

An aerial photograph of a river winding through a dense forest. The river is dark blue and flows from the top right towards the bottom left. The forest is composed of tall, green coniferous trees, with some areas showing yellowing foliage, suggesting an autumn setting. The lighting is bright, creating a high-contrast scene.

# **Sustainability at Handelsbanken**

**Handelsbanken**

# How to be a **sustainable consumer** of banking services

**Review your mutual fund savings** - the more people that include sustainability as an aspect of their savings, the greater the pressure on companies to move in a more sustainable direction.

**Check your pension** - if you have a partner, save similar amounts and enough to maintain your standard of living and secure your income if something unexpected were to happen.

**Review your housing situation** - could you get a better rate of interest through a green mortgage loan, for example, or a loan to make environmental improvements to your home?

**Companies planning investments** to promote a more sustainable society can obtain green financing.





## Our products and services

- We integrate sustainability in all our funds. The goal of our asset management is to create returns for our customers. But we are convinced that sustainability is essential for achieving this. Handelsbanken Fonder is ranked number one in Europe by the independent analysis company Morningstar for assets managed in sustainable funds.
- If you have your occupational pension with us, you should know that 91 per cent of the funds offered by Handelsbanken Liv exclude fossil fuels.
- We develop new products and services such as green mortgage loans, various green energy loans and digital services where you can see how the fund's investments contribute to the Sustainable Development Goals.

## We do this as part of our business operations

- Since 2017, Handelsbanken has had net neutral climate emissions from its own operations. This means that we compensate for the carbon dioxide emissions we cannot yet avoid. We work constantly to minimise the emissions generated by the Bank's operations. Since 2013, our own emissions have decreased by 63 per cent.
- Gender equality, diversity and an inclusive culture are core values and must be a natural part of our daily work. This is in particular focus in the field of management succession planning and recruitment, competency development, health and work environment, balance between work and private life and equal salaries for women and men.
- We work to prevent and counteract financial crime and we have an open, active dialogue with the authorities that monitor our work.

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# High time to make the transition



**Carina Åkerström,**  
President and Group Chief Executive

Five years ago, the world's leaders met in Paris to agree on the goal of limiting global warming to 1.5C above the pre-industrial level. By 2020, the temperature had increased by an average of 1.25C. We are at the limit of what the planet's ecosystems can cope with.

If anyone had previously doubted the seriousness of the threats posed by climate change, the last few years have been a wake-up call: extreme weather, rising sea levels, lower harvests, drought and forest fires. Climate change is already causing hunger, suffering and millions of refugees.

While I feel worried when I read the climate statistics, I also feel hopeful when meeting everyone who has understood and wants to be involved in making a difference. The pressure on us to work with sustainability comes from all directions – from investors, employees, supervisory authorities – and from our customers. In the latest SKI survey, almost two thirds of Handelsbanken's customers in Sweden said that their requirements regarding sustainability would increase in the future and almost three quarters want the financial sector to take greater social responsibility.

We can also say, once and for all, that sustainability also makes financial sense. The funds that invest in sustainable companies were the winners in 2020. Loans that contribute to sustainability can be offered a lower rate of interest – not for ethical reasons, but for financial reasons. Sustainable investments are quite simply less of a risk.

If the financial sector's first step in its sustainability work was to exclude harmful operations, Handelsbanken is now taking the next step – finding and supporting those who offer solutions. This could be a private individual who wants to buy solar panels. Or perhaps a company which develops new energy-efficient products or production methods. If we can finance initiatives like this with loans or invest in companies of this type in our asset management, we help our customers to build a more sustainable future.

But it doesn't relieve us of our responsibility. We must also ensure that we reduce our own direct climate impact and do what we can to practise what we preach. For two years running, Handelsbanken has been acclaimed the most sustainable bank of Swedish listed companies. This is recognition of our work but not a signal that we can rest on our laurels. Instead, we should increase the pace even more and in addition to supporting change we can be involved in creating it – through giving advice, engagement and collaboration. By working together, we can achieve results.





The 2030 Agenda and the

# Sustainable Development Goals

In September 2015, the UN General Assembly adopted the 2030 Agenda for Sustainable Development. It contains 17 Sustainable Development Goals and 169 targets to achieve long-term sustainable economic, social and environmental development.



Catharina Belfrage Sahlstrand, Head of Sustainability

Success in these areas is crucial in order to achieve the goals. But to succeed, all parts of society need to get involved. The UN implementation plan states that the business community plays a crucial role.

By acting sustainably and responsibly, the Bank has a positive impact on society in general. But the transition needs financing. The UN's trade organisation estimates that the global investments required to realise the undertakings and goals are equivalent to around USD 5-7 billion every year up to 2030.

“We know that sustainability efforts benefit our business and help us to retain a low level of risk. The aim is also to create benefit for our customers, society and future generations. Our business model is renowned for being sustainable, but we operate in a world that is facing major challenges so we have to continue making progress in this area,” says Catharina Belfrage Sahlstrand, Head of Sustainability at Handelsbanken.

Handelsbanken has undertaken to apply the UN Principles for Responsible Investment, PRI, and the UN Principles for Responsible Banking, PRB, and also the UN's Global Compact. This means that the Bank endorses the 17 goals in the 2030 Agenda for Sustainable Development.

“The Sustainable Development Goals are described as being integrated and indivisible. Nevertheless, important sustainability topics that can be mentioned are social and economic issues, such as the fight against poverty, ensuring the right to education, gender equality, and anti-corruption. I also believe that the climate question will dominate in many ways and have a major impact on the work we and others do in the future.”

# The financial sector shows the way

Climate change is one of the biggest challenges of our age and global warming must be restricted. Handelsbanken works actively to stop and counteract the Bank's negative climate impact - and participates in and supports several initiatives and collaborations.

Since the Paris Agreement in 2015, a number of new regulations and initiatives have been launched. And the financial sector is in a process of transition.

The common factor for most solutions is that they require more capital than previous technologies. This means that the financial system has to put in far more resources than in the past.

## Action to improve the environment

Many banks have endorsed initiatives such as the UN Principles for Responsible Banking and Responsible Investment – and new sustainable financial products and services are being developed all the time. Fundamentally this is about financial cash flows leading to low emissions of greenhouse gases, environment-improving measures and climate adaptation.

“We want to focus on the areas where we have the greatest influence. In the next few years, this is mainly the climate, particularly because the EU has set a very clear green agenda for the financial sector,” says Catharina Belfrage Sahlstrand, Head of Sustainability.

The Bank can contribute by funding customers' projects and operations. Green financing is a natural continuation of the sustainability work conducted throughout the organisation and means that the



## Sustainability for both the Bank and its customers

Handelsbanken's Gloucester branch in the UK has a large number of corporate customers in technology and manufacturing. As at other branches, sustainability has become a much more common feature of the annual credit review with customers.

“Companies are increasingly concerned about how potential customers perceive them. More and more people want to be sure they are doing business with environmentally-aware companies. And to an increasing degree, we see that this awareness affects how our customers do business,” says Branch Manager Emma Gray.

### Reduced climate footprint

The main reason for the increased greenhouse effect is carbon dioxide emissions. Consumption of fossil fuels such as natural gas, coal and oil has the greatest impact. Land use of forests and tree-felling also affect carbon dioxide in the atmosphere due to changes in ecosystems' ability to absorb carbon dioxide.

Handelsbanken wants to reduce its own climate footprint by developing its environmental work, for example, high resource- and energy-efficiency in buildings, recycling and consideration of the environmental impact in purchases and travel.



Bank can provide more responsible financing. This is also expected to be one of the business areas where the green transition will have the biggest impact in the future.

### Green loans

Green mortgages are a type of green loan that have become popular in recent times. They offer people who live in an energy-efficient or environmentally certified dwelling an interest discount if their property saves energy. More and more people want to live in a climate-smart way and for house-owners, it often makes financial and environmental sense to invest in renewable energy such as solar panels. It is also part of the major investments required to transition the current energy system and limit global warming.

“The green loan criteria are intrinsically rather technical and complex. Our challenge is to make them more user-friendly and not create an administrative burden for the borrowers,” says Catharina Belfrage Sahlstrand.

### Influencing the transition

Responsible investment is an important area where Handelsbanken can influence society's transition. To achieve the Paris Agreement, it is necessary to strive for a carbon-neutral economy and to understand how the changed climate will impact on various investments.

“Sustainability must permeate our whole organisation and be a natural part of fund managers' investment decisions, rather than something that individual analysts specialise in. In this way all investments will be sustainability-secured,” says Magdalena Wahlqvist Alveskog, Chief Executive of Handelsbanken Fonder.

To be able to benefit from climate-related opportunities and minimise risk, asset managers need to learn to value different qualities in a company. For example, understand how a forestry business can prevent fires or understand the costs for coal-intensive industries that are under pressure to

reduce carbon dioxide emissions. Handelsbanken measures the carbon footprint in most of its funds, making it possible to engage with companies to reduce their emissions.

### New winners

Climate change will lead to new winners which the Bank needs to be able to identify, ranging from renewable energy to recycling technology and protein-rich foods with a low carbon footprint, where developments are rapid.

“In addition to excluding fossil fuels, we actively seek and invest in companies with solutions to the climate question, and companies at the forefront of the transition to a carbon-neutral world. In this way, the Bank directs capital towards investments that drive this trend,” says Karin Askelöf, head of sustainability at asset management.

One example is Handelsbanken Hållbar Energi (Handelsbanken Sustainable Energy), a global equity fund that only invests in companies that develop or use technology and methods to help limit climate change. When Swedish business magazine Privata Affärer acclaimed Handelsbanken Fonder Fund Management Company of the Year in 2020, this fund received the jury's prize Rising Star for the Year and was also acclaimed the readers' favourite.

The global recommendations called Task Force for Climate-related Financial Disclosures, TCFD, are a compass for companies. Handelsbanken's life insurance company and asset management publish climate reports in accordance with these recommendations.

“Increased transparency, with more information on how companies are handling the consequences of climate change, is becoming increasingly important for both customers and investors. Alongside traditional financial disclosures, this information is needed to assess a company's value and position in the market,” says Karin Askelöf.

# How society can make the transition

Growing cities lead to major opportunities but also make demands on meeting growth in an environmentally sustainable way. Handelsbanken considers the property sector to be very important and offers financing and investments in green projects and businesses.

Sustainable city planning is about integrating planning of housing, residential areas, work places, communications and infrastructure with access to clean water, sanitation, waste treatment, transport and clean air. Cities need to be designed so that people feel safe and want to live there.

“In lending to the property sector, we have a major responsibility for how we manage development of sustainable cities. We have issued two green bonds in the last few years, and are continuing to speed up the transition to a sustainable society, together with our customers and investors,” says CFO Carl Cederschiöld.

## Green financing for more customers

Handelsbanken want to make green financing available for more customers.

“We are very pleased that both large corporates and SMEs in an increasing number of sectors are becoming aware of green financing, and are ready to discuss their own sustainability work and ours. This deepens our relationship with customers and enables us to offer better advice on how the financial markets take account of sustainability and analyse ESG risks: environmental, social and corporate governance risks,” says Juho Maalahti who works with sustainable finance at Debt Capital Markets.

The Bank also offers green loans for projects and investments such as financing renewable energy, waste treatment, sustainable forest management, green transport and energy-efficient and environmentally-smart buildings. These are important areas for a transition in line with the Paris Agreement, where a renewable energy system and a reduction in climate and environmental impact from many sectors will be vital.

## Sustainable construction

As part of their sustainability efforts, several branches in Denmark started a collaboration with Better-Home, a merger of the three largest national companies in the construction industry, in order to promote a greener Denmark. Mortgage customers who wish to renovate or convert their home are

offered free-of-charge guidance on how to increase energy efficiency and contact with companies to do the work.

Handelsbanken in Umeå is a member of a network for sustainable building in a cold climate. Their vision is for the region to be a world leader in this field. The network comprises companies, organisations and public authorities throughout the construction chain. The intention is to together ensure that planning, construction and management in the municipality is improved and develops in a sustainable direction to benefit people, society and the environment.

Anders Sundström, Branch Manager at Umeå City, thinks this is a good example of how a municipality can drive development.

“We gain insight into what is in the pipeline and increase our knowledge and understanding of regulations and challenges in various sectors. Collaboration is better when we get to know each other. For example, we have held customer events where people responsible for various municipal areas have participated,” he says.

In 2020, Handelsbanken's green loans increased by

116%





### Inclusion, exclusion and engagement

Handelsbanken has three methods for integrating sustainability into the investment processes: inclusion, exclusion and engagement.

#### Inclusion

The Nordic Swan Ecolabelled fixed income fund Handelsbanken Hållbar Global Obligation (Sustainable Global Bond) has invested in the sustainability transition of Verizon, one of the largest telecoms companies in the US.

“We wish to see a clear goal for financing linked to the company’s sustainability strategy. Above all, there must be defined objectives where we feel secure in lending money to the company,” says Karin Göransson, who manages the fund.

Verizon issued its first green bond in 2019 and used the capital to increase the proportion of renewable energy and energy-efficient buildings such as investments in solar cells



and wind power. By using renewable energy sources, the company estimates that it avoids carbon dioxide emissions equivalent to the emissions of 200,000 cars in one year.

“Most of the energy used in the US comes from fossil fuels. When large companies decide to make the transition, this put pressure on changing the infrastructure,” says Karin Göransson.

#### Exclusion

Handelsbanken does not invest in banned weapons, nuclear weapons or coal. Funds with enhanced sustainability criteria also exclude controversial sectors that risk counteracting the Sustainable Development Goals: fossil fuels, weapons and military equipment, tobacco, alcohol, cannabis and commercial gambling.

#### Green financing

Handelsbanken’s sustainable financing specialists are active as advisors to new and existing issuers of green bonds. These help companies to raise capital for large environmental projects.

Since 2018, Handelsbanken has been able to issue its own green bonds to finance various projects ranging from environmentally-certified buildings to wind power and electric cars. This was possible after the Bank established a framework for green bonds linked to the 2030 Agenda and the Sustainable Development Goals.

Handelsbanken issues green loans for companies that own environmentally certified or energy-efficient buildings, companies intending to build new environmentally friendly and climate-smart buildings, and companies planning environmental improvements to existing buildings. It is also possible to use a green loan to finance solar energy or forestry projects.

#### Engagement

The opportunity of engaging through dialogue and corporate governance is one reason why the Danish energy giant Ørsted, previously one of Europe’s most coal-intensive companies, is included in the Bank’s portfolios.

“Ørsted is a good example of a company partly in the wrong camp, but on a sustainable path, which it is important for us to keep track of. The company has significantly reduced its use of coal by 73 per cent since 2006 and its strategy is to phase out coal entirely by 2023,” says Michael Johansen, Head of Asset Management Sales at Handelsbanken Denmark.

In 2020, Ørsted was acclaimed most sustainable corporation in the world in Canadian Corporate Knights’ well-reputed ranking.

“Although we focus on the highest possible return for our customers, we always have positive development in mind,” he says.

# Biodiversity – vital for our destiny

Loss of biodiversity and the climate crisis are related. Restoring forests, land and wetlands and creating green areas in cities is important in order to mitigate climate change. It may even help to prevent future pandemics.

The basis of a sustainable society is undermined if we do not have functioning ecosystems. Food supply and access to clean water are threatened, as are our economy and health. It is also more difficult for weakened ecosystems to absorb greenhouse gases, thus reducing our ability to manage a warmer climate.

“Preservation of biodiversity and use of forest resources for industrial purposes must be symbiotic. This is fundamental if we are to retain the basic force of forests as a carbon sink and positive climate impact, while being able to use wood instead of concrete and plastic,” says Ulrik Wedelin, Head of Handelsbanken Forestry and Farming.

Although biodiversity has so far been overshadowed by the climate crisis, the situation is at least as serious. According to a report from the international, independent expert panel for biodiversity, IPBES, the current rate of extinction is between ten and a hundred times higher than the average in the past ten million years. This is partly due to unsustainable use of land and water for food production, hunting and fishing and spread of toxins and other pollutants.

There is also a link between pandemics such as Covid-19 and how the earth’s ecosystems are managed. A UN report shows that the loss of biodiversity increases the risk of pandemics.

The UN Convention on Biological Diversity aims for the net losses of biological diversity to have

been reduced by 2030 and for ecosystems to be boosted at least 20 per cent by 2050.

“Carbon dioxide metrics have become the standard for measuring climate impact. The same will happen for biodiversity,” says Catharina Belfrage Sahlstrand, Head of Sustainability.

## Protecting land and marine areas

Last spring, the EU Commission presented a strategy proposing that 30 per cent of land and marine areas be protected. This strategy represents the EU’s position ahead of the summit meeting on biological diversity in China in spring 2021.

The EU taxonomy for sustainable finance is a tool for classifying which investments are environmentally sustainable. It can be used to identify companies with major growth potential in areas compatible with the EU climate goals.

“The financial sector plays an important role in supporting the transition and the taxonomy is an important tool for achieving this. In other words, it will be easier for companies that can show clear environmental or climate benefit to finance their projects. The next step is for the taxonomy to include activities that are good for biodiversity,” says Catharina Belfrage Sahlstrand.

In 2020, Handelsbanken became the first bank to become a member of *business@biodiversity* Sweden, a network for large companies and industry organisations wishing to work with biodiversity and develop business models. The network was initiated by Ecogain, a knowledge company which publishes an annual biodiversity index that looks into how the largest Swedish and Nordic companies report in their sustainability reports.



### Askrike honey

The honey farm at Södergarn is an example of biodiversity work. This is a collaboration between Handelsbanken’s conference centre and Askrike honey, which is a hobby-related business run by a local man. The conference centre aims for better pollination of flowers and apple trees at Södergarn, as well as a more pleasant environment for everyone staying there.

# Blue investments

Clean water is one of the scarcest products of our time. Around 800 million people do not have access to clean water. The need for new infrastructure and smart technical solutions for clean and recycled water paves the way for companies in the water sector and what are known as blue investments.

Clean water, sanitation and hygiene are fundamental in many areas: the fight against poverty, climate adaptation, people's health, women's rights, children's education, countries' economies and development in general. Water is also a condition for food and energy production; water shortages can lead to conflicts within and between countries.

Although most of the earth is covered by water, only a small percentage of the total amount is fresh water. Most of the fresh water is bound in glaciers and only one per cent is available to humans. According to United Nations Water, which coordinates UN units and international organisations that work with water and sanitation, more than two billion people live in countries with water shortages.

# 1%

of fresh water is available to us.

## Water as an investment

From an investment perspective, water has major growth potential in the coming decades.

"An expanding population and increased prosperity in many developing countries leads to higher demand for water. Water infrastructure is outdated in many developed countries and in great need of investments," says Joakim By, manager of the Handelsbanken Amerika Småbolag Tema fund (America Small Caps Theme).

Global demand for water exceeds supply, climate change leads to both drought and floods and increased regulation puts pressure on preventing water pollution. In addition to outdated infrastructure, there is also a need to find new ways of purifying and recycling water, reduce leakage and invest in new water technology.

"We are mainly looking for companies that offer solutions for increasing the water supply. Companies that can facilitate water purification, desalination of sea water or recycled water. By means of dialogues with companies, we can also engage with them to reduce their water consumption," he says.

One of the companies that Handelsbanken Amerika Småbolag Tema invests in is Evoqua Water, a leading company in the field of water purification and filtration technology. The company builds and runs desalination plants and sells the treated water to local water suppliers.

Agriculture, which consumes almost 70 per cent of all water, is another area where it is important to develop new, more efficient technologies. Today, around 15,000 litres of water are needed to produce one kilo of beef.

## Green bonds for blue investments

The growing market for green and sustainable bonds enables investors to focus on water projects.

- In late 2018, the Seychelles issued a bond where it was the first country in the world to use the capital markets to fund sustainable use of marine resources through fisheries projects.
- In 2019, the Nordic Investment Bank issued the first blue bond in the world in accordance with the Green Bond Principles. This is a bond for investments in the Baltic Sea's water resources.

## Measuring water consumption

By measuring their carbon footprint, Handelsbanken Fonder can influence companies with large emissions to reduce these. Similarly it has become increasingly common to measure water consumption.

"More and more companies worldwide now report their water consumption. If a company has invested in a region with a water shortage, this can provide valuable information when comparing companies in the same sector. It also indicates how long term and sustainable a company is," says Joakim By.

# Our role in the local community

Handelsbanken contributes in many ways to the local communities it serves. Concrete examples of sustainability work are the branches' involvement in various initiatives and activities carried out by local associations and charities.



## Supporting young footballers

Handelsbanken in **Sundbyberg** makes a key contribution to the Football Fund and Sundbybergs IK football club. The purpose is to help young people to play football. A total of more than one hundred families have received financial support to become members of the club.

“We think that it’s important to be associated with an activity that includes as many children as possible through healthy values. I was myself a football trainer for many years for children and young people where I could see that not everyone could join in because of their tough financial situation,” says Branch Manager Jan Larsson.

## Value-based activities

The Pride festivals, celebrated digitally in 2020, are an opportunity for branches to highlight gender equality, diversity and an inclusive culture. Discussing unconscious bias and what the Bank can do better in terms of diversity develops both the work environment and our business.

“This is essential, if our values are to be part of everything we do. It also makes us more secure when we come up against behaviour that is not consistent with our values,” says Maria Sjöstedt, Manager of the Haninge branch.

## Corporate social responsibility

### Rooms for the homeless

The coronavirus crisis hits the homeless and other vulnerable people particularly hard. This prompted a hotel owner in **Shrewsbury** in the UK to house some 30 homeless people in his empty hotel. The local authorities helped to pay the fixed costs. Thanks to donations from Handelsbanken’s Shrewsbury branch, the homeless people could be fed and housed without the hotel owner having to take a loan for the operations.

## Branches challenge each other

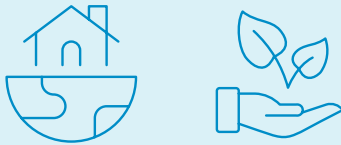
Handelsbanken's **Hyvinkää** branch in Finland was challenged by a local company to participate in a project to help families and companies that had been financially hit by the pandemic.

The Bank donated money to a local restaurant which then prepared food to be distributed by a charity organisation.

“Just a small effort allowed us to help several families and take social responsibility in our town,” says Branch Manager Henri Uronen, who in his turn challenged the Lahti branch.

The **Lahti** branch took up the challenge and donated gift vouchers to families in need via a not-for-profit children's rights organisation called Laden Ensi- ja Turvakoti.

“Several of them had become unemployed or made redundant and had financial problems after losing their income,” says Branch Manager Jaana Repo-Kempinen.



## Helping startups

Grunderhuset in **Tønsberg**, Norway has been an incubator for over 70 startup companies since it started in 2016. Handelsbanken supports this project which helps newly started, innovative companies to develop. Founders of startups can rent space in the building where, in addition to advice and coaching from mentors, have access to a network which facilitates contact with customers, partners and investors.

“We help to develop exciting local businesses and get the opportunity to talk about our work and our values. Grunderhuset is an excellent meeting place and many of the other business partners are stable, well-reputed companies which may become future customers of the Bank,” says Branch Manager Per Skustad.

## Donating cycles to school girls

For every cycle that Handelsbanken's cycle pool leases from Vélosophy, this Swedish company donates a cycle to school girls in developing countries – over one hundred so far.

Vélosophy's cycles are mainly made from recycled aluminium in order to promote a more circular economy. The aim is to combine a useful product with social responsibility – a product that makes a difference and is more than “just” a bike. The goal is to assemble the cycles locally. Where possible, the frames are made of locally grown bamboo to create local work opportunities.



c/o World Bicycle Relief

## Adult role models

Night-patrolling means that groups of adults are out on the streets and in environments where young people hang around. The intention is to create a calmer environment. As in many other towns, in **Klågerup** and **Svedala** it's all about being there and being a natural part of the evening and night life.

“Many of us are parents ourselves and think it's important to be adult role models and engage with our young people. This is why we are also involved in sponsoring this activity,” says Cecilia Pilo, Manager of the Svedala branch.

The night patrol also arranges activities for young people. In Klågerup, they have access to a sports hall which young people can use together with the adults.

We help to  
develop exciting  
local businesses

# Gender equality and diversity - a profitable undertaking

Equality between women and men is a condition for sustainable, peaceful development. It is a question of an equitable division of power, influence and resources. More and more of Handelsbanken's managers are women - a critical factor for achieving equality in the business sphere.

When Handelsbanken's Group Chief Executive, Carina Åkerström was named the most powerful woman in Swedish industry in 2020 by business daily Dagens Industri, she pointed to the fact that gender equality and diversity are vital parts of the Bank's core values and corporate culture.

"We have been working with these questions in a structured way for a number of years. Looking at the Bank as a whole, 52 per cent of all managers in Sweden are women, and for the Group as a whole, the figure is 41 per cent. It's natural that more and more women are advancing to leading positions, and I'm delighted about this," she says.

## More profitable

Companies that focus on gender equality and diversity perform better and are more profitable. Research shows that groups with a more diverse background make better decisions than groups where everyone has a similar background and experience. It also shows that companies with

gender-equal management are better at looking after their talents, both male and female.

"By showing the benefit and business value of companies with gender-equal management, I believe that there will be much greater interest in this question. Otherwise there is a risk that gender equality will be seen as something politically correct that must be done without actually understanding the advantages," says Magdalena Wahlqvist Alveskog, Chief Executive of Handelsbanken Fonder.

The fund management company is an active owner, and by electing women to nomination committees, we have a better chance of influencing the board composition of the companies the fund management company invests in. It often starts with the company having a balanced board, which then ensures that management and the entire company work actively with gender equality.

"We believe in gender equality and diversity rather than uniformity. Diversity is about valuing differences and complementing each other in order to reinforce the organisation, instead of everyone being the same," says Magdalena Wahlqvist Alveskog.

## Spreading knowledge

Another example is Handelsbanken Liv which aims to increase gender equality by spreading information about financial services in the wider community, and explaining how savings can affect your individual circumstances. It is a question of informing about the consequences that the choices you make in your working life will have on your pension, for example, how old a person is when they start working and the importance of having an occupational pension.

"It's important to highlight how much a pension as a proportion of final salary varies between men and women, and between generations. Working part-time, for example, or being on parental leave, will affect your pension," says Louise Sander, Chief Executive of Handelsbanken's life insurance company.





To co-ordinate and clarify the Bank's stance, the Group-wide Diversity Council forum previously produced a framework which was also published on the Bank's website during 2020.

"By clarifying what is meant by diversity, gender equality and inclusion, it is easier to include activities in all parts of the operations," says Head of HR, Magnus Ericson.

### Creating awareness

One example is the gender equality course run by the operations in the Netherlands, at the initiative of Carl Hannuksela, Regional Area Manager. He had previously participated in Handelsbanken Sweden's management training on gender equality, gender and leadership and realised how difficult it can be to talk about these questions.

Participants on the two courses held so far in the Netherlands were branch managers and managers from the head office, an equal number of women and men. The idea is to increase awareness about our prejudices and to pass on knowledge about inclusive leadership. The goal is for all managers and potential managers to complete the course.

"The biggest obstacle is the fear of discussing these matters and of saying the wrong thing. We hope that men and women together will dare to talk openly about their experiences from the world of work. We want to open their eyes as to how people perceive different situations, and remove taboo subjects," says Carl Hannuksela.

He describes how attitudes to gender equality differ from the Nordic countries. In the Netherlands, the financial and banking sector is very much male-dominated.

"To some extent it might be said that society does not support us here. In general, it is a masculine environment. At the same time, this also means that Handelsbanken needs to take even more responsibility and that we just need to work even harder with these questions."

### Secure together

Handelsbanken's culture is centred on trust and respect for every individual, customers and staff alike. This means zero tolerance of all forms of victimisation, discrimination and harassment. All managers and employees are responsible for promoting a good, inclusive working environment and for preventing behaviour that is perceived as offensive.

"It's important that we feel secure in one another's company, and that we are prepared to speak up if something feels wrong. So we need to be conscious of how we behave towards each other, be prepared to speak up, and be clear and transparent," says Head of HR, Magnus Ericson.

# 52%

of all managers in Sweden are women.

### Diversity and integration

Handelsbanken Sisjön has taken on a trainee who originally comes from Azerbaijan. The background to this is their wish to take active responsibility for the integration challenges faced by many people who have recently come to Sweden. Their aim was to provide experience of a local workplace and the opportunity to integrate with colleagues from a different background.

"Diversity reflects our environment and makes us better at meeting our customers and colleagues. It shows customers and work-seekers that we are a modern bank with major focus on the individual," says Branch Manager Christian Sjöberg.

# Developing **together**

Employees who feel good and are happy at work do an even better job. Paradoxically, the coronavirus pandemic has led to new initiatives and collaborations that boost our feeling of unity.

The overall goal for health and the work environment at Handelsbanken has been just the same during the pandemic: our employees should be able to feel good, develop and perform at optimal capacity.

“In addition to our systematic work to promote a sound, inclusive work environment, we also carry out various activities to provide inspiration for healthy habits,” says Carina Albiin Svensk, Head of Health and Work Environment.

Regular improvements to the work environment are not just a statutory requirement, they also lead to healthier employees and more effective operations. The more knowledge we have of work environment matters, the easier it is to improve the work environment. This ranges from detecting and assessing risks to correcting them and ensuring compliance with the action taken. In addition to the physical work environment, this applies to stress, conflict, well-being and leadership.

## A different life

Operations have continued throughout 2020, although our days have been different. All home markets have demonstrated their flexibility, particularly when it comes to using digital solutions that provide opportunities to develop personal meetings and create new business.

When the pandemic started, Handelsbanken was first of the Swedish banks to duplicate its

trading room, and to split employees over different geographical locations. Other home markets also decided to divide up departments, work more closely with partner branches, and allow employees to work remotely. The Bank offered its employees voluntary antibody testing for Covid-19.

“This is out of concern for our employees, and to contribute to increasing knowledge of the spread of the virus in society, an initiative which, in the long term, will also benefit the Bank,” says Carina Albiin Svensk.

## Open everywhere

In Sweden, the Bank has stayed open in all locations where it has branches. But to avoid the risk of infection, many meetings have taken place by phone, online or via Skype. To make physical meetings as safe as possible, many branches have set up partitions and floor markings to ensure a safe distance between people. Another initiative was adjusted opening hours to serve customers in risk groups.

In late spring, SKI, Swedish Quality Index, performed a study showing how Swedish private individuals feel that their bank has handled the crisis. Handelsbanken received the highest ranking of all banks. Customers particularly appreciated the Bank’s availability – that branches and meeting places have been open during the pandemic. They were also very happy with the advice and



For eight weeks, teams of the Bank’s employees challenged each other to earn points for carrying out activities relating to mental, physical and social health. Over 633,000 activities were registered, and 6.3 million minutes of physical activity were completed.

## New ways to meet

The number of video conferences at Handelsbanken increased by 153 per cent in 2020. A total of 550,000 video conferences were held.





support they have been given and feel that the Bank's communication has been clear and transparent. It has been particularly important to keep active during the pandemic, when we have been more sedentary than usual and have had less contact with colleagues. One way to create a sense of community was the Group-wide health challenge during the autumn.

### Kalmar a winner

Kalmar had two teams, both of which were at the top of the league table.

"It's fun to work together towards a joint goal. We had regular meetings to encourage, remind and inspire each other. Everyone was involved – for example, we had planning and performance reviews while out walking," says Branch Manager Johan Lorentzon.

### Active sports association

In Sweden, Handelsbanken's sports association, with around 30 sections and more than 4,600 members one of the largest in the country, offers physical and cultural activities nationwide. The aim is for employees to enjoy good health and develop personally together with present and previous colleagues. Denmark and Finland have similar associations.

"Regular physical activity is vital for our mental health. In view of the situation with the pandemic, it is really gratifying to see what a fantastic job the various sections are doing to reach out to members and find new ways of meeting and being active. This is a really important part of the continuing work of looking after our members'



health," says Anna Parmström, who is on the board of the sports association.

### Financing solutions

Regardless of what society looks like after the pandemic, it is very clear that the economic and social consequences are enormous. To mitigate the long-term effects for the business community, society and healthcare, Handelsbanken Fonder has invested SEK 220 million in a Covid-19 bond issued by the Nordic Investment Bank. The bond will finance projects in the Nordic and Baltic countries.

The health challenge engaged thousands of employees and helped us to understand how we can all make a difference to the Sustainable Development Goals, through our day-to-day behaviour.

### Dementia friendly branch

For the past few years, the Norwich branch in the UK has collected money for charitable organisations that work with dementia. All employees have completed a course to work with customers with this diagnosis and the branch is now classed as dementia friendly.

"The aim is to increase awareness of the disease and also to learn how we should approach customers and others who are affected. Many people have someone close to them who is suffering from dementia," says Branch Manager Peter Daines.



# The battle against financial crime

Peace, justice and strong institutions are cornerstones of sustainable development. By preventing financial crime, Handelsbanken seeks to protect economic growth and to strengthen confidence in the economic system, democracy and overall security.

A strong principle of rule of law and promotion of human rights is the path to peaceful, inclusive and sustainable societies.

Taxes are an important source of income for most countries and are the base for building and financing a functioning society in the long term. In many countries, capital flight and tax evasion are major problems and an obstacle to progress. Lack of tax income is particularly negative for developing countries where there is too little money to finance schools, hospitals and infrastructure.

## One of the largest tax payers

For Handelsbanken, tax is also an important sustainability topic. The Bank pays tax in all countries where it operates.

“Handelsbanken is one of the largest payers of corporate tax in Sweden. In the field of taxes, ethical standards and sustainability, we also work within our lending operations to influence companies and customers to manage their taxes in an ethical and sustainable way,” says Magnus Skaaden, Head of Group Tax.

The Bank’s sustainability committee has a tax sub-committee with representatives from different business areas and central departments within the Group. Instructions and recommendations on rejecting customers, suppliers and other potential partners that do not pay the correct tax are under development. These will also address how the Bank should act when it is unclear whether a transaction is legal or how to select suppliers and business partners.

## Get to know your customers

The Bank has a Group-wide department dedicated to preventing financial crime. It works to improve customer due diligence and the detection of suspicious transactions within the operations.

“Our low tolerance of risk means that we refrain from starting business relations with customers and companies where we do not feel totally secure,” says Hannu Saari, head of the department for prevention of financial crime.



Handelsbanken is one of the largest payers of corporate tax in Sweden.

To prevent crime, there are special rules and legislation which apply more or less worldwide. Despite this, a number of major Swedish banks have been associated with suspected money laundering. Last year, the police and the Swedish banks started collaborating in order to exchange information.

“We work continuously to combat money laundering, terrorist financing and other types of financial crime. This collaboration gives us the opportunity to take social responsibility by sharing our knowledge and insights in this area,” says Hannu Saari, adding,

“It is vital to remain vigilant regarding money laundering, as perpetrators use so many methods to introduce the proceeds generated from financial crime into the banking system. We can never be absolutely certain, even though we focus on checks and controls, and do our utmost to combat money laundering”.

### Positive impact on society

Handelsbanken has stood firm in the midst of financial storms and when the real economy has been hit hard, both nationally and internationally. The Bank has retained a strong funding situation even in the most difficult market situations. This is the case for all financial crises since the banking sector was deregulated in the 1970s and 80s. Despite the uncertain financial situation as a consequence of the pandemic, the Bank appears to be following the same pattern as in earlier crises.

“A well-run bank that acts sustainably and responsibly has a major, positive impact on the economy in general. This applies to direct economic effects, such as paying corporate tax, as well as indirect effects,” says Magnus Skaaden, Head of Group Tax.

Impact investing is a type of financing that has grown in recent years. It is investment in companies, organisations and funds in order to create social and environmental effects, combined with financial returns. Examples of this are economic growth in poor countries, access to good healthcare, education and investment in renewable energy. Concrete examples include green bonds and micro-credits.





# The world's safest **bank**

Digitalisation is an important tool in order to achieve the Sustainable Development Goals. Handelsbanken Fonder has developed an analysis model to measure the funds' contribution and make it easier for customers to see how the funds' investments make a difference.

The model is called the SDG model after the Sustainable Development Goals and is an example of how digitalisation and sustainability can be integrated. It illustrates the proportion of income among companies that the Bank's funds invest in, which derive from products and services which contribute to the Sustainable Development Goals.

"The model is based on a text analysis of annual reports, and the material is structured digitally to enable electronic reading and analysis. To help our customers, we have launched our first customer-adapted version of the tool," says Simon Park, Sustainability Analyst at asset management.

The model was developed in collaboration with researchers at the Stockholm School of Economics and is also an example of a trend in the bank and finance sector.

"Previously it was very much as matter of risk focus and of minimising negative impact. Today there is more focus on positive engagement, finding and helping companies that offer solutions to our global sustainability challenges," he says.

## Measurability and transparency

Digitalisation is part of the solution, ranging from continuing to partly work from home to automation in areas with large emissions. But it is also about smarter buildings, automation of agriculture and manufacturing processes and increased energy efficiency.

"It has become increasingly important to measure and report what is happening. In other words measurability and transparency are no longer-voluntary; now the market and the public authorities expect them. This means that in future we will need a more digital-driven approach throughout our operations," says Handelsbanken's Head of Sustainability, Catharina Belfrage Sahlstrand.

## Easy to help customers regardless of meeting place

Today most customers do their daily banking in the mobile app, via online banking or by phone. In 2020, the Bank had an average of ten customer log-ins per second in the mobile app. The Bank is therefore adapting its meeting places based on the customer's needs.

In the next few years, artificial intelligence, AI, is expected to provide an even higher degree of support in various everyday situations.

"We are researching various technologies using the approach that AI is better than humans at managing large data volumes and finding connections, while we humans excel in terms of creativity, imagination and empathy. We therefore talk about AI as enhanced intelligence since we see that value is above all created by combining what AI does well with what humans do well, such as building relations," says Head of Digitalisation, Stephan Erne.

In practice, this may be a question of moving from using data to understand what has happened, to providing insights and recommendations and ultimately taking action automatically based on these. Examples are ensuring that there is enough money on an account that pays bills, adapting savings to the financial situation or predicting liquidity needs based on a company's business system.

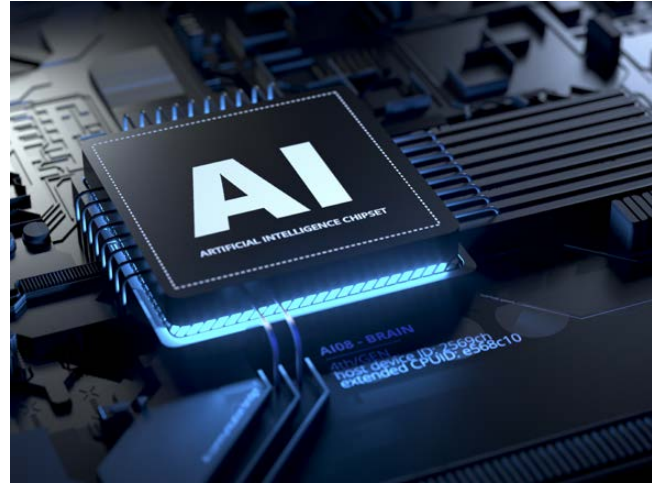
"In order to transfer financial decisions to an AI algorithm, in addition to data, expertise and research, the trust and confidence of customers is required. Care of our customers will affect how we adapt to and use these opportunities going forward," says Stephan Erne.





### Handelsbanken - safest bank in the world

In October 2020, Handelsbanken was named the world's safest bank by Global Finance, a ranking it shares with six other banks. Global Finance's "World's 50 Safest Commercial Banks" is an annual ranking of the 50 safest commercial banks worldwide.



### Systematic cybersecurity work

Companies' ability to benefit from the opportunities offered by the new technology will be decisive for their future ability to compete. But increased digitalisation and AI also lead to new types of threats related to cyber risks. Many cyber criminals use ransomware, a type of malicious software which takes data files hostage via encryption. Phishing is another common method, where, via email, text message or chat services, the recipient is tricked into opening a document, visiting a website or downloading a file. The objective is to infect the device with malicious code as the first step in a more extensive attack.

Handelsbanken has systematic cybersecurity work with an overall strategy, governance, regulations, instructions and a function which operates 24/7 and is prepared to act if the need arises.

"We are the only bank in Sweden whose management system for information security has an ISO certificate. This gives us a good foundation. In terms of the consequences of attacks, we are perceived as less affected than other banks. Handelsbanken has top-class national skills in the field of IT security," says Head of Security, Erik Blomberg.

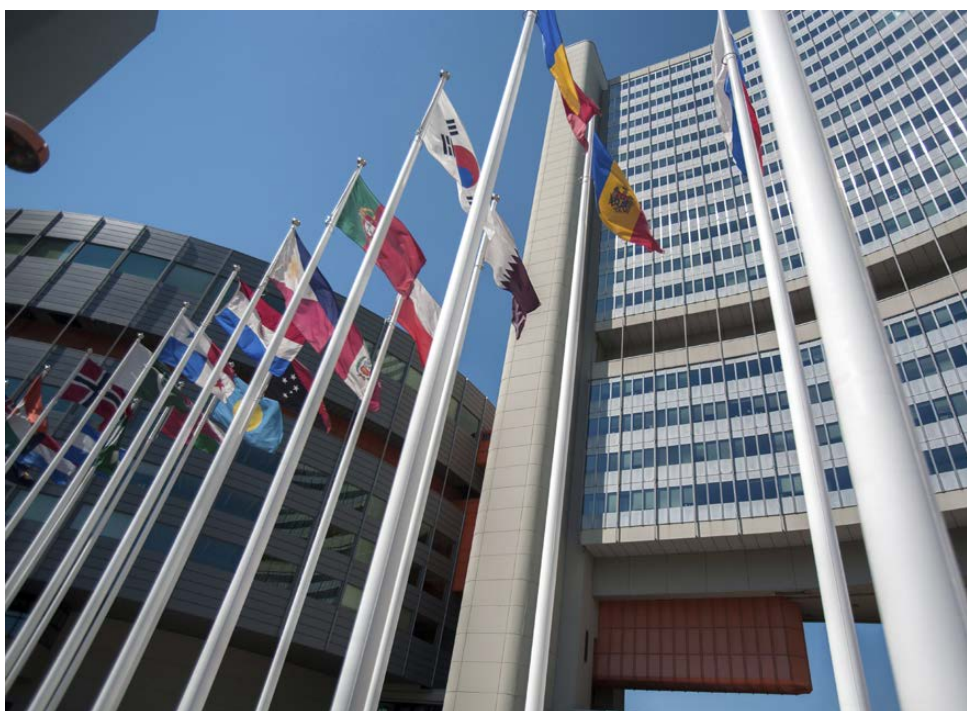
Security-awareness among staff and customers is important in the transition to new cloud solutions, where data and information are stored on third-party servers. It is also a factor in the agile development of new structures and working methods.



# Cross-border



Global Compact is one of the initiatives supported by Handelsbanken. Through its ten principles, companies undertake to work with human rights, labour law, anti-corruption and the environment.



Banks play a key role in the sustainable transition. But the challenges we all face require us to join forces and act together. To succeed, collaboration with other investors, companies, public authorities and special interest organisations is necessary.

# collaboration

Handelsbanken's main opportunity to contribute to sustainable development is via its business in the form of credits, investments and services. Other means of influence are through direct ownership, corporate governance, voting at shareholder meetings and by demanding reporting and transparency.

## Common guidelines

The EU taxonomy has been introduced to ensure that the financial sector has joint guidelines for determining which investments can be called green.

“It can be used to identify companies with operations or major growth potential in areas which are compatible with the EU climate goals,” says Josefin Johansson, Sustainability Analyst.

There are also investments that promote other sustainability aspects not covered by the taxonomy, such as social factors.

Companies will need to start reporting in line with the taxonomy in 2022. But interest from investors is already apparent. Sustainability and digitalisation are themes that will be drivers in many areas in the future.

The UN has launched a large number of international initiatives to manage the sustainability challenges. Collaboration and partnership make change possible and by taking the lead, Handelsbanken wants to encourage others to move in the same direction as the Nordic countries and Europe.

## International initiatives

Examples of initiatives are the Global Compact, Principles for Responsible Investment (PRI) and Principles for Responsible Banking (PRB). Through the ten principles of the Global Compact, companies undertake to work with human rights, labour law, anti-corruption and the environment.

This undertaking includes a reporting obligation in order to improve transparency. Many companies work in parallel with the goals in the 2030 Agenda for Sustainable Development and the Global Compact.

The purpose of PRI is to unite the world's financial markets around a global responsibility for investments and to work to increase understanding of responsible and sustainable investments.

The PRB goal is to guide the global banking sector in the same direction as the Paris Agreement and the Sustainable Development Goals, in the same way as PRI for investors. The banks and institutions that endorse the initiative must adapt their business strategy to align with it.

Banks are expected to establish goals for the sustainability areas where they have the greatest potential to make a positive impact and to minimise negative impact, and also to work with customers to encourage and enable sustainable economic practices in the long term.

In addition to these initiatives, Handelsbanken participates in a number of other collaborations and partnerships. One example is Handelsbanken Asset Management, which is involved in developing a new framework within the Institutional Investors Group on Climate Change (IIGCC). This PAII Net Zero Investment Framework will harmonise how investors act and communicate in relation to the Paris Agreement.

“This will make it easier for the Bank to show how our customers' savings can contribute to solutions that will help combat climate change,” says Simon Park, Sustainability Analyst at Handelsbanken Asset Management

Handelsbanken also participates in collaborations in various parts of the community, for example two children's rights organisation - ECPAT and the World Childhood Foundation.

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