are teaching me about the Bank's culture and how the customer's needs are always our starting point. It's great that the Bank's

making the most of my skills, and I feel that, by taking the initiative and responsibility, there are so many opportunities to develop at Handelsbanken," Torbjørn says.



Torbjørn Schjøtt Lie

The Bank's business culture

Handelsbanken's success depends on the confidence of our customers and society at large. This confidence is based on us acting according to high ethical standards and taking responsibility for long-term sustainable development.

Corporate philosophy

Handelsbanken manages large amounts of capital, and it is important we do it properly. Confidence in the Bank and our operations is based on ethical actions and high moral standards in everything we do.

Each employee's actions are important for the success of the Bank. The Bank has great confidence in and respect for all its employees. When we recruit new employees, we seek people who share the Bank's fundamental values. This means that we act with care, sound judgement and common sense – we quite simply do things we can stand by.

We have strict demands on good administrative order in the Bank. By doing things the right way the first time, we reduce the risk and cost of correcting things later. Instead, we can devote time and emphasis on making our customers even more satisfied, and increasing our income. Of course, to ensure good administrative order our employees must follow the regulations and legislation that govern the Bank's operations and we must have reliable work processes and monitoring. In this way we can uphold the confidence which customers, owners, and other stakeholders have put in us.



Business ethics at Handelsbanken

Banking operations are regulated and governed by extensive laws and regulations. In addition, Handelsbanken has its own policies and guidelines that govern our way of working. Handelsbanken's Board has adopted several Group-wide policies on ethical standards, anti-corruption and sustainability, for example. There are also guidelines issued by the Bank's Group Chief Executive that further clarify the Bank's approach in various areas. These documents formulate the basic guidelines for every employee.

Managing tax-related matters

In addition to its policy for sustainability, which includes a section on taxes that serves as one of the starting points for the Bank's work with tax-related matters, Handelsbanken also has a guideline for managing taxes.

The Bank's actions regarding tax-related matters shall be responsible and transparent and shall comply with prevailing laws and regulations – and high ethical standards must always be observed. Handelsbanken must never participate in transactions or provide products or services that may be called into question in the light of prevailing tax legislation. The Group's policy for sustainability and policy on ethical standards, as well as a summary of the guideline for managing taxes, are available on the Bank's website.

Handelsbanken's policy on ethical standards covers:

- high ethical standards
- laws, regulations and guiding principles
- the UN Global Compact
- counteracting financial crime
- customer relations such as advisory services
- counteracting conflicts of interest
- conduct of employees
- reporting by employees who suspect internal fraud or other irregularities
- confidentiality
- external contractors.

Conduct of employees

The following are extracts from codes of conduct included in policies and guidelines and refer to human resources.

Handelsbanken's employees

- must not be in a position where they may be suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work
- must be familiar with legislation concerning trading in financial instruments and observe the Bank's rules for employees' private securities and currency transactions
- must, in their work at the Bank and in their private affairs, refrain from business transactions that violate the Bank's rules or current legislation
- must refrain from transactions or other commitments that could seriously jeopardise their personal financial position
- are not permitted to process transactions in which they, or persons closely associated with them, have a personal interest. This also applies to companies to which these employees or persons closely associated with them have a commitment
- must notify compliance or internal audit if they suspect irregularities at the Bank. Handelsbanken's separate system for whistleblowing may be used as well as these reporting channels
- must notify the Bank of assignments outside the Bank and obtain approval. These rules also apply to secondary occupations and certain posts in clubs, societies and the like.

Relevant SDG



We see our efforts to prevent money laundering and terrorist financing as fundamental to secure and sound banking operations and thus as contributing to goal 16, target 16.4. The Bank's employees must never participate in activities that could involve bribery or corruption, target 16.5.

Efforts against financial crime

In 2017, work throughout the Group to counteract financial crime was consolidated in one Group-wide department. This department is headed by a member of the Bank's Senior Management, who is responsible for measures against money laundering and terrorist financing. The new organisation is one component of the Bank's efforts to prevent, thwart and detect use of the Bank's products and services for money laundering, terrorist financing, tax crimes, corruption or fraud. Handelsbanken sees these efforts as a condition for conducting secure and sound banking operations.

An important starting point for efforts against financial crime is the body of external regulations on money laundering and terrorist financing. Handelsbanken's decentralised working methods and strong local presence in the community create a solid basis for close, long-term customer

relations. They also enable our staff to know their customers and understand their business and needs, a prerequisite for maintaining effective procedures, processes and systems in order to minimise the risk that the Bank is used to commit some kind of crime.

All our customer relations begin at one of our branches. Our customers also meet Handelsbanken 24 hours a day in our digital meeting places, via online banking or their phone. This means that Handelsbanken needs to stay informed of how our customers are using the Bank's products and services and through which channels. We need information so that we can understand customer needs and behaviour and can work effectively with measures to counteract financial crime.

Efforts against financial crime demand competency in and awareness of these areas.

Each year, all employees and managers complete a mandatory training programme on money laundering and terrorist financing. Each employee and manager must take responsibility for minimising the risk that Handelsbanken will provide services and products to customers who use them as part of some kind of crime. It is also important for employees and managers to know what to do if they suspect that the Bank is being used for criminal activity.

To bolster Handelsbanken's work in this area, the Bank will continue to invest in expertise as well as new technology. The new organisation also means that we are gathering together all units that work to counteract financial crime, which will make it possible to further improve procedures, systems, and processes in this area.

Policy for sustainability

Handelsbanken's policy for sustainability was adopted by the Bank's Board in 2016. The policy sets the direction for the Group's sustainability activities, in terms of Handelsbanken's approach to material topics relating to customers, the Group's actions as an employer and business in society, and also the relationship with owners and investors. The policy covers the following areas: environment, human rights and working conditions, anticorruption, money laundering, and taxes.

Handelsbanken aims to integrate financial, social and environmental sustainability into all its business operations.

Handelsbanken's success depends on the confidence of customers, employees, owners, public authorities and other stakeholders that the Group is acting in a responsible manner. To uphold this confidence, the Group's sustainability activities must be transparent.



Conflicts of interest, corruption, bribery and improper influence

Conflicts of interest occur daily in society, and the financial sector is no exception. All employees of Handelsbanken, regardless of where they work in the Group, are obliged to follow the Bank's regulations concerning conflicts of interest. Employees must identify conflicts of interest whenever they arise and, as far as possible, ensure that they are avoided.

Handelsbanken has established procedures for managing conflicts of interest with the purpose of preventing customers' interests from being negatively affected. The Bank's regulations contain requirements for transparency, whereby the customer must be informed when a conflict of interest has been identified which might affect the customer. In 2017, Handelsbanken's Board revised the Bank's policy for managing conflicts of interest in order to further clarify the Bank's work in this area, for example by enumerating in the policy a variety of areas where conflicts of interest could arise in the operations. The policy includes details on the procedure for identifying and managing conflicts of interest. For example,

each year potential conflicts of interest, as well as how they have been managed, must be reported by those units deemed to have a greater probability of conflicts of interest. Such reports are made by Handelsbanken Capital Markets and by all branches outside Sweden, for example.

In banking operations, there is a risk that staff will be exposed to situations that can be linked to attempts at bribery, which in turn may lead to a position of dependence. It is therefore important that the Bank's employees comply with laws and the Bank's regulations regarding bribery and improper influence so that they avoid being dependent on a customer or supplier, or have improper influence on a customer or supplier. Each year all unit heads must review the regulations applying to bribery and improper influence with their staff. The Bank's employees must not participate in actions that may involve bribery or any other improper influence, either within the Bank's operations, or when they perform other assignments outside the Bank. There are also procedures for how employees are to report a suspected breach of these regulations.

The regulations must be followed in all contexts, such as gifts, corporate hospitality and other events. For example, employees' business travel must always be paid for by the Bank.

Each year, operational risk analyses are performed which include the area of anti-corruption. Security reviews are also performed every year and these contain a training and information section on corruption.

"Each year, operational risk analyses are performed which include the area of anti-corruption."

Handelsbanken's anti-corruption policy states that all Bank employees must complete a course on corruption, bribery and improper influence each year. New training on corruption, bribery and improper influence was introduced in 2017, and the Bank's employees completed the course during the year. The policy also applies to members of Handelsbanken's Central Board and boards of subsidiaries who must complete specific parts of the course. Service providers and representatives of the Bank must also be informed of the Bank's rules on corruption, bribery and improper influence, and they are subject to these rules when they perform assignments on behalf of the Bank.

The Bank as a customer and our suppliers

Ethical considerations are just as important for the Bank in its role as a customer as when it is the provider of products and services. We have a regular dialogue with our suppliers, and when making purchasing decisions we ensure that they have collective bargaining agreements, a work environment policy and a policy against giving and accepting bribes. Environmental considerations are also taken into account in purchasing decisions. A checklist helps ensure quality in the Bank's purchases.

In 2016, Handelsbanken implemented a code of conduct for major suppliers in Sweden. Results have been excellent, and most of the Bank's major suppliers have signed the code.

In 2017, work began on introducing the code of conduct in the Bank's other home markets, where the majority of suppliers have also signed the code. We see a positive link between the code and our relationships with suppliers as well as their direct impact on our sustainability activities.

The code of conduct defines the expectations we have on our suppliers and their subcontractors. Most of these expectations are based on internationally accepted standards, with the UN Global Compact as the starting point. This means that the Bank expects those suppliers we rely on to comply with the code of conduct or corresponding standards. The supplier is also obliged to ensure that their employees and subcontractors in turn meet the expectations in the code.

The Bank as an investment

Long-term and responsible business decisions that focus on customers' needs foster the conditions for sustainable value creation. Handelsbanken's policy for sustainability declares that "responsible actions are essential to long-term value creation in Handelsbanken."

Sustainable value creation consists of two parts: creating shareholder value and working to minimise the possible negative impact of the company's business operations on their surroundings. The former is easier to measure than the latter. The past 10 years have been a challenging time for many of the world's banks. Handelsbanken is one of the few publicly traded banks in Europe that has generated a positive total return for its shareholders since the financial crisis that began in the summer of 2007. Thus Handelsbanken is one of the few banks in Europe that fulfils a basic criterion for sustainable value creation – actually creating value. The Bank's structured working method for achieving long-term stable funding means that Handelsbanken is one of the few banks that has never needed to seek support from the government, taxpayers or central banks in modern times. Since the financial crisis began in summer 2007, Handelsbanken's share has achieved a total return of 181 per cent. This can be compared with the European index for bank shares, Euro STOXX Bank, which produced a total return of -61 per cent during the same period.

A BUSINESS MODEL THAT CREATES SHAREHOLDER VALUE

In Handelsbanken's decentralised organisation, our customers' needs are at the centre. The Bank works on the basis of a well-tested business model that has not changed since the early 1970s. As a result of this decentralisation, practically all important business decisions are made close to our customers, at the local branch in the community where the customer is active. This business model has enabled the Bank to report profitability at very stable levels over a long period, and every year since 1972, the Bank has achieved its financial goal of better profitability than the average of peer banks in its home markets.

Profitability

Profitability is a keyword at Handelsbanken, and for more than four decades the objective has been to generate shareholder value – but not at any cost. Value creation must be sustainable. In addition to Handelsbanken's financial goals, the Bank aims to act as a responsible business in society.

In the banking sector, there is often a strong connection between financial and social sustainability. When financial sustainability falters, there are often negative social repercussions – and vice versa. This became obvious during the most recent financial crisis, when weaker profitability in all too many banks – often a result of irresponsible lending – had a negative impact on society, for example in the form of lay-offs, customers forced to leave their homes, deterioration of the supply of services and products for the public, and lower tax revenue for society as a whole. Instead of contributing positively, many banks became a financial burden for their communities when politicians were forced to use taxpayers' money to save debt-ridden banks considered too big to fail.

It is vital that a bank makes a profit. Not only does the profit generate a return for shareholders and tax revenue for the community, but a large proportion of the profit is reinvested in operations. That allows the bank to meet customers' future loan requirements and generate growth in the future.

Relevant SDG



A pre-condition for creating shareholder value is to simultaneously create long-term value for the Bank's customers and society as a whole. By striving for long-term, stable growth, we promote macroeconomic stability and a good investment climate, goal 8.

"Long-term and responsible business decisions that focus on customers' needs foster the conditions for sustainable value creation."



“Research analysts who specialise in sustainability often draw attention to Handelsbanken as a solid investment.”

A long-term approach

Another key concept that aptly describes Handelsbanken's actions is 'long-term'. The Bank takes a long-term view of its business operations and its relations with customers. Handelsbanken views every recruitment of a new employee as important and long term. External staff turnover is low, and all members of Handelsbanken's Senior Management were recruited internally, most having spent their entire working life in the Bank. Handelsbanken favours long-term investors as shareholders.

These approaches intersect in Handelsbanken's profit-sharing scheme Oktogonen, which is the direct opposite of a short-term bonus system. Handelsbanken's profit-sharing scheme is long-term, as disbursements cannot be made until an employee has turned 60. In the meantime, the funds are invested in Handelsbanken shares. Consequently, the employees take the same long-term view of the Bank's business operations as other long-term shareholders do.

Customer satisfaction

Yet another key phrase for Handelsbanken is 'customer satisfaction'. The Bank is convinced that there is a strong connection between sustainable long-term profitability and customers being satisfied with the service they receive and the products and services the Bank offers.

Low risk tolerance

A bank that takes a long-term approach and focuses on customer satisfaction with the aim of achieving profitability naturally has low risk tolerance. A large part of banking operations is based on managing risk. Handelsbanken's business model focuses on taking credit risks in the branch operations and works to minimise other risks. The Bank deliberately avoids doing business with high risk, even if the customer is willing to pay a high interest rate. Handelsbanken has no targets in terms of sales volumes or market share. Aggressive selling of credits which leads to an unhealthy level of household and corporate debt always hits the customer hardest. The Bank's stated goal is that no credit will result in losses. This promotes long-term value creation for the Bank's shareholders, too.

HANDELSBANKEN'S SHARE – A SUSTAINABLE INVESTMENT

Research analysts who specialise in sustainability often draw attention to Handelsbanken as a solid investment, and the share is included in the following sustainability



SUSTAINABILITY INDEXES

ECPI
 Ethibel Sustainability Index
 FTSE4Good
 OMX GES Sustainability
 SIX Sweden SRI Index
 STOXX Global ESG Leaders

COMPILED BY

ECPI
 Forum Ethibel
 FTSE
 Nasdaq OMX/GES
 SIX Finance Information
 STOXX

indexes: Ethibel Sustainability Index, FTSE4Good, OMX GES Sustainability, SIX Sweden SRI Index and ECPI Global Developed ESG Best in class Equity.

As in previous years, Handelsbanken participated in a survey of sustainable companies conducted by the Robecosams research company. Handelsbanken was included in the Sustainability Yearbook 2018 as a 'Sustainability Yearbook Member', which means that Handelsbanken scored in the top 15 per cent of all the banks in the world.

Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its shares. In recent years, several of these investment banks have supplemented the traditional company research by also

evaluating the Bank from a sustainability perspective. In addition, Handelsbanken was in contact with sustainability analysts from about 10 independent research firms during 2017. These contacts often occur when research firms ask the Bank to answer questionnaires consisting of a number of standard questions. In recent years, Handelsbanken has taken the initiative to expand these contacts by having an ongoing dialogue with each research analyst.

During the past five-year period, Handelsbanken has generated positive shareholder value of SEK 121 billion. Market capitalisation has grown by SEK 71 billion, while Handelsbanken has paid out SEK 50 billion in dividends to shareholders.

How sustainability analysts assess Handelsbanken

The scores in the table were set by external parties who have analysed the Bank's sustainability activities.

Research company	2017	2016	2015	2014	2013
Robecosam	80	82	73	56	53
Imug	neutral CCC ¹ neutral CC ²	-	neutral CC ¹ neutral CC ²	-	-
Sustainalytics	74	71	69	70	-
Oekom Research	C- (not Prime)	C- (not Prime)	C- (not Prime)	C- (not Prime)	D+ (not Prime)
MSCI ESG Rating	A	A	A	BBB	-

¹ Non-covered bonds.

² Covered bonds.

Initiatives, collaborations, awards, surveys and sustainability indexes

As an institution in the business world, Handelsbanken participates in numerous initiatives and collaborations to demonstrate our commitment, and contribute through various efforts in line with our operations as well as for important exchange with representatives from different spheres of society. In addition to the initiatives and collaborations presented here, which guide Handelsbanken's efforts, the Bank also adheres to the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the Sustainable Development Goals, the International Labour Organization's core conventions, and the UN Children's Rights and Business Principles.

INITIATIVES AND COLLABORATIONS

GLOBAL COMPACT



In 2009, Handelsbanken signed the UN Global Compact, an initiative aimed at companies which advocates 10 principles based on international conventions. These principles, established in 2000, cover human rights, labour, the environment and anti-corruption.

PRI

Signatory of:



Principles for Responsible Investment (PRI)

was launched in 2006 and is a network of investors and service providers that work together with the United Nations, UNEP Finance Initiative, and Global Compact to implement principles for responsible investment. The purpose is to promote responsible behaviour among institutional investors and to work for increased openness and awareness of environmental, social and corporate governance issues in the companies in which these players invest. Handelsbanken became a signatory to the principles in 2009. PRI has over 1,750 signatory members, from more than 50 countries, with total assets under management of roughly USD 70 trillion.

Handelsbanken Fonder has the following PRI-related initiatives:

G20 Energy Efficiency Investor Statement is an initiative to practise energy efficiency in our work with responsible investment.

Sustainable Stock Exchanges is an initiative to persuade the stock exchanges of the world to demand greater transparency from listed companies regarding sustainability topics.

The Montréal Carbon Pledge is a UN initiative in which asset owners and investment managers have committed to measuring and reporting the carbon footprint in their portfolios. Handelsbanken has been part of the initiative since 2015. As a first step, we have measured and reported the carbon footprint of Handelsbanken's equity funds. A summary of these funds is published at handelsbanken.se/csreng.

UNEP FI



The UN Environment Programme has a special organisation that works on how the capital markets can promote the adoption of best practices for the environment and sustainability. Some 200 financial institutions which support the initiative contribute to research into and knowledge of how sustainability topics can be integrated into financial decisions. Handelsbanken has been a member of UNEP FI since the mid-1990s.

ICC



The International Chamber of Commerce (ICC) has developed guidelines for sustainable development. The purpose is to provide companies worldwide with a framework and tools to move forward with sustainability. The guidelines are based on national and international sustainability standards. Handelsbanken has complied with the ICC guidelines since the 1990s.

CDP



CDP is an independent international non-profit organisation which works for transparency and dialogue on companies' environmental impacts and to make such information available to investors. More than 5,600 organisations in more than 90 countries all over the world measure and report their environmental impacts through CDP.

CDP acts on behalf of more than 800 institutional investors. Handelsbanken has been one since 2015 and reports to CDP annually.

EQUATOR PRINCIPLES



Handelsbanken has signed the Equator Principles, a framework that provides guidance to financial institutions for assessing social and environmental risks in project finance. The Equator Principles were formally launched in 2003, but over the years they have been updated to better support members in identifying, assessing, and managing environmental and social risks when financing projects.

The initiative consists of more than 92 members representing financial institutions from 37 countries. The members undertake to implement the principles in their internal guidelines, processes, and procedures for project finance, and to report annually on projects which have been assessed or financed based on the framework.

TRANSPARENCY INTERNATIONAL SWEDEN



SVERIGE

During the year, Handelsbanken became a member of Transparency International Sweden's Corporate Supporters Forum, as part of the Bank's commitment to working against corruption. This is a Swedish business forum that serves as a platform for companies to pool their experience and knowledge related to anti-corruption efforts.

2° INVESTING INITIATIVE



Together with 2° Investing Initiative, Handelsbanken performed an initial analysis of climate-related transitional risk in our asset management operations at Handelsbanken Fonder AB, Xact Kapitalförvaltning AB and Handelsbanken Funds SICAV as well as in our credit portfolio. 2° Investing Initiative is a non-governmental organisation (NGO) that performs analyses of climate change scenarios.

ECPAT



In 2009, Handelsbanken, together with the Swedish Bankers' Association, started co-operating with ECPAT Sweden. Since 2015, the Bank has intensified this collaboration. The overall objective is to prevent exploitation of children by obstructing and preventing monetary transactions that are linked to the commercial sexual exploitation of children. As part of Handelsbanken's work with corporate social responsibility, we integrate a preventative working method into our operations that helps in the fight against commercial sexual exploitation of children.

ECPAT Sweden is part of ECPAT International which has member organisations in more than 80 countries. ECPAT is working to prevent and stop all forms of commercial sexual exploitation of children: child sexual abuse material, travelling offenders (child sex tourism), and trafficking of children for sexual purposes.

SWEDISH FINANCIAL COALITION AGAINST COMMERCIAL SEXUAL EXPLOITATION OF CHILDREN



Handelsbanken has been a member of the Swedish Financial Coalition against Commercial Sexual Exploitation of Children (the Financial Coalition) since 2009. The Financial Coalition works to obstruct and prevent trade with images of sexual abuse of children, based on the overall crime-prevention goal of stopping child sexual abuse. With the intention of preventing this trade from being conducted through the financial systems, unique co-operation has been developed among public authorities, the private sector, and the non-profit sector. The fact that the Financial Coalition's members impede opportunities to use financial systems for this kind of crime helps to complicate and limit the spread of such crimes.

GLOBAL CHILD FORUM

 Since 2013, Handelsbanken has taken part in Global Child Forum, a non-profit foundation which functions as an independent forum to exchange best practices and stimulate discussion about children's rights. The forum brings together leaders from the business community, the public sector, academia and society as a whole to spur cross-sector action that aims to promote children's rights.

ECONOMIC RESEARCH AND EDUCATION

Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse.

Together, these foundations are some of the most important sources of funding for economic research in Sweden. In 2017, 179 grants (197) were awarded for a total of SEK 215 million (188).

At the end of 2017, the foundations' combined capital was SEK 7,674 million (6,901).

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and contributed to the Swedish House of Finance (SHoF).

Handelsbanken also supports a research project at the Stockholm School of Economics where studies and analyses are performed on the most important factors in creating customer satisfaction and also in monitoring the link between loyalty and profitability.

PERSONAL FINANCES FOR YOUNG PEOPLE

UNG PRIVATEKONOMI

Handelsbanken supports initiatives to improve young people's knowledge of personal finance by supporting information campaigns and contributing know-how. Ung Privatekonomi ('Young Personal Finances') is a schools information project that teaches Swedish upper secondary school students and teachers about personal finances and savings.

COLLABORATION WITH UNIVERSITIES AND COLLEGES

Handelsbanken has a number of collaborations with schools, universities and colleges that are an important part of its long-term employer branding work. For example, we participate in training courses, contribute our competency

and experience, and offer opportunities for internships that give students experience and contact with workplaces. Through these, Handelsbanken establishes contact with target groups that are important in terms of recruitment. This is based on co-operation with and commitment from HR departments, employees, and managers from our local branches and internal units.

HANDELSBANKEN'S STUDENT PROGRAMME

Handelsbanken in Sweden and Norway offers young people who plan to study at university or college the opportunity to participate in the Bank's Student Programme alongside their studies. The programme comprises working at the Bank during their studies, their own action plan, and relevant training to develop themselves at Handelsbanken. The purpose is to attract, recruit and develop young employees as part of the Bank's future management succession, and to promote gender equality and diversity at Handelsbanken.

CLIMATE BONDS INITIATIVE (CBI)

 The Climate Bonds Initiative (CBI) is an international non-profit organisation that promotes investment in climate-change solutions.

The organisation aims to facilitate the mobilisation of capital in the global green bond market by advocacy and outreach to inform and stimulate the market.

Handelsbanken has been active in green and sustainable finance for several years and has been a CBI partner since 2017.

SUSTAINABLE VALUE CREATION

 Since 2009, Handelsbanken Asset Management, together with other major Swedish investors, has taken part in the Sustainable Value Creation project. The aim of the project is to highlight the importance of Swedish listed companies working with sustainability topics in a structured manner. To encourage, support and follow up on the companies' sustainability efforts, Sustainable Value Creation conducts surveys and organises seminars and round-table discussions.

In its capacity as one of the 100 largest listed Swedish companies, Handelsbanken has itself responded to the surveys on sustainability activities.

SISD

Swedish Investors for Sustainable Development is a platform where Swedish long-term investors and players in the financial services sector can learn and exchange best practices and experience with the 2030 Agenda for Sustainable Development. The objective is to explore, from various angles and perspectives, the role of the long-term investor in the Agenda and to provide ideas and inspiration for the way forward.

SWESIF

 Handelsbanken Asset Management is a member of SWESIF, an independent network forum for organisations working for or with sustainable investment in Sweden. SWESIF aims to increase knowledge of and interest in sustainable investment on the part of institutional asset owners and managers. To make it easier for savers to compare mutual funds and how sustainability is integrated in their management, SWESIF has developed a sector-wide sustainability declaration for mutual funds. Since 2015, most of Handelsbanken's funds have this type of sustainability declaration. For more information, see swesif.org/swesif/hallbarhetsprofilen-english. Since spring 2016, Handelsbanken Asset Management has served on SWESIF's board.

WOMEN IN FINANCE CHARTER

 As part of its efforts towards gender equality, Handelsbanken in the UK signed the Women in Finance Charter, an initiative from HM Treasury, which means the Bank is committed to work for more gender balance in the financial sector.

AWARDS

BEST PRIVATE BANK – FINANCIAL TIMES AND INVESTORS CHRONICLE WEALTH MANAGEMENT AWARDS



Handelsbanken in the UK has been named 'Best Private Bank' by Financial Times and Investors Chronicle Wealth Management Awards for the fifth time. The judges' decision was based on a survey in which the readers of the magazine related their experiences and provided opinions about their banks.

INTERNATIONAL BANKER



Handelsbanken received the 'Best Innovation in Retail Banking Sweden' prize from *International Banker* in 2017. The prize reflects the relevance and success of the Bank's decentralised way of working. *International Banker* is one of the most established international periodicals in the fields of economics, banking and finance. *International Banker* presents its awards to banks all over the world.

SERVICE SCORE 2017



For the sixth consecutive year, Handelsbanken has received the award for Best service among ServiceScore® banks in Sweden, based on the ServiceScore survey. The Bank is applauded for being close to its customers – at the branch, on the phone, on its app, and online. ServiceScore is based on the opinions of some 3,400 people, where 181 Swedish companies, public authorities, and organisations are assessed in terms of the level of service that customers consider they receive, based on their expectations.

BUSINESS BANK OF THE YEAR AND SWEDEN'S SMALL ENTERPRISE BANK 2017



Handelsbanken has once again been voted Business Bank of the Year – for the seventh year running – and Sweden's Small Enterprise Bank – for the sixth year running. The survey shows that Handelsbanken is appreciated by small as well as large companies, and the Bank achieved the highest rating in the categories of customer

satisfaction, service and customer treatment, and the range of products and services. This year's surveys showed that personal service and local presence are greatly appreciated in an increasingly digitalised society.

This year, the Finansbarometern market survey drew responses from almost 2,500 people. Respondents come from large companies with more than 100 employees or a turnover exceeding SEK 100 million as well as small companies with between one and nine employees. They are CEOs, CFOs or other people in a position to influence the company's choice of banking services.

SURVEYS

BUSINESS BANKING INSIGHT SURVEY

BUSINESS BANKING INSIGHT Handelsbanken was rated the best bank in the UK for small and medium-sized companies in a survey performed by the British Chambers of Commerce and the Federation of Small Businesses on behalf of the British government.

Handelsbanken received excellent assessments in all 12 categories of the survey and scored the maximum points – 10 of a possible 10 – for 'the ease of getting in contact with someone who can help you'.

Overall the results showed that it was significantly more likely that a Handelsbanken customer would recommend their bank compared to customers of other banks. Almost seven out of 10 companies that participated in the survey would strongly recommend Handelsbanken to others, putting the Bank in a class apart: among customers of the bank that came in second, fewer than half would strongly recommend their bank.

GLOBAL FINANCE



Handelsbanken is the world's third safest commercial bank, according to the annual survey by *Global Finance*, an international periodical. The survey was partly based on an evaluation of bank ratings from the international credit rating agencies Moody's, Standard & Poor's and Fitch.

CUSTOMER SATISFACTION



In 2017, Handelsbanken had more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. Thus the Bank enjoys solid customer satisfaction. EPSI Rating and SKI (Swedish Quality Index) compile, analyse and distribute information about customers' expectations, perceived quality, and evaluation of goods and services. EPSI Rating and SKI are associated with the Swedish Institute for Quality (SIQ) and the international organisation EPSI Rating Group (Extended Performance Satisfaction Index), which conducts comparison surveys in Europe. Research and development related to EPSI's quality surveys is conducted together with SIQ and the Stockholm School of Economics.

SUSTAINABLE BRAND INDEX



The 2017 results of Scandinavia's largest annual brand study focusing on sustainability – Sustainable Brand Index™ – shows that Handelsbanken enjoys a top position among banks in Sweden. In this study, 30,000 consumers assessed the sustainability of a brand.

Based on the environment, people and the brand, the study seeks to understand why a brand is perceived in a certain way.

THE SUSTAINABILITY YEARBOOK 2018

Handelsbanken is one of the most sustainable banks in the world, according to the Robecosam research company. In every year since 2004, the sustainability analysts at Robecosam have listed the companies they consider to be the most sustainable in the Sustainability Yearbook. Handelsbanken is included in this year's edition as a 'Sustainability Yearbook Member', which means that Handelsbanken scored in the top 15 per cent of all banks in the world. The evaluations of the research analysts are based on an array of sustainability criteria with economic, environmental and social dimensions. Each company receives a total sustainability rating between 0 and 100, resulting in a ranking of all companies in each sector. Handelsbanken received a total score of 80.

KANTAR SIFO REPUTATION INDEX 2017



Handelsbanken is among the 10 companies in Sweden with the best reputation according to the 2017 survey by Kantar Sifo, which every year asks the Swedish public how much confidence they have in various companies. Around 4,500 people aged 18–79 took part in the survey. They answered questions about what they expected of various companies and how well those expectations were met.

UNIVERSUM Business students



Top of industry
FrånageBarometern 2017

According to Corporate Barometer 2017 – a survey carried out by Universum, an employer branding consultancy – Handelsbanken was the top bank in Sweden and seventh overall among a total of 100 companies. The survey's participants – business students in Sweden – responded to questions on ideal employers and graded these according to the following criteria: reputation and image; job characteristics; people and corporate culture; remuneration and opportunities to advance.

Young professionals



In Universum's 2017 Career Barometer survey, Sweden's young professionals named their ideal employers. 'Young professionals' refers to people under 40 with an academic background and one to eight years' experience of working life. Among professionals working in business, Handelsbanken was the best bank and 19th out of a total of 100 companies.

Among professional IT graduates, Handelsbanken placed 44th in a total of 100 companies.

In this survey, participants answered questions about what exemplifies a good employer based on the following criteria: reputation and image; job characteristics; people and corporate culture; remuneration and opportunities to advance.

FORBES 2017 GLOBAL 2000: World's Best Employers



At No. 229 on Forbes' list of the 500 best employers in the world, Handelsbanken was ranked the highest of the Nordic banks. The survey was conducted for the first time in 2017, and the results were published in October. Through independent surveys, the global media company Forbes gathered more than 360,000 recommendations from around the world based on Forbes' Global 2000 list. Employees graded their own employer and recommended other employers they were familiar with in their sector.

SUSTAINABILITY INDEXES

Handelsbanken is analysed and assessed by both customers and financial market players. The results and the consequent assessment of the Bank show how well Handelsbanken lives up to their expectations.

ECPI



Sense in sustainability

provided financial markets with various sustainability indexes. Handelsbanken has been selected for the ECPI Euro Ethical Equity and ECPI Global Developed ESG Best in Class Equity indexes.

ETHIBEL SUSTAINABILITY INDEX



The Brussels-based organisation Forum ETHIBEL provides financial markets with information on various companies and their sustainability activities. Its analyses are carried out by the Vigeo Eiris research company, and based on these results Forum ETHIBEL creates a universe that forms a platform for sustainability products and responsible investment. Handelsbanken has been included in the Ethibel Excellence Investment Register since 2004, and Svenska Handelsbanken A has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe since 20 September 2017.

FTSE4GOOD



Handelsbanken has been selected for the FTSE4Good Index 2017. The index is independent and is based on analyses of companies' work with environmental, social and governance (ESG) practices. Handelsbanken has been part of the index since 2001.

OMX GES SUSTAINABILITY

Together with GES Investment Services, a research company, the Nasdaq Stockholm stock exchange has launched a sustainability index that provides investors with a universe of companies that fulfil sustainability requirements. Handelsbanken has qualified for the OMX GES OMXS30 Ethical Price Index and the OMX GES Sustainability Sweden index as well as the OMX GES Sustainability Nordic index.

SIX SWEDEN SRI INDEX

The SIX Sweden SRI Index is a collaboration between SIX Financial Information and ISS-Ethix and consists of companies listed on the Stockholm stock exchange that meet ISS-Ethix's sustainability criteria comprising a modern standard for social, environmental and ethical criteria, where the concepts of sustainability and responsibility are in focus. SRI screening is also applied to other indexes, such as the SIX30 SRI Index and SIX60 SRI Index, both of which include the Handelsbanken share. SIX Financial Information is the third largest supplier of financial

information in Europe and a leading index calculator on the Nordic market. ISS-Ethix is a global player providing analysis and advisory services on sustainable and responsible investment.

STOXX GLOBAL ESG LEADERS



Member 2017/2018

Handelsbanken included in the STOXX Global ESG Leaders index. The companies included in the index were selected in an analysis process based on environmental factors, social responsibility and corporate governance topics. The Index consists of three underlying indexes: STOXX Global ESG Environmental Leaders, STOXX Global ESG Social Leaders and STOXX Global ESG Governance Leaders. Handelsbanken is included in all three of these indexes.

In-depth information about sustainability

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Governance, key figures and facts

Sustainability is well integrated in Handelsbanken's working methods, and there are several central bodies that co-ordinate the work at Group level and in the subsidiaries. Various processes, such as the ongoing stakeholder dialogues, also exist to support our work with sustainability. Handelsbanken appreciates and acknowledges that some stakeholders seek in-depth information in particular areas that is more detailed than the information desired by the broader audiences that are interested in our sustainability reporting. This part of the report, which deals with sustainability management, presents more detailed information.

Summary of corporate governance

Handelsbanken's entire Corporate Governance Report can be found in the Bank's Annual Report. The following is a summary of the information considered most material for the sustainability report. For more information, please see the Bank's full corporate governance report, which can be found on pages 47–63 of the Annual Report.

Corporate governance concerns how the owners directly or indirectly control the Bank, and how rights and obligations are allocated among the Bank's bodies, in accordance with prevailing laws and regulations.

Handelsbanken's Corporate Governance Report is based on a shareholder perspective. However, there are other stakeholders interested in Handelsbanken's corporate governance upon whose trust the Bank depends. These include customers, employees, and bond investors as well as the community at large.

PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken's shareholders elect the Board, and the Board appoints the Group Chief Executive. One way in which the Board exercises its governance of the Bank is by issuing policies and instructions. It is partly through the issued policies that the Board takes decisions regarding Handelsbanken's overall risk tolerance and ensures the Bank's financial stability. Through these, the Board also decides on the Bank's approach in several essential sustainability issues regarding measures against money laundering and terrorist financing, the environment, remuneration, ethics and corruption. The Group Chief Executive also exercises governance by issuing various policy documents. The Group Chief Executive issues instructions for the managers who report directly to him and issues guidelines, some of which provide more detailed directions to complement and clarify the Board's policies. These documents are revised every year but can be adjusted more often when necessary.

However, the foundation of functioning corporate governance is not only formal documents but also the Bank's corporate culture, corporate goal, working methods and remuneration system. These are integral with the principles, strategies, limits and targets described in policy documents and instructions.

RECRUITMENT AND DIVERSITY-RELATED WORK BY THE BOARD

Handelsbanken's Board has adopted a policy to promote diversity in the Board. The policy states that to promote independent opinions and critical questioning, it is desirable that the Board should be sufficiently diverse in terms of age, gender, geographical origin, and educational and professional background. The proportion of women on the Board of the Bank is 45 per cent, and the proportion who are nationals of a country other than the one where Handelsbanken is domiciled is 36 per cent.

Composition of the Board after election at the AGM

	2017	2016	2015	2014	2013
Total number of Board members	11	11	10	10	11
of which men	6	6	7	8	8
of which women	5	5	3	2	3
Nationality other than Swedish	4	5	5	3	4

INTERNAL CONTROL

All managers at all levels in the Bank have a responsibility for internal control and the Bank's compliance. Consequently, fit-for-purpose instructions and procedures for the operation must be in place, and compliance with the procedures is monitored regularly.

The Compliance function, besides being responsible for compliance, provides advice and support in regulatory matters. Internal control and compliance work are subject to internal and external risk-based auditing.

Handelsbanken has an established system for whistleblowing, which means that an employee who suspects internal fraud or other irregularities can report these to a unit outside the employee's own unit. Anonymous reports are also acted upon.

Selection of policy documents established by the Board:

- Credit policy
- Policy for operational risk
- Capital policy
- Financial policy
- Policy for financial risks
- Information policy
- Policy for sustainability
- Policy on ethical standards
- Policy against corruption
- Policy for managing conflicts of interest

- Policy for remuneration, pensions and suitability assessment
- Policy for independent risk control
- Policy for compliance
- Policy on measures against money laundering and terrorist financing and the observance of international sanctions
- Policy for handling customer complaints.

A summary of these policies can be found in the Bank's Corporate Governance Report and at handelsbanken.com.

Selection of guidelines established by the CEO:

- Guidelines for the Handelsbanken Group's environmental activities
- Guidelines for information security in the Handelsbanken Group
- Guidelines for the Handelsbanken Group's Sustainability Committee
- Guidelines for managing taxes
- Guidelines regarding business relations with companies with operations within fossil fuels
- Guidelines regarding business relations in forestry and farming
- Guidelines regarding business relations with the armaments and defence industry.

Policy documents that the boards of Handelsbanken's subsidiaries have decided on:

- Corporate governance policy for Handelsbanken Fonder
- Policy for responsible investment for Handelsbanken Fonder
- Policy for responsible investment at Xact Kapitalförfattnings
- Policy for responsible investment at Handelsbanken Liv
- Policy for sustainability at Handelsbanken Liv
- Policy for sustainability at Stadshypotek
- Policy against corruption at Stadshypotek.

Selection of guidelines in the HR area:

- Guideline on alcohol, drugs and gambling
- Guideline on victimisation, discrimination and harassment
- Guideline on bribery and improper influence
- Guideline on presence on social media.



More information

More information about Handelsbanken's corporate governance is available at handelsbanken.se/ireng. There you will find the following information:

- previous corporate governance reports from 2007 onwards
- Articles of Association
- information about the nomination committee
- minutes of shareholders' meetings from 2008 onwards.

Organisational structure for sustainability

Handelsbanken's sustainability work is decentralised and carried out where the Bank's business and operational decisions are made. The work is co-ordinated by a Group-wide specialist function. Handelsbanken also has a Sustainability Committee, formed in 2010. Handelsbanken's Chief Sustainability Officer chairs the Committee, is a member of Senior Management, and reports to the Group Chief Executive. The Committee consists of representatives from various operating areas throughout the Group and has met regularly during the year, a total of eight times.

RESPONSIBLE INVESTMENT COUNCIL

Matters of principle relating to sustainability in asset management are the responsibility of Handelsbanken's Responsible Investment Council. The Council is represented by Handelsbanken's two fund management companies: Handelsbanken Fonder and Xact Kapitalförvaltning. The Council's task is to actively monitor trends in responsible investment, to contribute to the continuing improvement of Handelsbanken's work in this area and to set up and track relevant objectives. For example, the Council decides on matters such as what actions to take when the Bank sees signs of sustainability risk in the investments made on behalf of customers.

Sustainability risk

Sustainability risk can arise in any of the Bank's different roles – as a lender, asset manager, service provider, purchaser or an employer. Sustainability risk spans areas such as human rights, the environment, climate, corruption and money laundering. It is important to anticipate and manage sustainability risk, for financial and legal reasons as well as for the Bank's reputation.

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

Handelsbanken and the Sustainable Development Goals

In September 2015, the UN General Assembly adopted the Agenda 2030. It contains 17 sustainable development goals and 169 targets aimed at achieving long-term sustainable economic, social and environmental development in order to eradicate extreme poverty, to reduce inequality and injustice in the world, and to fight climate change. The Agenda is not only a matter for governments. On the contrary, it is vital that all

parts of society get involved if we are to achieve these goals. Thus the business community also has a vital role to play in the long-term fulfilment of the goals, as stated in the implementation plan produced by the UN.

As a bank, we are an important part of society, through our strong local presence and other ways that we contribute to the community. That includes paying taxes and fees, employing personnel, granting credit, offering payment solutions and providing investment services as well as other banking services. Through the Bank's operations, we can contribute long-term to these goals.

Thus Handelsbanken's Sustainability Committee has analysed the 17 goals and their 169 targets to determine which of these the operations should focus on and how we can integrate them within the framework of the sub-areas in the Bank's material topics described above. The analysis was based on the degree of influence, both indirect and direct, identified risks and opportunities, and the Bank's most material sustainability topics. As a result of the analysis, in the next few years we will focus on the following six goals:

- Gender equality
- Decent work and economic growth
- Industry, innovation and infrastructure
- Sustainable cities and communities
- Climate action
- Peace, justice and strong institutions.



For all the selected goals, Handelsbanken can contribute through its own operations and through business relations. Gender equality, decent work conditions and children's rights are a natural part of our own operations, and we are eager to help accelerate their progress in the communities where we are active and the companies with which we do business.

With significant lending to the property sector, we have particular responsibility in terms of sustainable cities, and in our corporate lending we want to contribute by reducing our indirect impact on the climate and by financing future champions in the conversion to a more sustainable economy.

The goal of peace, justice and strong institutions includes the goal of substantially reducing illicit financial flows and significantly reducing all forms of corruption and bribery, an area where banks play a crucial role.

Stakeholder dialogue

Listening closely to stakeholders' expectations is a vital aspect of being a responsible bank. At Handelsbanken, we work systematically on a continual basis through dialogue with stakeholders to gain insights.

OUR STAKEHOLDERS

Many private individuals, organisations and companies are affected by how Handelsbanken acts in various matters. For Handelsbanken, corporate social responsibility means living up to the reasonable expectations of these stakeholders and acting so as to maintain their trust in the Bank. Handelsbanken's principal stakeholders are our customers, employees, shareholders and bond investors, as well as the community at large, which also includes public authorities and regulators. The Bank's four main stakeholder groups have been identified based on the fact that Handelsbanken's operations materially affect them or are materially affected by them – or both. In addition to these four main stakeholder groups, Handelsbanken also maintains a continuous dialogue with other stakeholder groups. These groups include equity research analysts, sector organisations, union organisations, sustainability analysts, non-profit organisations, international organisations, special interest organisations, municipal and county councils, consumer organisations, suppliers, potential shareholders and investors in the Group's bonds, prospective customers, press and media, students, schools and universities.

Ongoing dialogue with our stakeholders

It is vital that we keep ourselves up-to-date on what stakeholders want and demand from Handelsbanken. That is why, in the markets where the Bank operates, we have an ongoing dialogue with our customers, staff, shareholders and investors, as well as with the community at large, such as public authorities and other actors in society.

Customers

The most important dialogue occurs at the thousands of meetings with customers that take place daily, by phone and e-mail, or during visits to our 800-plus branches around the world. By maintaining close, long-term relations with our customers, the Bank gains a better understanding of customer expectations, for example,

Stakeholder model



All stakeholders have expectations of Handelsbanken. They all wish the Bank to be stable and responsive to their expectations. How well the Bank manages to live up to these expectations has an impact on the continued success of Handelsbanken.

expectations on the Bank's products and services. By being responsive to customers' requests and questions, we can provide answers and meet customers' expectations in product development and availability. When the Bank's corporate customers procure banking services, they increasingly wish to discuss our approach to sustainability, focusing on the Bank's direct and indirect impact. Private customers also attach great importance to the fact that a bank acts responsibly.

Employees

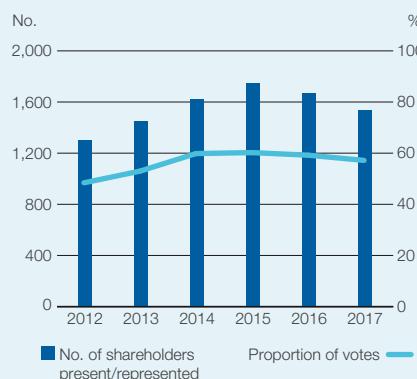
All of the Bank's employees participate in their own unit's business planning every year. After the plan is set, individual competency mapping, planning dialogues and performance reviews are carried out, linking the business operations' goals with each employee's goals. The result is an individual action plan for each employee which is to be followed up regularly during the year and then forms the basis of an annual salary dialogue review between employee and manager.

Shareholders

Handelsbanken's shareholders are those who ultimately decide about the Bank's governance. The shareholders exercise their right to decide on matters concerning the company at shareholders' meetings. At the meetings, individual shareholders have the opportunity to put questions to the Bank's Board and senior management.

Shareholders show keen interest in Handelsbanken's annual general meetings. In the past five years, shareholders representing more than 50 per cent (50) of the votes in the Bank have participated. The Bank provides investors, analysts, rating agencies and other capital market players with information regarding Handelsbanken's operations and financial performance. During the year, the Group Chief Executive, CFO and Investor Relations Department held more than 500 meetings with equity and fixed income investors.

Attendance at AGMs 2012–2017



Society

Handelsbanken has a continuous dialogue with supervisory authorities, central banks and regulatory bodies as well as with governments and parliaments, in Sweden, the EU and the rest of the world. Increasingly, sustainability is

highlighted in dialogue between public authorities and the Bank. The Bank is also in continuous contact with non-governmental organisations (NGOs) and during the year had several dialogues with them.

Union organisations

For a long time, Handelsbanken has had excellent relations with the union organisations, which is an important part of the Bank's business culture. There is an ongoing dialogue between union representatives and managers concerning operations – such as when changes are to be made – where valuable information is exchanged at the very early stages.

Sustainability analysts

Around 30 investment banks have research analysts who regularly monitor Handelsbanken and its shares. In recent years, several of these investment banks have supplemented the traditional company research by also evaluating the Bank from a sustainability perspective.

In addition, Handelsbanken was in contact with sustainability analysts from about 10 independent research firms during 2017. These contacts often occur when research firms ask the Bank to answer questionnaires consisting of a number of standard questions. In recent years, Handelsbanken has taken the initiative to expand these contacts by having an ongoing dialogue with each research analyst.

Suppliers

Handelsbanken purchases goods and services from many different suppliers. In the Swedish operations, two thirds of the total volume of purchases come from about 70 of the Bank's several thousand suppliers.

Based on the Bank's Supplier Code of Conduct, we conduct an ongoing dialogue with our key suppliers in which sustainability figures prominently. As a result of these dialogues, we become involved, our employees inspired, and we improve our own – as well as our suppliers' – sustainability work.

MATERIALITY ANALYSIS

A materiality analysis provides data that assists in setting priorities and is one of the processes that support the advancement of sustainability at Handelsbanken.

Detailed dialogue with stakeholders

In addition to the dialogues that Handelsbanken regularly conducts with stakeholders, during 2015–2016, the Bank also carried out a more detailed dialogue with representatives from the Bank's main stakeholder groups. The dialogue was conducted with stakeholders in the Bank's home markets. The purpose was partly to confirm that the sustainability topics previously identified by the Bank as being the most material still correspond to stakeholders' views, and partly to better understand what these external parties expect from the Bank in terms of sustainability. The analysis was based on a broad spectrum of questions that are particularly relevant to Handelsbanken – partly

based on the Bank's own experience, partly on questions the Bank receives from external stakeholders – but also generally relevant for a bank. In 2017, we also conducted in-depth, qualitative discussions with selected groups of stakeholders, inside and outside the Bank, as part of the process of continuing to define the Bank's most material sustainability topics.

As a result of these stakeholder dialogues, Handelsbanken's material sustainability topics have been grouped into six areas:

- the Bank and its customers
- the Bank's role in the community
- the Bank's indirect impact
- the Bank as an employer
- the Bank's business culture
- the Bank as an investment.

The different sub-areas indicate where the material topics have the greatest impact on the Bank's operations, internally and externally. To decide which areas are deemed most material, a selection process was conducted that resulted in a number of topics for stakeholders to give their opinion on. Handelsbanken's view of its sustainability work is confirmed by the detailed stakeholder dialogue. The results show that stakeholders deem all questions important and are very consistent, with no major differences among the various main stakeholder groups, and very small variations among the Bank's home markets. In addition to detailed dialogue with these main stakeholders, Handelsbanken also conducted dialogues, using various methods and channels, with representatives of other stakeholder groups, such as a number of non-profit organisations and a selection of the Bank's suppliers. The outcome of the materiality analysis is presented on pages 8–9, including a description of the significance of these topics to Handelsbanken and the risks and opportunities they are associated with.

Key figures for sustainability

Based on the stakeholder dialogue for defining Handelsbanken's most material sustainability topics, a number of relevant key figures have been compiled below. The key figures are organised in the same way as the Bank's material sustainability topics and grouped in six sub-areas.

KEY FIGURES FOR SUSTAINABILITY

The Bank and its customers	2017	2016	2015	2014	2013
Customer satisfaction – private customers, SKI/EPSI index					
Sweden	68.9	67.6	72.4	74.3	74.2
UK	85.2	83.5	83.6	83.8	83.8
Denmark	76.8	77.7	77.7	76.5	76.6
Finland	79.6	80.1	81.9	81.5	81.7
Norway	77.5	74.2	75.8	74.9	75.0
The Netherlands	78.0	74.1	73.5	73.3	70.9
Customer satisfaction – corporate customers, SKI/EPSI index					
Sweden	67.5	69.4	74.1	73.4	71.1
UK	83.8	81.6	80.7	83.1	82.3
Denmark	72.3	75.7	72.2	73.2	72.6
Finland	78.7	77.5	76.4	77.0	78.8
Norway	72.5	69.9	69.7	67.6	68.6
The Netherlands	72.4	71.9	72.8	66.4	69.0
The Bank's role in the community	2017	2016	2015	2014	2013
Number of branches, home markets	807	819	848	831	803
Only local bank, home markets	66	59	68	59	59
Number of local collaborations and activities	> 400	> 400	-	-	-
Total taxes and government fees, SEK bn	10	8	8	8	7
Loan losses as a percentage of lending	0.08	0.09	0.09	0.10	0.07
Total emissions of greenhouse gases, CO ₂ e, tonnes	9 967	10 344	12 603	14 848	17 141
of which scope 1 – direct emissions	86	51	28	28	47
The Bank's indirect impact	2017	2016	2015	2014	2013
Criteria funds as a percentage of total fund volume ¹	32	29	17	12	-
Assets under management in Criteria funds, SEK bn	221	166	93	57	-
Green bonds – volume arranged, SEK bn	8.3	5.2	3.0	2.7	1.3
Total emissions of greenhouse gases, CO ₂ e, tonnes	9 967	10 344	12 603	14 848	17 141
of which scope 2 – indirect emissions	5 654	6 328	8 527	10 264	12 306
of which scope 3 – other indirect emissions	4 227	3 965	4 048	4 557	4 787
The Bank as an employer	2017	2016	2015	2014	2013
Average number of employees	11 832	11 759	11 819	11 692	11 503
Proportion women/men, %					
All employees	49/51	50/50	50/50	51/49	52/48
Managers	40/60	40/60	39/61	37/63	38/62
Senior Management	32/68	29/71	22/78	25/75	19/81
Internal recruitment of managers, Group %	92	93	93	93	90
Internal recruitment of managers, Sweden %	97	99	99	100	98
Staff turnover, Group %	4.7	4.0	3.0	3.2	2.9
Staff turnover, Sweden %	3.9	3.1	2.1	2.2	1.8
Sickness absence rate, %					
Sweden	3.0	3.2	3.0	2.7	3.0
UK	1.0	1.0	1.1	-	-
Denmark	1.0	1.3	1.3	-	-
Finland	1.8	1.9	1.4	-	-
Norway	3.0	3.1	3.6	3.3	3.6
The Netherlands	2.8	2.9	1.8	2.2	2.4
The Bank's business culture	2017	2016	2015	2014	2013
Suppliers that have signed the Bank's code of conduct (per cent of total purchased volume)	73.0	73.0	-	-	-
Number of employees who have completed training in ethical standards, sustainability, and anti-corruption ²					
Sweden	7 136	-	-	-	-
UK	2 182	-	-	-	-
Denmark	708	-	-	-	-
Finland	516	-	-	-	-
Norway	736	-	-	-	-
The Netherlands	256	-	-	-	-
Others	335	-	-	-	-
The Bank as an investment	2017	2016	2015	2014	2013
Return on equity, %	12.3	13.1	13.5	13.4	13.9
Economic value creation (according to GRI), SEK bn	38.0	37.7	39.8	37.7	36.2

¹ The fund volume is based on Handelsbanken's own mutual funds in the Nordic market and mutual funds managed by Optimix (the Netherlands), and the percentage of total fund volume refers to volume after eliminations on consolidation. The percentage for 2016 has been adjusted for comparability.

² Refers to permanent and temporary employees.

Facts: The Bank and its customers

SATISFIED CUSTOMERS

Handelsbanken considers customer satisfaction surveys very important. Every year, EPSI Rating – which includes SKI (Swedish quality index) – carries out independent surveys of customer satisfaction. This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets.

Handelsbanken Sweden

As in previous years, SKI (Swedish Quality Index) found in its 2017 survey that Handelsbanken has more satisfied customers than the other major Swedish banks. Among private customers, Handelsbanken earned a score of 68.9, an increase from 2016. The other major Swedish banks scored between 52.9 and 64.5.

Corporate customers gave Handelsbanken a rating of 67.5, while the other major banks scored between 53.6 and 62.2.

Handelsbanken UK

Customer satisfaction increased strongly among both private and corporate customers despite lower customer satisfaction for the banking sector overall. Handelsbanken's scores were its highest to date: 85.2 among private customers, and 83.8 among corporate customers.

Handelsbanken Denmark

EPSI's annual customer satisfaction survey showed that Handelsbanken once again had the most satisfied customers of all banks in Denmark. Private customers gave the Bank a score of 76.8, compared to the sector average of 71.1. On the corporate side, the score was 72.3, compared to the sector average of 68.6.

Handelsbanken Finland

According to EPSI's annual customer satisfaction survey, Handelsbanken had more satisfied customers than the average for banks in Finland. Private customers gave Handelsbanken a score of 79.6, compared to the sector average of 75.9. Corporate customers gave the Bank a score of 78.7, compared to the sector average of 77.1.

Handelsbanken Norway

According to EPSI's annual customer satisfaction survey, Handelsbanken had the most satisfied corporate customers of any bank in Norway, and on the private side Handelsbanken had more satisfied customers than the average for banks in Norway. Private customers gave Handelsbanken a score of 77.5, compared to the sector average of 70.9. Corporate customers gave the Bank a score of 72.5, compared to the sector average of 69.3.

Handelsbanken the Netherlands

EPSI's annual customer satisfaction survey showed that Handelsbanken had the most satisfied customers of all banks in the Netherlands – among private as well as corporate customers. Private customers gave the Bank a score of 78.0, compared to the sector average of 68.3. Corporate customers gave Handelsbanken a score of 72.4, compared to the sector average of 62.3.

Managing customer complaints

Customer complaints must be dealt with correctly, carefully and as efficiently as possible. First, the complaint is managed by the local branch responsible. If the customer decides to pursue the matter, each regional bank in each home market has a designated complaints officer. In addition, there are complaints officers at the Group level. Complaints officers at the Group level regularly report to Senior Management and product owners. Information about how the Bank manages complaints is easily available at handelsbanken.com.

Financial advisory services

In financial advisory services provided when granting credit and in insurance mediation, the Bank always considers the customer's overall situation and financial circumstances. Using this knowledge, we can provide guidance on financing, payments or investments that is adapted to each customer's individual requirements. We focus on the customer's needs – not individual products or services.

When providing investment advice, we adapt the proposal to the customer's goals, interests, savings horizon, and attitude to risk. We consider it essential for the customer to understand the risk associated with each type of financial instrument as well as to have the knowledge and experience needed to invest in the product or service selected. The information the Bank provides to customers must be clear, factual and easy to understand, and the terms and conditions for the Bank's services must be clear and not changed arbitrarily.

The current regulations for financial advisory services and insurance mediation require that all employees who provide customers with advice concerning investments and insurance have relevant, up-to-date skills. Handelsbanken has broad expertise in investment advisory services and complies with the regulatory requirements from the EU and local supervisory authorities in all six of the Bank's home markets. Handelsbanken has about 4,500 employees permitted to provide investment advice. All of these are licensed to provide advisory services concerning financial instruments and they update their knowledge every year through mandatory professional training. During the year, broad training programmes were carried out to further strengthen staff skills in this area. System support for documenting investment advice and insurance mediation has also been improved.

INTEGRITY AND CONFIDENTIALITY

- INFORMATION SECURITY AND IT SECURITY

Work with the Bank's information security and IT security involves protecting customers' information and transactions and also the Bank's IT environment. Information security covers administrative systems, such as rules and instructions, as well as technical security solutions.

It is important that the Bank actively works with IT security to meet possible threats, and that there are procedures for managing changes in the IT environment so that no breaches occur. If processing were to prove faulty, or if information were to be released by mistake, the consequences could be serious, including weakened confidence in the Bank or financial losses.

The Group Chief Executive establishes guidelines for information security at Handelsbanken. All employees in the Bank are responsible for compliance with the rules for protection of information, and all managers are responsible for compliance with the rules in their own area of responsibility. Information security work is pursued in accordance with the ISO 27001 international standard. This means that any risks are identified on a regular basis and that internal rules are produced so that the information is protected over time.

The Bank's work with information security and IT security, as well as its management of sensitive information, is also governed by international and national legislation.

In 2017, 18 incidents (11) relating to customer privacy or poor management of customer data were reported. None of the reports was received via government authorities. A total of 16 were complaints received from customers and were found substantiated by the Head of Information Security; two were identified internally. All cases have been managed with the parties affected.

The Bank's information security regulations are based on the Standard of Good Practice developed by Information Security Forum (ISF), an organisation where most of the largest companies in the world are members. The work with information and IT security is pursued systematically, and we apply a process where risk analysis plays a central role. The risk analyses are performed using the IRAM method (ISF's Information Risk Analysis Methodology).

The conditions for IT security are constantly changing. Thus Handelsbanken needs to continuously evaluate and take a stand on new potential threats in this area. By continuously following up events which occur both within and outside our operations, it is easier to take the right action at the right time. To this end, the Bank participates and collaborates in international forums. For several years, Handelsbanken has been a 'listed team' in the Trusted Introducer community (a European network for IT security) and a full member of the Forum of Incident Response and Security Teams (FIRST). Handelsbanken also participates in FIDI Finans, a forum for sharing information between the government, the business community and other relevant organisations in Sweden regarding information security in the financial sector. The forum is led by the Swedish Civil Contingencies Agency (MSB).

Facts: The Bank's role in the community

FINANCIAL ASPECTS

Handelsbanken's Annual Report contains a complete account of the financial aspects of the operations, but the most important key figures connected with financial aspects and sustainability are reported below and on page 46.

Lower loan losses

Handelsbanken has a low risk tolerance. This means that the quality of credits must never be neglected in favour of achieving higher volume or a higher margin.

Outcome

Loan losses were SEK -1,683 million (-1,724). Loan losses as a proportion of lending were 0.08 per cent (0.09). For the most recent 10-year period – that is, since 2008 – the Bank's average loan loss ratio has been 0.10 per cent. This can be compared with the average for the other major Nordic banks during the same period: 0.27 per cent.

Handelsbanken Group	2017	2016
Profit before loan losses, SEK m	22 694	22 325
Net loan losses, SEK m	-1 683	-1 724
Operating profit, SEK m	21 025	20 633
Return on equity for total operations	12.3%	13.1%
Loan loss ratio	0.08%	0.09%

Loan losses as a percentage of lending

■ Handelsbanken ■ Other Nordic banks*

* Only Swedish banks are included for the period up to and including 2000.

Capital

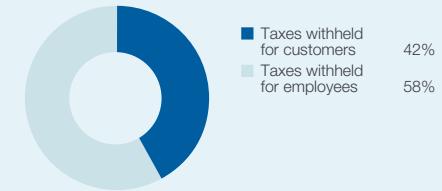
The Bank's goal is that its common equity tier 1 ratio under normal circumstances should exceed by 1–3 percentage points the common equity tier 1 capital requirement communicated to the Bank by the Swedish Financial Supervisory Authority. The tier 1 ratio and the total capital ratio must also be at least 1 percentage point above the total capital requirement communicated to the Bank by the Supervisory Authority for the respective capital tiers. Additionally, the Bank must fulfil any other capital requirements set by the regulators.

Outcome

The common equity tier 1 ratio was 22.7 per cent (25.1). At the same time, the Bank estimates that the Swedish Financial Supervisory Authority's common equity tier 1 capital requirement at the end of the year was 20.2 per cent. The Bank's capitalisation was thus within the target range.

Common equity tier 1 ratio, CRD IV**Political independence**

Handelsbanken is not allied to any political parties. The Bank does not provide any financial support to any political party, nor does it make any other type of political donation.

Total taxes and government fees 2017, SEK 10.5 bn**Taxes withheld for customers and employees 2017, SEK 5.4 bn****Geographical information 2017**

SEK m	Income	Operating profit	Corporate tax (current tax)	Social security costs	Fees for the Swedish resolution reserve, deposit guarantee, etc.	No. of employees	
						Assets	Employees
Sweden	26 156	15 405	-4 002	-1 532	-1 465	2 318 258	7 020*
UK	5 331	1 325	-400	-192	-173	336 772	2 151
Norway	4 024	2 471	-587	-121	-191	264 918	750
Denmark	2 230	403	-93	-93	-73	134 060	653
Finland	1 994	906	-191	-18	-101	221 016	623
United States	461	207	4	-7	-	310 693	67
The Netherlands	740	216	-65	-28	-19	48 373	284
Luxembourg	195	51	-18	-8	-1	33 125	57
Germany	87	-11	-28	-5	-	10 569	42
China	223	112	-13	0	-	8 789	71
France	55	3	-1	-4	-	3 704	7
Poland	44	-23	-2	-3	-	2 338	39
Singapore	111	-17	-2	0	-	10 112	36
Estonia	14	-5	-	-2	-	1 444	18
Austria	3	0	-	0	-	0	2
Latvia	4	-9	-	-1	-	466	7
Lithuania	2	-9	-	-1	-	128	5
Eliminations	-	-	-	-	-937 783	-	-
Group	41 674	21 025	-5 398	-2 015	-2 023	2 766 977	11 832

* Includes 10 employees at the Bank's representative offices.

The table, which is laid out according to GRI principles, shows how the income generated by the Bank's operations is allocated over various groups of stakeholders. The data comes from the Group's income statement and balance sheet.

Direct economic value generated and distributed (according to GRI)**Economic flows to and from various groups of stakeholders**

SEK bn	2017	2016	2015	2014	2013
DIRECT ECONOMIC VALUE CREATED					
Customers					
Income after loan losses and before fees for the Swedish resolution reserve, deposit guarantee, etc.	38.0	37.7	39.8	37.7	36.2
Value created by serving customers	38.0	37.7	39.8	37.7	36.2
ALLOCATED ECONOMIC VALUE					
Employees					
Salaries	8.4	8.1	8.0	7.6	7.1
Provision to profit-sharing foundation (incl. social security costs)	0.8	0.9	0.8	1.1	
Social security costs and other staff costs	3.3	4.4	3.7	3.4	3.2
Cost of employees	12.5	12.5	12.6	11.8	11.4
Public authorities and society at large					
Suppliers*	6.5	5.9	5.7	5.6	5.7
Corporate tax (current tax)	5.4	5.2	4.9	4.5	4.9
Deferred tax	-0.5	-0.8	-0.6	-0.4	-1.0
Fees for the Swedish resolution reserve, deposit guarantee, etc.	2.0	1.3	1.1	1.2	1.1
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
To society	13.4	11.6	11.1	10.9	10.7
Shareholders					
Dividends (refers to the year dividends were paid)	9.7	11.4	11.1	10.5	6.8
New share issue	-	-	-	-	-
Transactions with the shareholders	9.7	11.4	11.1	10.5	6.8
Reinvested economic value ('remaining in the Bank')	2.4	2.2	5.0	4.5	7.3

* Refers to Other administrative expenses and depreciation.

The table of direct economic value created and delivered shows how the income generated by Handelsbanken's operations during the year was allocated among various stakeholders. The calculation is based on the figures in the income statement and in accordance with the GRI guidelines. The items allocated in the table are based on broader value created where salaries, depreciation/amortisation, and other administrative costs (suppliers) are added to the operating profit. The purpose is to show in a basic way how Handelsbanken creates value for its stakeholders and in the economic system in which the organisation works. The table provides an overview of the direct measurable monetary value contributed by Handelsbanken to its stakeholders, and thus to development in the community.

Taxes and allocated economic value

Handelsbanken wishes to provide transparent financial reporting on how the economic value generated by the operations is allocated. The Bank pays and reports tax based on local regulations in the countries where it operates. Handelsbanken complies with the OECD Transfer Pricing Guidelines, such that the Group's earnings are taxed where value is created. The Bank also prepares a country-by-country report showing the Group's earnings and tax in the countries where its operations are run.

MODERN SLAVERY AND HUMAN TRAFFICKING

Handelsbanken does not accept any form of child labour, slave labour or human trafficking; it works to prevent the occurrence of these in the Group's supply chain and in other companies with which

Handelsbanken has business relations. The UK Modern Slavery Act 2015 requires that certain organisations annually state the actions that they have taken to ensure that modern slavery and human trafficking do not occur in their supply chains or in their operations.

Internal instructions and procedures are in place, so that employees understand how to act if they are faced with or suspect a case of modern slavery or human trafficking.

More information and a statement on the Modern Slavery Act 2015 may be found at handelsbanken.co.uk.

Systematic environmental work

At Handelsbanken we take responsibility for how our operations affect the environment. We strive to minimise our direct as well as our indirect impact on the environment, such as through granting of credits, purchasing and the investments we make on behalf of our customers. We will achieve this by:

- integrating environmental sustainability in all business operations
- making long-term sustainable business decisions that take environmental factors into consideration
- setting environmental requirements in all central procurements and ensuring that these are complied with
- encouraging environmental awareness and environmental competence among employees
- constantly developing our environmental activities, so that the Bank's environmental impact is continuously minimised
- monitoring and measuring the Bank's impact on the environment.

ENVIRONMENTAL DATA

General information	Unit	2017	2016	2015	2014	Base year 2013*
Number of branches reporting		806	809	827	815	791
Total office space reported	m ²	450 532	456 838	455 176	459 422	458 071
Number of employees covered by environmental data ¹	persons	11 471	11 373	11 407	11 271	11 070
Proportion of total number of employees	%	97	97	97	96	96
Emissions of greenhouse gases (CO ₂ e)	Unit	2017	2016	2015	2014	Base year 2013*
Emissions Scope 1 ²	tonnes	86	51	28	28	47
Emissions Scope 2 ³	tonnes	5 654	6 328	8 527	10 264	12 306
<i>Emissions Scope 2 without GO electricity</i>	tonnes	10 024	10 199	10 438	11 415	12 908
Emissions Scope 3 ⁴	tonnes	4 227	3 965	4 048	4 557	4 787
Total emissions	tonnes	9 967	10 344	12 603	14 848	17 141
Total emissions per employee	tonnes/employee	0.87	0.91	1.10	1.32	1.55
Emissions of greenhouse gases by source (CO ₂ e)	Unit	2017	2016	2015	2014	Base year 2013*
Emissions from energy use (in buildings)	tonnes	5 731	6 371	8 548	10 285	12 349
Emissions from business travel	tonnes	3 832	3 362	3 243	3 464	3 555
Emissions from other sources	tonnes	404	610	812	1 100	1 237
Emissions by country (CO ₂ e)	Unit	2017	2016	2015	2014	Base year 2013*
Sweden	tonnes	4 542	4 455	4 632	5 542	7 337
UK	tonnes	3 003	3 622	5 686	5 641	4 923
Denmark	tonnes	620	609	680	934	1 924
Finland	tonnes	698	689	689	1 381	1 716
Norway ⁵	tonnes	482	421	430	889	848
The Netherlands	tonnes	622	547	486	461	394
Energy consumption	Unit	2017	2016	2015	2014	Base year 2013*
Total energy consumption (in buildings)	MWh	101 355	105 854	107 273	111 670	120 913
Electricity consumption	MWh	45 308	48 048	49 716	52 404	55 694
Change in electricity consumption from preceding year	%	-5.7	-3.4	-5.1	-5.9	1.9
Proportion renewable electricity ⁶	%	99	96	87	72	73
Total electricity consumption per employee	MWh/employee	3.9	4.2	4.4	4.6	5.0
Use of heating and cooling	MWh	56 047	57 806	57 557	59 266	65 220
Business travel	Unit	2017	2016	2015	2014	Base year 2013*
Total business travel	km	31 909 038	27 719 588	28 319 984	29 207 595	29 697 980
Business travel per employee	km/employee	2 782	2 437	2 483	2 591	2 683
Travel by air	km	21 531 214	18 034 955	17 481 188	17 797 767	18 584 368
Travel by car	km	7 558 391	7 080 995	7 163 074	7 452 892	7 203 086
Travel by train	km	2 819 433	2 603 638	3 675 722	3 956 936	3 910 526
Resource efficiency	Unit	2017	2016	2015	2014	Base year 2013*
Paper use	tonnes	1 159	1 214	1 465	1 447	1 605
Paper use per employee	tonnes/employee	0.10	0.11	0.13	0.13	0.15

¹ Number of employees according to the definition in the Annual Report.

² Scope 1 – Direct emissions from stationary combustion of diesel, city gas and EoI.

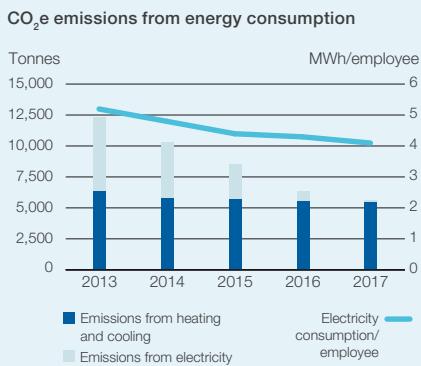
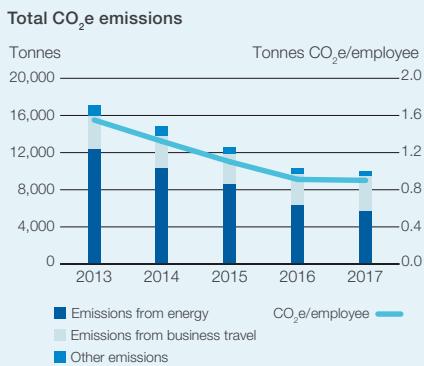
³ Scope 2 – Indirect emissions from purchased electricity, heating and cooling.

⁴ Scope 3 – Other indirect emissions from business travel, transport and use of paper.

⁵ The calculation of emissions from heating has been updated to better reflect actual conditions.

⁶ Refers to electricity from wind power and hydroelectric power.

* 2013 was the year when the Bank acquired its current structure, with six home markets, and is the base year for Handelsbanken's comparisons of emissions over time.



Energy and carbon dioxide

The Bank's direct impact derives mainly from energy consumption, business travel and transport, and use of resources such as paper. We measure our material environmental impact in our six home markets. These markets represent 97 per cent of the Bank's total number of employees.

We are working to minimise the carbon dioxide emissions generated in our operations. For 2017, total carbon dioxide emissions from Handelsbanken's operations were 9,967 tonnes, down 4 per cent from the preceding year, mainly because the Bank increased the proportion of renewable electricity. Since 2013, the Bank has reduced its carbon dioxide emissions by 42 per cent.

The Bank's electricity consumption decreased by 6 per cent in 2017 compared with 2016. The proportion of renewable electricity is 100 per cent for Nordic operations and 99 per cent for all home markets.

More efficient equipment and utilisation of resources

Throughout the Bank, changes are constantly being made which, together, are reducing environmental and climate impact.

- Environmental checklist for branches and central departments. The environmental checklist consists of concrete actions for reducing environmental impact, such as choosing better means of transport and replacing lighting for better energy efficiency.
- All employees in the Group have taken courses in sustainability that include the environment and climate change as material topics.
- In 2017, the number of video conferences that could replace business travel was up by 84 per cent from 2016.
- By improving processes in the Bank's online services and other digital services, we have reduced the number of paper communications to customers in Sweden by 12 per cent. Work to further reduce the number of paper communications will continue in 2018.

Measures to reduce the Bank's environmental impact

To reduce the Bank's environmental impact, further work on the following initiatives are planned for the next few years.

- Further increase the level of awareness internally by means of information and training regarding measures to reduce the Bank's direct climate impact. One aim of this is to enable all parts of the organisation to contribute effectively to reducing energy consumption.
- Increase the amount of recycled refuse.
- Reduce the amount of energy used.
- Reduce the amount of business travel by facilitating the use of video conferences.
- Further develop the Group's digital services for customers, via computers, telephones, and tablets, and for branches and internal units in order to reduce paper consumption.
- Continue to develop systems so as to measure more exactly our use of resources and direct environmental impact.

Climate compensation

Handelsbanken works constantly to minimise the emissions generated by the operations. At present, it is not possible in practical terms to completely eliminate the Bank's emissions, so the Bank purchases carbon offsets for the reported carbon dioxide emissions that the operations generate. The Bank compensates through CDM projects (Clean Development Mechanism), which are UN-registered projects with verified climate benefits. The projects are certified based on the Gold Standard, a certification endorsed by more than 80 non-governmental organisations (NGOs) that ensures the projects contribute to long-term sustainable development.

Method description for environmental data

The climate calculations were done according to Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).

Data for specific units has been used to calculate emissions from energy use. When specific data is missing, usage is estimated using numbers from adjacent units or energy statistics. The sources for emission factors are generally accepted sources such as national energy agencies, sector organisations and energy companies. Emissions connected with business travel, transport and use of paper are reported within the framework of Scope 3. Emissions reporting under Scope 3 is based on documentation from external parties, such as travel agencies regarding emissions related to air travel. For more in-depth information about how emissions are calculated, please see the Bank's reports to CDP.

Facts: The Bank's indirect impact

Handelsbanken must act responsibly and with a long-term perspective. Through responsible lending and responsible investment, we can contribute to greater respect for human rights, working conditions and environmental concerns.

BUSINESS RELATIONS

Guidelines regarding business relations with the armaments and defence industry

Handelsbanken's Guidelines for business relations with the armaments and defence industry state that the Bank must not have business relations with companies that manufacture or trade in weapons that are prohibited under international conventions. This includes biological weapons, chemical weapons, anti-personnel mines and cluster munitions. Nor can Handelsbanken have business relations with companies that manufacture or trade in nuclear weapons, or with companies that export weapons to countries under a UN or EU embargo.

Guidelines regarding business relations with companies with operations within fossil fuels

Handelsbanken has guidelines for business relations with companies active in the extraction of fossil fuels or energy production based on fossil fuels. According to the guidelines, Handelsbanken must not finance new mining of coal for combustion or new coal power plants, nor initiate new business relationships with companies operating in coal mining that are not working actively to ensure a transition to renewable energy sources.

Guidelines regarding business relations in forestry and farming

Handelsbanken has guidelines for how the Bank should approach business relations in forestry and farming. The guidelines specify the aspects that we must take into consideration when granting credits, for example that we expect customers, suppliers and business partners to respect the rights of employees, minimise negative environmental impact, preserve biological diversity, prevent deforestation, and conserve forests meriting protection.

INVESTMENT PROCESS

Handelsbanken strives for sustainable development – in financial, social and environmental terms – in the companies in which the Bank invests. We do so based on the Bank's policies and on common norms set out in international conventions and guidelines.

How we work as responsible investors

Criteria related to the environment, social issues and corporate governance (ESG) are integrated with financial criteria to produce better background documentation for decisions in the investment process. The following three steps are common starting points for this work.



Inclusion

Active equity and fixed income management – selecting companies

In active asset management, analysis is paramount. It is based on identifying and investing in companies with the right sustainability perspective. The sustainability analysis helps identify risks in companies' business models and helps find companies at the forefront of the transition to sustainable operations.

Index management – selecting indexes

Index management is a rules-based management approach in which no company analysis is done; instead, the fund management company decides that its funds will track the index whose method and composition reflect the values of the fund management company with respect to sustainability. A vital part of sustainability work is to encourage in the long-term the creation of more sustainability-oriented indexes and tracking based on sustainability criteria. During the year, this work was an enormous area of focus, and the Index management group strengthened the sustainability profile of our index funds by replacing the indexes that Handelsbanken's global index funds track. This has resulted in all global index funds now tracking indexes that take into account sustainability factors.

Mutual fund portfolios – selecting funds

In our mutual fund portfolios, the asset managers do not invest directly in individual companies; instead, they invest in other funds. These fund investments can include Handelsbanken's own funds as well as mutual funds from external fund management companies. Fund investments are selected and followed up in a process that takes into account sustainability criteria at the mutual fund and fund management company levels. Such criteria include systematic sustainability work and due consideration of international norms and conventions. In addition, any holdings that could be judged as deviating from Handelsbanken's policy – for example, concerning weapons prohibited under international law – are also followed up.

Handelsbanken Liv – selecting funds

Handelsbanken Liv strives to offer mutual funds that integrate sustainability in their investment process and make efforts to contribute to sustainable development. Financial, social and environmental sustainability are taken into account in the assessment and selection of which mutual funds to offer. Investments in mutual funds and in investment products are preceded by an assessment of the fund management company as well as the investment product. For example, to be included among the mutual funds Handelsbanken offers, each fund management company must

have policies or principles for systematic sustainability work and must periodically screen its mutual funds.



Exclusion

Companies that our funds exclude

There are companies that do not act in line with the values which we at Handelsbanken respect. One example of such companies are those involved in nuclear weapons and weapons that are banned under international law. All companies in our funds are screened periodically with the aim of identifying companies that fail to meet international norms and conventions in areas such as the environment, human rights and anti-corruption. An appropriate course of action is then determined for each fund to handle the companies identified. Our last resort for companies that systematically violate international norms and conventions, and in which we find no improvement, is exclusion. As part of our climate efforts, our mutual funds do not invest in companies if more than five per cent of the company's turnover derives from coal mining or more than 30 per cent derives from coal power generation. A list of some of the companies that we exclude is available at handelsbanken.se/responsibleinvestments.

Mutual funds that Handelsbanken Liv excludes

Handelsbanken Liv strives to exclude funds that invest in companies with significant operations that mine coal for combustion or generate coal-fired power. In addition, Handelsbanken Liv avoids funds that invest in companies involved in the manufacture or distribution of nuclear weapons and weapons banned under international law, such as cluster munitions, anti-personnel mines, chemical weapons and biological weapons. Handelsbanken Liv's fund selection committee compiles such reviews and prepares supporting documentation to determine which mutual funds will be included in or removed from its range of funds. Decisions are made by the subsidiary's Chief Executive.



Engagement

Engagement and influence

Engagement with companies in which we are shareholders is an important way for us to contribute to sustainable development. This applies both to proactive dialogue aimed at influencing companies to improve their sustainability activities, and to dialogue with companies which we feel do not comply with the international norms and conventions that Handelsbanken Asset Management respects. We work to influence companies on our own, through direct contact with companies, but also to a great extent in

collaboration with other asset owners and through sector initiatives. In 2017, we engaged with 251 companies through dialogues on specific sustainability topics. These dialogues have covered topics such as corruption, environmental destruction and labour laws. A list of these companies is published at handelsbanken.se/csreng.

During the year, we also initiated 23 targeted dialogues intended to proactively influence how companies work towards sustainability. In our regular contacts with company management and analysts, we also receive information about how the companies work with sustainability. In 2017, our asset managers had meetings with some 1,500 companies, to monitor their business methods, performance and opportunities.

Influence through active corporate governance

In Handelsbanken Asset Management, the Bank exercises its ownership role in the companies in which its mutual funds own shares on behalf of the fund unit holders. The goal is that the companies achieve optimum value performance in the long term, benefitting our fund savers. For companies in which our mutual funds are a major shareholder, we are eager to participate in the work of nomination committees to influence the composition of the companies' boards. Ahead of annual general meetings (AGMs) in 2017, Asset Management participated in the work of 33 nomination committees, and ahead of the 2018 AGMs, we will participate in all nomination committees for which we qualify. In such nomination work, we especially emphasise gender equality and diversity, for example by striving for a more even gender distribution on the boards of Swedish companies. The proportion of women on the boards of listed Swedish companies has increased in recent years but has a long way to go before reaching gender balance, particularly in small and medium-sized companies. The proportion of women on the boards of small and medium-sized companies where we have been involved in the nomination committee was on average 38 per cent, which is higher than the average for that segment. In 2017, Handelsbanken Asset Management voted at 267 AGMs, 112 of these held by Swedish companies. We have also voted in favour of several shareholder motions on sustainability topics.

Corporate governance	2017	2016
Nomination committees*	33	30
Annual general meetings*	267	153
in Swedish companies	112	82
in non-Swedish companies	155	71

* No. of occurrences.

As owners, Asset Management also works to improve transparency and climate reporting as well as to influence the companies in which we invest to run their operations in a more climate-friendly way. We do this within the frameworks for sector initiatives such as CDP and PRI and by supporting shareholder motions on these topics at the companies' AGMs.

Influencing external fund managers

Handelsbanken Liv is working to influence external fund managers to pursue sustainable development. By screening and comparing the working methods

Asset management

To more clearly delineate Handelsbanken's range of actively managed mutual funds and index-based funds, the fund operations are conducted by two separate companies. Actively managed funds are offered by Handelsbanken Fonder AB, while index-based and exchange-traded funds are offered by Xact Kapitalförvaltning AB. Handelsbanken also offers mutual funds managed by fund management companies in Luxembourg (SICAV). All fund management companies are subsidiaries of Svenska Handelsbanken AB (publ).

Handelsbanken Liv

Through its subsidiary Handelsbanken Liv, Handelsbanken offers pension solutions and other insurance solutions for private and corporate customers. The majority of customers' pension capital is managed by Handelsbanken Asset Management, making it the largest provider of Handelsbanken Liv's traditional pension management and unit-linked fund management during the year.

of the fund management companies, Handelsbanken Liv can encourage external fund managers to advance their own sustainability efforts. All funds on offer are regularly screened to identify holdings in companies that systematically violate international norms in areas such as the environment, human rights, labour law, anti-corruption and controversial weapons. If the evaluation of a mutual fund indicates non-compliance with these norms, a dialogue is initiated with the fund manager with the aim of influencing the manager to review the fund's holdings. If engagement with the asset manager does not lead to a change, the mutual fund may be excluded from the offering as a result. During the year, the application of these guidelines was made clearer in policy documents, with regard to management approach and asset class.

EQUATOR PRINCIPLES

As of mid-2016, Handelsbanken applies the Equator Principles for new project finance commitments, for implementation and reporting. The Principles are a framework that provides guidance to financial institutions for assessing social and environmental risks in project finance. The Principles are specifically adapted to project finance but are also applicable to financial advisory services in connection with projects, bridging loans and other project-related corporate credits.

Each project is categorised based on an assessment of the potential social or environmental risks inherent in that particular project. Based on this, the framework provides guidance about which actions the financier should take to move forward with a decision to finance the project. Possible actions might include a report of the project's impact and planned activities or actions to counteract the negative environmental or social impact, systematic stakeholder dialogue, establishing a grievance mechanism or obtaining independent assessments. Handelsbanken has not carried out any project finance commitments according to the Equator Principles since joining.

TCFD

The effects of global warming will impact the world economy to an ever greater extent, with consequences for companies in numerous sectors, including financial services. For this reason, the international Task Force on Climate-related Financial Disclosure (TCFD) was formed.

The Task Force has formulated recommendations for correcting deficiencies in information on companies' work on and management of climate change. A central component covering the financial sector consists of expanded reporting of exposures to assets associated with climate risks.

In 2017, Handelsbanken began work to implement the TCFD recommendations. Together with the 2° Investing Initiative, a non-governmental organisation (NGO) specialising in analysing financial risks related to climate change, we performed an initial analysis of climate-related transitional risk in Handelsbanken's asset management operations* and credit portfolio. The results indicate that Handelsbanken is in line with the 2-degree target.

* Handelsbanken Fonder AB, Xact Kapitalförvaltning AB and Handelsbanken Funds SICAV.

Facts: The Bank as an employer

In a decentralised operation focusing on customers, it is crucial that every employee works according to clear common goals and values.

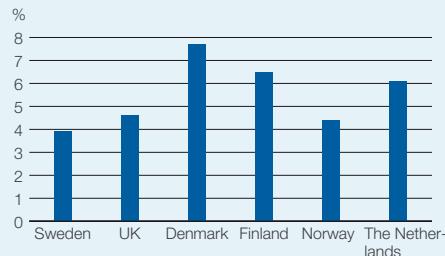
STAFF TURNOVER

The Bank takes a long-term approach to relations with both customers and employees. It sees each recruitment as important and long term. Employees with long experience and with broad knowledge from the whole Bank make a vital contribution to the Bank having satisfied customers.

At year-end, 86 per cent (89) of managers in each home market's management team had been recruited in that country.

External staff turnover was low, at 4.5 per cent (3.9) for the six home markets and 3.9 per cent (3.1) for Sweden. For the Group, it was 4.7 per cent (4.0).

Staff turnover 2017*



* Percentage of the number of employees in each home market. Number of employees who leave the Bank (excluding retirements and deaths) as a proportion of all employees.

Handelsbanken promotes long-term employment by offering training for every employee and opportunities to develop on a personal level in different roles. If employment ceases for any reason other than retirement, the Bank can offer outplacement, for example, with the help of external partners.

GENDER EQUALITY

In the Group as a whole, 40 per cent (40) of managers were women; the corresponding figure for the total number of employees in the Group was 49 per cent (50). At year-end, 47 per cent (48) of the Bank's managers in Sweden were women; the corresponding figure for the total number of employees in Sweden was 52 per cent (53).

In 2016, the Bank signed the Women in Finance Charter in the UK, an initiative from HM Treasury, making a commitment to work for a more even gender balance in the financial sector. Handelsbanken in the UK has set a goal of 30 per cent women managers by 2021 and 40 per cent by 2026. In 2017, the proportion of managers in the UK who are women increased from 20 per cent to 22 per cent.

SICKNESS ABSENCE

Handelsbanken aims for all its employees to enjoy good health, develop on a personal level and function in an optimum way. This is a long-term goal that includes factors such as clear and honest communication, having the skills and right conditions to perform tasks and deal with

work-related situations, having pride and confidence in one's work, respecting others, and being respected oneself.

Absence due to sickness for staff in the Bank's six home markets was 2.5 per cent (2.6). For staff in Sweden, the rate was 3.0 per cent (3.2), of which 1.3 percentage points (1.3) referred to those on long-term sick leave.

Sickness absence by home market 2017

%	Men	Women	Total
Sweden	2.0	3.9	3.0
UK	0.6	1.4	1.0
Denmark	0.8	1.2	1.0
Finland	1.3	2.3	1.8
Norway	2.0	4.2	3.0
The Netherlands*			2.8
Total sickness absence	1.6	3.3	2.5
<i>Total sickness absence</i>	<i>0.5</i>	<i>1.4</i>	<i>1.0</i>

* National legislation does not permit the reporting of sickness absence broken down by gender.

Sickness absence is stated as a percentage of total normal working hours. Long-term absence is a period of absence of 60 days or more.

REMUNERATION AND BENEFITS

Handelsbanken aims to be an attractive employer and offers competitive terms of employment for all employees – temporary as well as permanent. In addition to the benefits stipulated by law, regulations, collective bargaining agreements and other local agreements, we offer benefits that promote our view of long-term employment, gender equality and participation in Handelsbanken's results.

Gender breakdown, Group



Gender breakdown, Sweden



Gender breakdown – branch managers 2017**An attractive employer**

Handelsbanken wishes to be an attractive employer that meets its employees' needs during various phases of their life in a flexible way. Collective bargaining agreements are the foundation of the conditions the Bank offers to both temporary and permanent employees. At Handelsbanken, we have individual salaries which are decided in the salary dialogue review conducted every year between managers and employees. Conditions and benefits differ within the Group and are adapted to the markets where the Bank operates and to the collective agreements which have been entered into.

Employees' total remuneration should help to develop the Handelsbanken Group's competitiveness and profitability by attracting, retaining and developing skilled staff and ensuring the Bank's management succession. This is stated in the Bank's policy on remuneration, determined by the Bank's Board. The Board is responsible for the policy being applied and takes decisions to follow up on it. Once a year the Bank's remuneration committee must make an assessment of the policy and the remuneration system and report it to the Board.

regulations. This means that parents receive 80 to 100 per cent of their salaries over a limited period. Employees who take parental leave have the same right to salary dialogue reviews as other staff. Of those who took parental leave in 2017 in the Bank's home markets, 55 per cent (64) were women and 45 per cent (36) men. Almost all of these employees returned to work.

In the Bank's home markets, employees are offered credits on special terms. These credits are mainly granted for housing purposes. The terms and conditions differ between countries depending on local circumstances, and in some countries they are a taxable benefit.

Health and health promotion are vital to ensuring our employees enjoy good health, develop on a personal level and function in an optimal way. The Bank encourages this by granting subsidies for various health promotion activities.

Other forms of benefits offered include insurance and company cars.

Pensions are part of the total remuneration to employees of Handelsbanken. The pension terms in the countries where the Bank conducts its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

	2017				2016				2015			
	New employees by home market, age group and gender		Staff turnover* by home market, age group and gender		New employees by home market, age group and gender		Staff turnover* by home market, age group and gender		New employees by home market, age group and gender		Staff turnover* by home market, age group and gender	
	Number	%**	Number	%**	Number	%**	Number	%**	Number	%**	Number	%**
Sweden	619	8.2	295	3.9	195	2.8	215	3.1	284	4	151	2.1
UK	219	9.7	103	4.6	216	10.2	94	4.4	338	16.5	74	3.6
Denmark	54	7.9	53	7.7	38	5.6	50	7.4	55	7.6	38	5.3
Finland	79	11.9	43	6.5	31	5.2	42	7.0	30	4.4	31	4.5
Norway	41	5.3	34	4.4	22	2.9	21	2.8	15	1.9	16	2.1
The Netherlands	57	17.4	20	6.1	51	19.6	16	6.2	55	25.8	11	5.2
Total number	1069	8.7	548	4.5	553	4.9	438	3.9	777	6.7	321	2.8
men												
< 30 yrs old	215		52		90		41		156		32	
30–50 yrs	320		182		182		140		213		91	
> 50 yrs	63		63		40		50		54		46	
women												
< 30 yrs	178		49		82		38		137		27	
30–50 yrs	252		144		125		126		172		79	
> 50 yrs	41		58		34		43		45		46	

* Staff turnover refers to the number who leave the Bank (excluding retirements and deaths) as a proportion of all employees.

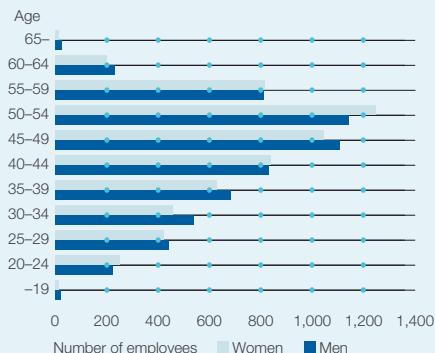
** Percentage of the number of employees in each home market.

Employees by form of employment	2017				2016			
	Number	%	Men, %	Women, %	Number	%	Men, %	Women, %
Regular employment								
Full-time	10 455	82	54	46	10 175	83	54	46
Part-time	1 475	12	18	82	1 526	12	16	84
Temporary employment	725	6	46	54	571	5	45	55
Group total	12 655				12 272			

Average number of employees	2017				2016				2015			
	Number	%	Men, %	Women, %	Number	%	Men, %	Women, %	Number	%	Men, %	Women, %
Sweden	7 010	60	48	52	7 046	60	47	53	7 263	62	47	53
UK	2 151	18	58	42	2 069	18	59	41	1 904	16	59	41
Denmark	653	6	51	49	673	6	51	49	690	6	52	48
Finland	623	5	42	58	613	5	41	59	614	5	42	58
Norway	750	6	54	46	753	6	54	46	766	6	55	45
The Netherlands	284	2	69	31	218	2	69	31	170	1	64	36
Other countries	361	3	46	54	387	3	45	55	412	4	47	53
Group total	11 832		50.5	49.5	11 759		49.7	50.3	11 819		49.9	50.1

An occupational pension plan can include a retirement pension, disability pension and surviving family member protection. The pension solutions which can be offered to employees are defined benefit, defined contribution or a combination of the two.

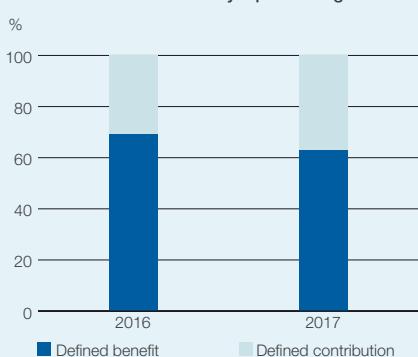
Age and gender breakdown 2017



Oktogonen – the Bank's profit-sharing scheme

One condition for achieving the Bank's corporate goal of better profitability than the average of peer banks in its home markets is that the Bank's

Proportion of employees in Handelsbanken's home markets who are covered by a pension agreement¹



¹ Retirement pension plan¹ refers here to both (statutory) national retirement pensions and occupational pension plans under local laws and regulations.

Salary contributions to defined contribution pensions 2017

%	Sweden ²	UK	Denmark	Finland ³	Norway ⁴	The Netherlands
Salary contribution by employers ¹	2	15	11	1.5	7/20	13.8
Salary contribution by employees, average	0	7.7	5.3	0	0	0

Salary contributions to defined contribution pensions 2016

%	Sweden ²	UK	Denmark	Finland ³	Norway	The Netherlands
Salary contribution by employers ¹	2	15	11	1.5	0	13.3
Salary contribution by employees, average	0	8.9	5.3	0	0	0

¹ In Sweden, the UK, Norway and the Netherlands, less than 100 per cent of salary is pension-qualifying, as there is an upper limit.

² In Sweden, retirement pension plans are 'defined benefit'. The premiums stated refer to defined contribution supplementary pensions.

³ Refers to national pension.

⁴ For salaries corresponding to 0–7.1 Norwegian base amounts/For salaries corresponding to 7.1–12 Norwegian base amounts.

Defined benefit pensions, pension commitments, and pension assets according to IAS 19¹

	31 December 2017		31 December 2016	
	SEK m	%	SEK m	%
Pension commitments	30 455	100	29 670	100
Earmarked pension assets	31 694	104	27 509	93
Assets part of Handelsbanken's general resources	-	-	2 161	7

¹ For more detailed information, see the 2017 Annual Report, note G8.

employees outperform their peers in the rest of the sector. In every year but three since 1973, Handelsbanken has allocated part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen Foundation.

Allocations are subject to Handelsbanken achieving its corporate goal. If this is satisfied, one third of the extra profits can be allocated to the employees. However, the maximum allocation allowed is 10 per cent of the ordinary dividend to shareholders. If the Bank reduces the dividend paid to its shareholders, no allocation can be made to the foundation. Each employee receives an equal part of the allocated amount, regardless of their position, form of employment or tasks. The profit-sharing scheme is long-term, as payments to the unit-holder are made after the age of 60. Of the Group's employees, 98 per cent are now covered by Oktogonen.

One of the fundamental concepts in managing the foundation is that the funds are invested in shares in Handelsbanken.

For many years, the Oktogonen Foundation has been one of the Bank's largest shareholders, and nominates two representatives for election to the Board of Handelsbanken. Since Oktogonen's board is made up of representatives from an employee organisation, the employees have the opportunity to influence the election of Handelsbanken's Board.

RELATIONS WITH UNIONS

Handelsbanken's traditionally good relationships with unions are a valuable component of the Bank's culture. The Bank promotes the right of all employees to join a trade union or employee organisation. All employees in Denmark, Finland, Luxembourg, Norway, Sweden and Germany – comprising 77 per cent (78) of the Bank's employees – are covered by collective bargaining agreements. In these countries, employees who are not members of a union are also covered by the terms of the collective agreement. In addition to

collective agreements, there are also agreements with local employees' organisations, such as works councils in the United Kingdom and the Netherlands. In Sweden, matters such as organisational changes are regulated in Handelsbanken's co-determination agreement with local bodies of the Financial Sector Union of Sweden and in the collective agreement between the Employers' Association of the Swedish Banking Institutions and the Swedish Association of Graduates in Business Administration and Economics, the Swedish Association of Graduate Engineers and Jusek, which are affiliated to the Swedish Confederation of Professional Associations. In Sweden, the work environment agreement between Handelsbanken and the Financial Sector Union of Sweden regulates the areas of the physical and psychosocial work environment, security, roles, division of responsibilities and organisation of the work environment.

There is an ongoing, close dialogue between union representatives and managers concerning operations – such as when changes and new services are to be launched – where valuable information is exchanged at the very early stages. As well as matters dealt with in a dialogue with the union organisations and other types of employee organisations in each country, there is also Handelsbanken's European Works Council (EWC), which serves as a forum for joint and cross-border questions in the countries in Europe where the Group has operations. The EWC consists of employee representatives from nine countries: Denmark, Finland, Germany, Luxembourg, the Netherlands, Norway, Poland, Sweden and the UK.

Facts: The Bank's business culture

Handelsbanken upholds good business ethics and works systematically to take into account new requirements and expectations as well as to integrate new regulations in daily operations.

Handelsbanken has a number of policies that describe the Bank's common view and approach to a variety of these issues. The Bank's website also has the full texts of the policy on ethical standards, policy for management of conflicts of interest and policy against corruption as well as summaries of other policies in the Handelsbanken Group. In addition, a selection of guidelines adopted by Handelsbanken's Group Chief Executive is available on the Bank's website.

COMPLIANCE AND MAJOR INCIDENTS

Banking operations are regulated and governed by extensive laws and regulations. If a bank does not comply with these, the responsible supervisory authority can decide on administrative fines and, in the worst case, revoke the banking licence. Administrative fines may be imposed on banks for breaches such as corruption, faulty product or service information or labelling, or non-compliance with laws or regulations in the social or economic spheres. No major incidents occurred in 2017 (2016: 0).

POLICY ON ETHICAL STANDARDS

The policy on ethical standards is reviewed every year by the Board. The review begins with any changes made in the relevant legislation, also covering changes in external expectations, the Bank's experience of ongoing internal work, and observations from the Bank's comprehensive internal control. The policy on ethical standards is issued in Swedish and translated into English.

GUIDELINES FOR MANAGING TAXES

Handelsbanken's actions regarding tax-related matters shall be responsible and transparent and shall comply with prevailing laws and regulations.

At Handelsbanken, high ethical standards must always be observed, as regulated in policy documents from the Board.

Internal and external transactions carried out by the Bank within the framework of the Bank's own operations must always have a business purpose and must not be carried out for tax purposes only. Services and products provided by the Bank must always have a business purpose, and the Bank must not provide products or services where the primary purpose is to obtain tax advantages in conflict with the objective of the tax regulations. The Bank must not participate in transactions with customers, through granting credits or otherwise, which constitute a step in tax evasion or in transactions with no business purpose, undertaken only to obtain tax advantages in conflict with the objective of the tax regulations. This also applies in relation to suppliers and other business partners. In case of doubt, Handelsbanken must refrain from participating.

POLICY FOR SUSTAINABILITY

In 2016, Handelsbanken's Board adopted a policy for sustainability that sets the direction for the Bank's work and clearly sets out the Bank's view of sustainability. The policy applies throughout the Handelsbanken Group and encompasses all activities in relation to customers, suppliers and other business partners. The policy is available in its entirety at handelsbanken.se/ireng.

ANTI-MONEY-LAUNDERING ACTIVITIES

At least once a year, Handelsbanken's Board and Group Chief Executive establish a Group-wide policy and guidelines that serve as the framework for the Bank's measures against financial crime which include efforts against money laundering and terrorist financing. The function responsibility for working with measures against financial crime is held by a central department which must ensure that there is competency in and awareness of these areas throughout the Group. The operational responsibility for work preventing financial crime lies with each country's general manager.

CONFLICTS OF INTEREST, CORRUPTION, BRIBERY AND IMPROPER INFLUENCE

Handelsbanken has established procedures for managing conflicts of interest with the purpose of preventing customers' interests from being negatively affected. In 2017, Handelsbanken's Board revised the Bank's policy for managing conflicts of interest in order to further clarify the Bank's work

in this area, for example by enumerating in the policy a variety of areas where conflicts of interest could arise in the operations. The policy includes details on the procedure for identifying and managing conflicts of interest. For example, each year potential conflicts of interest, as well as how they have been managed, must be reported by those units deemed to have a greater probability of conflicts of interest.

Each year all unit heads must review the regulations applying to bribery and improper influence with their employees.

The regulations must be followed in all contexts, such as gifts, corporate hospitality and other events. All units must perform a self-assessment of operational risk at least once each year, and operational risk analyses which include the area of anti-corruption are performed annually. Security reviews are also performed every year and these contain a training and information section on corruption.

Handelsbanken's anti-corruption policy states that all Bank employees must complete a course on corruption, bribery and improper influence each year. New training concerning corruption, bribery and improper influence was introduced in 2017, and the Bank's employees completed the course during the year. Parts of Handelsbanken's Central Board and the boards of the Bank's subsidiaries have carried out the training.

SUPPLIERS

The Group's purchases can largely be divided into the categories property and premises, external IT costs, communications, travel and marketing, purchased services, procurement of materials, and other expenses. External IT costs and communications are purchased centrally, chiefly from suppliers which operate internationally, while other categories are purchased mainly from local suppliers. We work to co-ordinate the Bank's purchases to take into account cost effects, quality and environmental impact.

The Bank holds ongoing dialogues with suppliers where sustainability is a key factor. Among other things, we look into the supplier's approach to collective agreements, work environment, anti-corruption and environmental impact. In 2016, Handelsbanken implemented a code of conduct for major suppliers in Sweden. The code defines the expectations we have on our suppliers and their subcontractors. Most of these expectations are based on internationally accepted standards, with the UN Global Compact as the starting point. Among other things, the Bank's code of conduct requires that suppliers eliminate and combat all forms of human trafficking, modern slavery and compulsory labour, that they are not involved whatsoever in any form of child labour, and that they ensure that they do not violate human rights. Results have been good, and many of the Bank's major suppliers have signed the code. For the Swedish operations, we are now working to have all suppliers that provide facility services sign the Bank's code of conduct. Samhall, which signed a framework agreement with the Bank in 2015, was awarded additional assignments in 2017 to provide facility services for the branch operations in Sweden.

We see a positive link between the code and our relationships with suppliers as well as their direct impact on our sustainability activities.

Handelsbanken's Supplier Code of Conduct is available at handelsbanken.se/sustainability.

PRINCIPLES WHEN GRANTING CREDIT

Sustainability aspects are a vital part of the Bank's credit policy. The policy states that the Bank's lending must be responsible and meet high demands for sound ethical standards. When granting credit, Handelsbanken must assess and evaluate the customer's approach to the principles and agreements supported by the Bank. Ultimately, this can result in Handelsbanken declining to grant credit to companies that do not apply these principles.

Facts: The Bank as an investment

PUBLIC LIMITED COMPANY

Handelsbanken is a Swedish public limited company, which means that the public can invest in the Bank by buying and selling shares in the open market. Handelsbanken's shares are traded on several different trading venues. Turnover is largest at Nasdaq Stockholm (the Stockholm stock exchange), but for many years, the shares have also been traded on other venues, such as BATS Chi-X. Handelsbanken has more than 100,000 shareholders.

DIVIDEND

One of the purposes of Handelsbanken's profitability goal is to offer shareholders long-term, high growth in value. This is expressed in increasing earnings per share over a business cycle. The Bank aims for the ordinary dividend to show long-term, stable growth which reflects the value creation. But the dividend level must not lead to the authorities' capital requirements not being met. In every one of the past 20 years, including during the most recent financial crisis, Handelsbanken has paid a dividend to its shareholders.

CREATING SHAREHOLDER VALUE

During the past five-year period, Handelsbanken has generated positive shareholder value of SEK 121 billion. Market capitalisation has grown by SEK 71 billion, while the Bank has paid out SEK 50 billion in dividends to shareholders. The dividend for 2017 is proposed to amount to SEK 14.6 billion.

Content, restrictions and indexes according to the Global Reporting Initiative

Handelsbanken reports its sustainability activities in accordance with the Global Reporting Initiative (GRI) Standards. The Sustainability Report meets the information requirements of the 'Core' level, confirmed by the Bank's external auditors. Handelsbanken reports the Group's sustainability activities annually. This year's Sustainability Report is Handelsbanken's eighth in accordance with the GRI and relates to the 2017 calendar year.

The preceding report was submitted in February 2017 and related to the 2016 calendar year.

The Sustainability Report contains information relating to the Group unless otherwise stated. The information presented in the report covers the largest and most important parts of the operations, with the focus on banking operations. Any limitations are indicated in the report where applicable.

No major corrections or amendments to previous information provided in previous years' sustainability reports have been made in this report.

The table below contains the disclosures deemed relevant to Handelsbanken's operations including disclosures from the GRI Financial Services Sector Supplement (FSSS).

GRI STANDARD	DISCLOSURE	PAGE SR ¹	PAGE AR ²	OMISSIONS/COMMENTS	SUSTAINABLE DEVELOPMENT GOALS RELEVANCE
Organisational profile					
GRI 102: General disclosures 2016	102-1 Name of the organisation	1	3		
	102-2 Activities, brands, products, and services	Inside front cover, 5–7, 20–25	Inside front cover		
	102-3 Location of headquarters	Back cover	212		
	102-4 Location of operations	Inside front cover	214–221		
	102-5 Ownership and legal form	55	42–43		
	102-6 Markets served	Inside front cover	28–41		
	102-7 Scale of the organisation	48	24		
	102-8 Information on employees and other workers	53	116		Goal 8
	102-9 Supply chain	45, 55	120		
	102-10 Significant changes to the organisation and its supply chain	54			
	102-11 Precautionary principle or approach	Handelsbanken applies the precautionary principle in accordance with Global Compact and Swedish legislation			
	102-12 External initiatives	Inside front cover, 1, 4, 8–9, 16, 21, 22, 24–25, 32, 38–39, 44, 49, 50, 52			
	102-13 Membership of associations	38–39			
Strategy and analysis					
	102-14 Statement from senior decision-maker	2–4	4–6		
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behaviour	16, 21, 25, 32–34, 43, 54–55	55–57		Goal 16
Governance					
	102-18 Governance structure	32–34, 43	48–50		
Stakeholder engagement					
	102-40 List of stakeholder groups	44–45			
	102-41 Collective bargaining agreements	54			Goal 8
	102-42 Identifying and selecting stakeholders	44			
	102-43 Approach to stakeholder engagement	44–45			
	102-44 Key topics and concerns raised	8–9, 44–45			
Identified material aspects and boundaries					
	102-45 Entities included in the consolidated financial statements	56	151		
	102-46 Defining report content and topic boundaries	8, 45			
	102-47 List of material topics	8–9, 45			
	102-48 Restatements of information	56			
	102-49 Changes in reporting	56			
Report profile					
	102-50 Reporting period	56			
	102-51 Date of most recent report	56			
	102-52 Reporting cycle	56			
	102-53 Contact point for questions regarding the report	Inside back cover			
	102-54 Claims of reporting in accordance with the GRI Standards	56			
	102-55 GRI content index	56–58			
	102-56 External assurance	59			

¹ SR Refers to the 2017 Sustainability Report.

² AR Refers to the 2017 Annual Report.

SPECIFIC STANDARD DISCLOSURES

MATERIAL TOPICS	GRI STANDARD	DISCLOSURE	PAGE SR ¹	PAGE AR ²	OMISSIONS/COMMENTS	SUSTAINABLE DEVELOPMENT GOALS RELEVANCE
Economic						
ECONOMIC PERFORMANCE		103-1/2/3 Management of material topics	5–7, 8–9, 18–19, 20, 35–37, 43	10–11		
<i>Handelsbanken's material topics:</i>						
– Financial stability and profitability	GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	19, 46, 48			
– Creating shareholder value		201-3 Defined benefit plan obligations and other retirement plans	54			
– The Bank should not be a burden on society		201-4 Financial assistance received from government	19, 35			
MARKET PRESENCE	GRI 202: Market presence 2016	103-1/2/3 Management of material topics	5–7, 8, 44			
<i>Handelsbanken's material topics:</i>						
– Local presence		202-2 Proportion of senior management hired from the local community	52			
INDIRECT ECONOMIC EFFECTS	GRI 203: Indirect economic impacts 2016	103-1/2/3 Management of material topics	5–7, 8, 14			
<i>Handelsbanken's material topics:</i>						
– Local presence		203-1 Infrastructure, investments and services supported	14, 17			Goals 9, 11
		203-2 Significant indirect economic impacts	18–19, 48			
ANTI-CORRUPTION		103-1/2/3 Management of material topics	9, 32–34, 43, 54–55			
<i>Handelsbanken's material topics:</i>						
– Business culture	GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	34, 55			Goal 16
– Anti-corruption and bribery		205-2 Communication and training about anti-corruption policies and procedures	46, 55			Goal 16
– Counteract crime		205-3 Confirmed incidents of corruption and actions taken	54			Goal 16
Environmental						
ENERGY AND EMISSIONS	GRI 302: Energy 2016	103-1/2/3 Management of material topics	8–9			
		302-1 Energy consumption within the organisation	49–50			Goals 8, 13
	GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	49			Goal 13
		305-2 Energy indirect (Scope 2) GHG emissions	49			Goal 13
		305-3 Other indirect (Scope 3) GHG emissions	49			Goal 13
Social						
EMPLOYMENT		103-1/2/3 Management of material topics	5–7, 8–9, 28–31, 45, 52–54			
<i>Handelsbanken's material topics:</i>						
– Salaries and remuneration		401-1 New employee hires and employee turnover, by age group, gender and region	53			Goals 5, 8
– Responsible employer	GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	53–54		Handelsbanken does not consider it relevant to report the situation in the different countries, as only 6 per cent of the Bank's employees are temporarily employed.	
						Goal 8
LABOUR/MANAGEMENT RELATIONS		103-1/2/3 Management of material topics	5–6, 8–9, 54			
<i>Handelsbanken's material topics:</i>						
– Working conditions and union rights	GRI 402: Labour/management relations 2016	402-1 Minimum notice periods regarding operational changes	54	All collective bargaining agreements regulate notice periods, though these differ depending on the agreement and market.		
– Employee commitment						Goal 8
OCCUPATIONAL HEALTH AND SAFETY	GRI 403: Occupational health and safety 2016	103-1/2/3 Management of material topics	5–6, 8–9, 30, 52–54			
<i>Handelsbanken's material topics:</i>						
– Work environment and health		403-1 Workers representation in formal joint management-worker health and safety committees	30			
		403-4 Health and safety topics covered in formal agreements with trade unions	30, 54			Goal 8
TRAINING AND EDUCATION		103-1/2/3 Management of material topics	8–9, 28–29, 31			
<i>Handelsbanken's material topics:</i>						
– Responsible employer	GRI 404: Training and education 2016	404-2 Programmes for upgrading employee skills and transition assistance programmes	28, 52			Goal 8
– Leadership and development		404-3 Percentage of employees receiving regular performance and career development reviews	28			Goal 8
DIVERSITY AND EQUAL OPPORTUNITY	GRI 405: Diversity and equal opportunity 2016	103-1/2/3 Management of material topics	8–9, 14, 15, 29–31, 43			
<i>Handelsbanken's material topics:</i>						
– Gender equality and diversity		405-1 Diversity of governance bodies and employees	43, 46, 52–53	60–63 Handelsbanken currently reports by gender, age, and nationality.		Goals 5, 8

¹ SR Refers to the 2017 Sustainability Report.² AR Refers to the 2017 Annual Report.

MATERIAL TOPICS	GRI STANDARD	DISCLOSURE	PAGE SR ¹	PAGE AR ²	OMISSIONS/ COMMENTS	SUSTAINABLE DEVELOPMENT GOALS RELEVANCE
NON-DISCRIMINATION		103-1/2/3 Management of material topics	8–9, 16, 29–31			
<i>Handelsbanken's material topics:</i> – Satisfied customers – Gender equality and diversity	GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	30		During the year, one case (2016: 0) was reported to the national discrimination ombudsman which concerned a case of external recruitment. The ombudsman has decided not to pursue the case further.	Goals 5, 8, 16
INVESTMENT	GRI 412: Human rights assessment 2016	103-1/2/3 Management of material topics	5–7, 8–9, 20–25, 50–51			
<i>Handelsbanken's material topics:</i> – Responsible lending		412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	16, 22, 24, 46			
LOCAL COMMUNITIES	GRI 413: Local communities 2016	103-1/2/3 Management of material topics	5–7, 8–9, 13–15, 17			
<i>Handelsbanken's material topics:</i> – High availability – Local presence		413-1 Operations with local community engagement, impact assessments, and development programmes	13–15, 17, 46			
PRODUCT AND SERVICE LABELLING	GRI 417: Marketing and labelling 2016	103-1/2/3 Management of material topics	8–9, 13, 20, 21, 25, 33			
<i>Handelsbanken's material topics:</i> – Satisfied customers – Responsible sales and advisory services		417-1 Requirements for product and service information and labelling	47			
<i>Handelsbanken's material topics:</i> – Integrity and confidentiality	GRI 418: Customer privacy 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	54			Goal 16
CUSTOMER PRIVACY		103-1/2/3 Management of material topics	8–9, 13, 33–34, 43, 47			
<i>Handelsbanken's material topics:</i> – Integrity and confidentiality		418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	47			Goal 16
COMPLIANCE	GRI 419: Socioeconomic compliance 2016	103-1/2/3 Management of material topics	8–9, 12–13, 33–34, 43, 47			
<i>Handelsbanken's material topics:</i> – Counteract crime – Responsible sales and advisory services		419-1 Non-compliance with laws and regulations in the social and economic area	54			Goal 16
Financial Services Sector Supplement (FSSS)						
FINANCIAL SERVICES SECTOR SUPPLEMENT (FSSS)	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	8–9, 20–25, 50–52, 55			
<i>Handelsbanken's material topics:</i> – Responsible lending – Responsible investment						
PRODUCT PORTFOLIO	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	8–9, 20–25, 50–52, 55			
<i>Handelsbanken's material topics:</i> – Responsible lending – Responsible investment		FS6 Percentage of the portfolio for business lines by specific region, size and by sector	21			
		FS8 Monetary value of products and services designed to deliver a specific environmental benefit	1, 21, 23, 46		Refers to Criteria funds and green bonds.	
ACTIVE OWNERSHIP	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	8–9, 22–25			
<i>Handelsbanken's material topics:</i> – Responsible investment		FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	22, 51			
		FS11 Percentage of assets subject to positive and negative environmental or social screening	1, 22–23		100 per cent of holdings in equities and corporate bonds (SEK 412 billion) are included in environmental and social screening.	
LOCAL COMMUNITIES	GRI 103: Management approach 2016	103-1/2/3 Management of material topics	5–7, 8–9, 13–14, 17			
<i>Handelsbanken's material topics:</i> – High availability – Local presence		FS13 Access points in low-populated or economically disadvantaged areas	13–14, 46			
		FS14 Initiatives to improve access to financial services for disadvantaged people	14, 17			

¹ SR Refers to the 2017 Sustainability Report.² AR Refers to the 2017 Annual Report.

Auditor's Limited Assurance Report on Svenska Handelsbanken AB (publ)'s Sustainability Report and the Auditor's Report on the Statutory Sustainability Report

This is the translation of the auditor's report in Swedish.

To Svenska Handelsbanken AB (publ), corporate identity number 502007-7862

INTRODUCTION

We have been engaged by the Board of Directors of Svenska Handelsbanken AB (publ) to undertake a limited assurance engagement of Handelsbanken's Sustainability Report for the year 2017. On page 1, the company has defined the Sustainability Report for 2017 that comprises the statutory sustainability report.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT AND THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the statutory sustainability report in accordance with the applicable criteria and the Swedish Annual Accounts Act respectively. The sustainability report is integrated with the Sustainability Report, which was designed to meet the requirements of the Swedish Annual Accounts Act. The applicable criteria are explained on page 56, and are the parts of the Sustainability Reporting Guidelines published by GRI (The Global Reporting Initiative) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed and provide an opinion on the statutory sustainability report.

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance engagements other than audits or reviews of historical financial information, with the application of RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12. The auditor's report on the statutory sustainability report. The procedures performed in a limited assurance engagement and in accordance with FAR's auditing standard RevR 12 vary in nature from, and are less in scope than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Svenska Handelsbanken AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Consequently, the procedures performed and our examination in accordance with RevR12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures performed in the limited assurance engagement are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

CONCLUSIONS

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

A statutory sustainability report has been prepared.

Stockholm, 16 February 2018

Ernst & Young AB

Jesper Nilsson
Authorised Public
Accountant

Marianne Förander
Expert Member of FAR

Definitions and explanations

2° INVESTING INITIATIVE

A non-governmental organisation (NGO) specialising in analysing financial risks related to climate change.

2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

The concrete action plan with 17 Sustainable Development Goals to be reached by 2030 that was adopted by world leaders in the UN's General Assembly in September 2015.

CARBON FOOTPRINT

A carbon footprint is a calculation of the total emissions of greenhouse gases (GHG) that have been caused by an organisation, event or product.

CDP (FORMERLY CARBON DISCLOSURE PROJECT)

An independent, not-for-profit organisation that manages the world's biggest database of first-hand information about companies' environmental work.

CLIMATE BONDS INITIATIVE (CBI)

An international, not-for-profit organisation that gathers information about green bonds and works to mobilise the market.

COMMON EQUITY TIER 1 CAPITAL

Common equity tier 1 capital is one of the components of own funds and mainly comprises equity. Deductions are made for dividends generated, goodwill, and other intangible assets and also the difference between an expected loss and provisions made for probable loan losses.

COMMON EQUITY TIER 1 RATIO

Common equity tier 1 capital in relation to total risk exposure amount.

CRD IV

The EU's directive on credit institutions is Directive (EU) No. 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

CREDIT RISK

The risk that a debtor will not be able to repay a loan. In order for lenders to prevent this from happening, a credit assessment is needed that specifies how much money the debtor will be able to borrow.

EQUATOR PRINCIPLES

A framework for risk management adopted by international financial institutions to establish, assess, and manage environmental and social risks in projects.

ESG

Environmental, Social and Governance comprises criteria applying to environmental and social responsibility as well as corporate governance.

GDPR

In Sweden, the new General Data Protection Regulation will replace the Swedish Personal Data Act (PUL) on 25 May 2018.

GHG PROTOCOL

The Greenhouse Gas Protocol is the most widely used standard for estimating and reporting company emissions of greenhouse gases.

GREEN BONDS

Consist of interest-bearing securities for which the funds raised are used for projects targeting the environment and climate change.

GREEN FINANCING

Environment-oriented finance intended to contribute to a more sustainable society, such as through green loans and green bonds.

GREEN LOANS

Loans for implementing measures to improve the environment.

GRI

The Global Reporting Initiative is an international standard for sustainability reporting.

ISSUER

An institution that issues a security, such as a bank that issues a bond.

MODERN SLAVERY ACT 2015

The United Kingdom's law against modern slavery requires that certain organisations annually state the actions that they have taken to ensure that modern slavery and human trafficking do not occur in their organisations or their supply chains.

NGO

NGO stands for non-governmental organisation. The term is sometimes used for organisations that have cross-border operations. An NGO is independent of any government and can have either not-for-profit or commercial goals for its activities.

PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI)

The Principles for Responsible Investment (PRI) are a UN initiative for responsible investment. The goal is to increase knowledge of and understanding for the significance of sustainable development in the investment management sector.

SCOPE (1, 2 AND 3)

The scopes are categories of emissions in the GHG protocol, for example, direct or indirect.

SKI/EPSI

Svenskt Kvalitetsindex (Swedish Quality Index) is a part of the EPSI Rating Group that carries out surveys of customer satisfaction in various sectors throughout the Nordic region and in other parts of Europe.

SWEDISH RESOLUTION RESERVE

Since February 2016, Sweden has had new rules for managing failing banks, that is, resolution cases. Under the new law, a failing bank must be managed financially primarily by the bank's shareholders and creditors bearing the losses and expenses for the bank's recapitalisation. In extraordinary circumstances, though, external funding may be necessary. That is why there is a government-managed resolution reserve that is funded by fees from the banks.

SWESIF

Sweden's forum for sustainable investment is an independent, not-for-profit charitable organisation and association bringing together organisations that work for or with sustainable investment in Sweden.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

The Task Force on Climate-related Financial Disclosure is an international working group that the G20 countries have tasked with formulating recommendations for correcting deficiencies in information on companies' work on and management of climate change and its consequences.

WHISTLEBLOWER

An employee who discovers or suspects internal fraud or other irregularities in the Group can use, when other channels are not appropriate, Handelsbanken's special system for whistleblowers, in which identity protection can be guaranteed as far as is legally possible.

WOULD YOU LIKE TO FIND OUT MORE?

More information about Handelsbanken's sustainability is available at handelsbanken.se/csreng. The site includes:

- Sustainability Reports
- Policies and guidelines for sustainability

PLEASE CONTACT US

If you would like to ask questions about our sustainability work or if you have opinions to share, feel free to contact us at sustainability@handelsbanken.se.



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