

Handelsbanken's Transition Plan



Handelsbanken

Introduction

Climate change is quite possibly the biggest challenge of our time, and its consequences are becoming increasingly more serious and felt all over the world. The joint efforts of all stakeholders, including governments, the private sector and the financial sector, will be crucial to minimise the impact.

At Handelsbanken, we are determined to do our part in this. The Bank will work to ensure that the business can fully support its customers in their transition in line with current science and the regulatory climate goals in the Bank's home markets and the EU, as well as the Paris Agreement's goal of limiting warming to close to 1.5°C. We are aware that our success in climate action depends on a number of factors, some of which are beyond our direct control, including technological innovation, changes in consumer behaviour and policy developments. We continue to work towards our ambitions to contribute to the transition to net zero in society – with the hope and belief that the necessary pieces of the puzzle will fall into place along the way.

We do this because we are convinced that a rapid and orderly transition is best for the communities in which we operate, our customers and thus also for Handelsbanken. We will contribute to the transition in Handelsbanken's way – through trust in the individual, a strong local commitment and a decentralised way of working. Handelsbanken's sustainability work is carried out wherever the Bank's business and operational decisions are made. Our decentralised model means that all parts of the Bank's operations are responsible for integrating the Group's ambitions and this transition plan into regular business planning.

This transition plan is part of our ongoing work to contribute to the transition. It is updated regularly to reflect the bank's business development and current practice in the area. The transition to a sustainable economy also creates business opportunities and reduces risks for both the Bank and its operations. With our local presence, low risk tolerance, long-term perspective and deep understanding of our customers, we are well positioned to support and help our customers navigate this change and turn a challenge into an opportunity.

Foundations

Handelsbanken's Transition Plan builds upon our unique corporate culture and is guided by the Bank's ambition to contribute to the net zero objectives of the EU and its home markets.

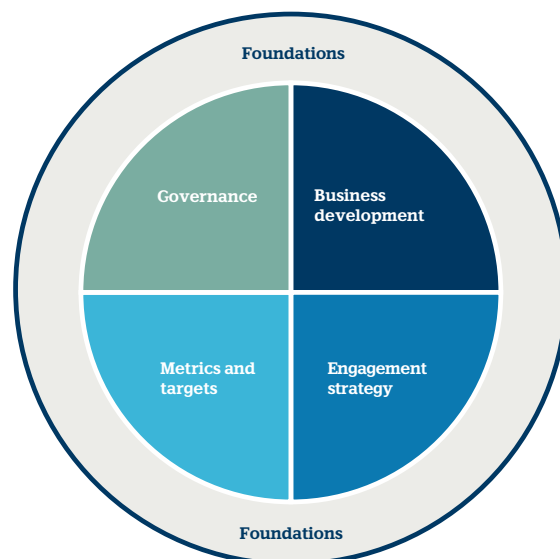
Transitioning to net-zero emissions and avoiding harmful impacts on the climate is crucial for global stability and economic development. At the same time, the Bank is convinced that the transition creates business opportunities and reduces risks for both the Bank and its operations. The Transition plan describes the Handelsbanken Group's overarching strategy on how it aims to reduce risks, seize opportunities and achieve net zero. The structure is based on the Recommendations and Guidance on Net-zero Transition Plans for the Financial Sector by the Glasgow Financial Alliance for Net Zero.

To evaluate its climate work, the Bank will start from a scientific basis and available emission reduction pathways from, for example, the Science Based Targets initiative (SBTi). Emission reduction pathways aligned with 1.5 degrees will guide the Bank's work and for the key figures that the Bank will develop and monitor on an ongoing basis.

Handelsbanken works in a structured way to follow up its climate work through relevant KPIs and at the same time strives to increase its contribution to a rapid and orderly transition and sustainable development. The Bank also sees business opportunities in green and sustainable finance.

Handelsbanken's overall strategy regarding sustainability is integration into normal operations. Building on the Bank's decentralised way of working, all home markets and affected business areas shall integrate the Transition Plan into their annual business plans and normal operations. Each home market co-ordinates work with implementing the Transition Plan through local steering committees and develops and decides on local road maps containing the activities for the upcoming years. Work with identifying and prioritising activities takes an impact approach, meaning that priority shall be given to maximise positive impact in the real economy such as greenhouse gas emission reductions and is based on how we best can support our customers.

The Bank's ambition is to contribute to the transition by supporting our customers on their transition journey. Customers and investee companies all have different starting points, but we believe that an overwhelming majority of them can reduce their climate impact and be part of the transition given the right conditions and support. Handelsbanken's ambition is to support its customers' transition in the way we can as a bank – through relevant products, services and advice. If a corporate customer or a portfolio company is unwilling or unable to transition its business operations in line with the Bank's stated direction and requirements, despite being given reasonable time and support to do so, this will be reviewed in line with the Bank's low risk tolerance. With responsible lending and risk management as a basis, this can lead to a controlled phase-out of the business relationship. Follow-up is essential to a successful transition and the Transition Plan as well as local road maps, will be revisited annually and developed over time.



Business development

Products and services

Offering relevant products and services that support our customers in their transition is key for Handelsbanken to be an effective partner in the transition of our customers and portfolio companies.

Handelsbanken aims to work alongside our customers and investee companies on their journey towards net zero emissions of greenhouse gases. Products and services that help and support them in their transition are key for Handelsbanken to be an effective partner for our customers and portfolio companies. Central to this is the alignment of new and existing products and services with the EU's climate law and ambition to limit global warming to 1.5 degrees. The Bank has already come a long way and many products and services are aligned with the Bank's ambitions and targets and specific sustainability products such as green loans and fossil free mutual funds are important parts of the Bank's current operations.

Sustainable lending products such as green loans and sustainability linked loans receive internal interest rate discounts, allowing business units to give favourable conditions to such projects. By doing this, the Bank aims to grow its green and sustainable lending, attracting customers and support the transition to a sustainable economy as well as lowering risks in our lending operations. In the coming years, the Bank will further integrate transition related support mechanisms into our lending operations so as to steer the Bank's operations in line with EU's climate law.

Remaining products and services will be reviewed and updated in the coming years to be in line with Handelsbanken's sustainability ambitions and efforts to mitigate climate change. Where significant gaps are identified, products and services shall be developed with an aim to enhance our offering and support. This includes, but is not limited to, tools and services to help our real-estate customers improve energy efficiency and lower emissions.



Activities and decision-making

In order to continuously and effectively conduct the Bank's climate work and support the transition, relevant objectives and targets will be embedded in core evaluation and decision-making tools and processes.

In order for the Bank to be a relevant partner to our customers and portfolio companies in the transition, climate factors must be integrated into all relevant evaluation and decision making tools and processes. This includes, but is not limited to, processes related to:

- assessment and granting of credit
- investment analysis and decisions
- customer onboarding and engagement
- procurement
- approval of new products and services.

Work on climate-related risks and opportunities is already integrated into key decision-making processes, such as the credit and investment process in asset management. This work will continue to develop and deepen in the coming years. Encouraging and supporting our customers to develop credible and ambitious transition plans will be key going forward to identify opportunities and evaluate the direction of travel. Increasingly we will expect such plans from customers and investee companies, taking an impact approach. Due to their key role in climate change mitigation, the Bank already requires science-based transition plans to align business operations with the 1.5°C target as a prerequisite before providing financing to companies within coal power production and oil and gas extraction sectors¹.

Policies and guidelines

Handelsbanken has several policies and guidelines related to climate change and the environment. Specific guidelines and sector framework exist covering for example thermal coal, oil and gas. The guidelines describe how the Bank does not finance new coal mines, oil or gas extraction projects or companies heavily involved in fossil fuel infrastructure, as such activities are not considered in line with a global reduction of carbon emissions according to the 1.5°C goal. Exceptions can be made for companies classified as transition companies, which requires clear and credible decarbonisation plans. When developing policies and guidelines related to climate change and the environment, priority will be given to issues of particular importance for the global transition to net zero and/or areas of particular importance for Handelsbanken's business operations.

In addition to policies and guidelines, we believe that our corporate culture with its focus on long term business relationships, low risk, and high ethical standards adds significant soft governance that steers our everyday business decisions and actions towards sustainable development.

Engagement strategy

Customers and portfolio companies

Our key approach to contribute to the transition is to support our customers on their transition journey. Through our operations and the products and services we offer our clients we can facilitate and speed up the transition.

As a financial institution, Handelsbanken has the opportunity to influence customers' and portfolio companies' business decisions, including how they manage the transition to net zero emissions. The Bank is committed to using this influence for positive change and supporting the transition to net zero. In this work, several tools are used, such as advice, training, active shareholder voting and incentives in loan terms. Handelsbanken is already applying these tools today and will continue to do so to maximise their impact.



Handelsbanken will continuously review and develop customer and portfolio company engagement strategies and if necessary update them to align with Handelsbanken's business model and ambitions and identify business opportunities in the transition. This includes proactively and constructively providing feedback and support to customers and portfolio companies to encourage net zero aligned transition strategies and plans. The Bank will over time implement the necessary engagement tools and support system to effectively manage and keep track of our customers' and portfolio companies' transition plans and journeys towards net zero.

Handelsbanken's ambition is to support our customers' transition in the way we as a Bank can – through relevant products, services and advice. We believe that an overwhelming majority of them can reduce their climate impact and be part of the transition given the right conditions and support. If a corporate customer or a portfolio company is unwilling or unable to transition its business operations in line with the Bank's stated direction and requirements, despite being given reasonable time and support to do so, this will be reviewed in line with the Bank's low risk tolerance. With responsible lending and risk management as a basis, this can lead to a controlled phase-out of the business relationship.

Financial sector co-operation

The financial sector plays a key role in the transition to a sustainable society, and solving the climate crisis requires international cooperation. To succeed, collaboration, knowledge sharing and industry-wide efforts are important.

Solving the climate crisis will require international co-operation on all levels. Handelsbanken proactively engages with peers in the industry and actively contributes to development on common standards, approaches and solutions. Due to Handelsbanken's decentralised working methods, the Bank also has a strong connection to the local community and we consider it essential to contribute in various ways to the communities where the Bank operates.

Government and public sector

An effective framework and clear conditions for pricing or limiting greenhouse gas emissions are crucial to achieving the goals of the Paris Agreement. Such conditions also affect Handelsbanken's ability to support customers in their transition.

Handelsbanken does not participate in activities aimed at weakening international climate commitments. To enable a long-term and orderly climate transition, Handelsbanken will continue to highlight the importance of policies and support mechanisms that are in line with the 1.5°C target.

Metrics and targets

The majority of our climate impact at Handelsbanken comes from the customers we finance and the companies we invest in. In order to contribute to the fulfilment of the EU's climate goals and the Paris Agreement's goal of limiting warming to close to 1.5°C, the Bank's customers are required to reduce their emissions in line with the targets set for each industry in the EU and in these countries. Handelsbanken's ambition is to support its customers in their transition journey through products, services and advice.

To serve our customers with relevant products that support a transition and to consider material sustainability risks in investment decisions, Handelsbanken Fonder has set an interim target of reducing its carbon footprint for the investment portfolio, measured in tCO₂e per enterprise value including cash (EVIC) for the portfolio companies, by 50 per cent by 2030, based on the 2020 level. The target covers all emissions in the companies' value chain, i.e. Scopes 1, 2 and 3. Handelsbanken Fonder has also set a target of doubling its investments in environmental and climate-related solutions by 2030. Handelsbanken Fonder conducts a review of its emission targets every five years, which commenced in 2024. The fund company is continuing to develop, on an ongoing basis, and ensure a relevant product offering based on customer demand and to work towards its emission targets in line with Handelsbanken's overall transition plan.

Handelsbanken's current climate ambition for lending is described in the Annual and Sustainability Report 2024. During the year, the Bank intends to further develop its climate strategy and develop additional metrics to align with the 1.5-degree target. To evaluate our climate work, the Bank will start from a scientific basis and available emission reduction pathways from, for example, the Science Based Targets initiative (SBTi). Emission pathways aligned with 1.5 degrees will guide the Bank's work. One area of focus will be to establish internal KPIs and feedback mechanisms to enable branches and business units to see how they are developing and contributing to the Group's ambition.

For Handelsbanken's own climate impact, the bank aims to reduce absolute Scope 1 and 2 emissions by 50 per cent by 2030 from 2021 level. Furthermore, the Bank has also set targets for electricity procurement, which means that 100 per cent renewable electricity will continue to be purchased until 2030. Working to enhance energy efficiency is crucial for Handelsbanken to reduce its climate impact in its own operations. The aim is to reduce energy consumption use per square meter in the headquarters and internal departments by an average of at least 2.5 per cent per year between 2023 and 2030. The target is aligned with national and international targets and it exceeds the EU energy saving requirements for public buildings and the level set in Sweden's national contribution.



Governance

Roles and responsibilities

We will contribute to the transition the Handelsbanken way - through trust in the individual, a strong local commitment and a decentralised way of working.

Handelsbanken's sustainability work is decentralised and carried out wherever the Bank's business and operational decisions are made. Handelsbanken's overall strategy regarding sustainability is integration into normal operations. Building on the Bank's decentralised way of working, all home markets and affected business areas shall integrate the Group's climate ambitions and the Transition Plan into their annual business plans. In the Bank's climate work, the ambition is to prioritise activities where we best support our customers and activities that have the greatest positive effects on the real economy, such as reduced greenhouse gas emissions.

Each home market has a Climate Steering Committee that will gather relevant decision makers as well as local sustainability experts. The committees develops the local road maps and steer and co-ordinate implementation. Just as at Group level, the local road maps should be based on how we best support our customers and have an impact approach. The local road maps set out which activities, business development, training and customer groups will be in focus for the local transitional journey as well as suitable metrics and activities for such transition. Local implementation, business-integration and decentralised development and ownership are key to a successful transition for Handelsbanken. The activities identified and expressed in the local road maps shall be integrated into relevant units business plans. Road maps will be updated regularly.

The work with implementing the local road maps is co-ordinated by Group Sustainability through the Group-wide Task force on Climate, which gathers representatives from each home market. The task force is chaired by Handelsbanken Head of Sustainability. The work and progress of the task force is reported regularly to Handelsbanken's Board, Chief Executive Officer and executive management.

Skills and culture

Sustainability and a long term perspective are key aspects of our idea of running a bank and corporate culture.

Handelsbanken's values and strong corporate culture are vital to the Bank's success. The Bank's idea is based on trust and respect for the individual, both customers and employees. The Bank's decentralised way of working creates commitment and gives every employee both the responsibility and opportunities to make an impact on the Bank's operations, including our sustainability and climate work.

Sustainability training is mandatory for all employees in Handelsbanken. The training course Sustainability in the financial industry works as an introduction for professionals in the banking, financial and insurance industries to sustainability. The overall goal is to build knowledge and awareness of the activities required to achieve a transition to a sustainable future. The course includes sections on international and European initiatives and regulations, climate risks, the EU taxonomy and Disclosure Regulation, and on rules relating to advisory services and product oversight governance.

Handelsbanken will build on its strong corporate culture by developing and offering the necessary training and support to the departments and employees who contribute to the Group's sustainability and climate work. A priority area is to strengthen employees' knowledge of climate-related issues linked to properties, such as emissions and energy efficiency.

Remuneration

Handelsbanken's principles for remuneration to employees are long-established and do not allow the tying of executive variable performance based remuneration to the achievement of targets in any area, including, but not limited to sustainability. In the policy for remuneration in the Handelsbanken Group, the Board has established that the Bank's remuneration system must be consistent with the Bank's business objectives and business culture, which are based on sound, sustainable operations. Remuneration must also be structured in a manner that promotes a healthy and efficient management of sustainability risks. Variable performance based remuneration, is applied with great caution and never to executive officers.

