

Sustainability Report 2016

Handelsbanken

The Bank in brief

Handelsbanken is a full-service bank for both private and corporate customers. The Bank has a nationwide branch network in Sweden, the UK, Denmark, Finland, Norway and the Netherlands. The Bank regards these countries as its home markets. Handelsbanken was founded in 1871 and has 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.

40%

of managers in the Group are women.

145

years of availability.

More satisfied customers

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

Handelsbanken arranged green bonds for seven players during the year.



Source: SKI/EPSI.

Handelsbanken Group	2016	2015
Average number of employees	11,759	11,819
in Sweden	7,046	7,263
in other home markets	4,326	4,144
outside home markets	387	412

Handelsbanken Group	2016	2015
Profit before loan losses, SEK m	22,325	22,065
Net loan losses, SEK m	-1,724	-1,597
Operating profit, SEK m	20,633	20,475
Return on equity for total operations	13.1%	13.5%
Loan loss ratio	0.09%	0.09%



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WE SUPPORT



31% of the volume of mutual funds under the Bank's own management have special sustainability criteria and are known as Criteria funds.



Almost two thirds of the Bank's own equity funds report their carbon footprint.

45 years

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

Rating at 31 December 2016

	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)		

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About this report

This report describes how Handelsbanken works with its most important sustainability topics. The first part of the report follows the structure of Handelsbanken's most material sustainability topics and describes work and events during the year. Supplementary, in-depth information and specific data requested by various target groups are provided in the section titled Sustainability management.

This is Handelsbanken's seventh sustainability report based on the Global Reporting Initiative (GRI) guidelines for reporting and covers activities and results for 2016 according to G4. The information refers to the Group unless otherwise stated. Handelsbanken's reporting meets the "Core" level, which has also been confirmed by the Bank's external auditors. See the auditor's report on page 56.

A comprehensive index according to GRI principles is shown on pages 53–55.

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.

Our model works both locally and digitally

My name is Anders Bouvin, and last summer I became President and Group Chief Executive of Handelsbanken. I have worked for the Bank for 32 years, most recently as Head of Handelsbanken UK.

This is my first time to comment on the year as Group CEO, so let me say right from the start that anyone expecting a grand declaration of new, exciting corporate goals, bold strategic shifts and radical changes in our business model may well be a bit disappointed.

Our corporate goal stands firm. That is, we must deliver a better return on equity than the average of our competitors'. We will achieve this by having lower costs and more satisfied customers than the other banks.

We reached this goal yet again in 2016, the 45th year running.

But times change. Isn't it about time for some new strategies? First, allow me to point out that the times have always been changing. Every generation has struggled with its own challenges, its paradigm shifts, its technology leaps. When we established our corporate goals more than four decades ago, our branches had just started installing their first computer terminals, and we offered numerous products and services that are no longer in demand today and so are no longer around.

Handelsbanken is changing all the time in step with our customers' demands. That is why we have advanced so far on the road to digitalisation – because nowadays our customers prefer to do more of their banking using smartphones or computers. At the same time, we still have our branches, with a strong local presence and a great deal of autonomy – because now and then our customers still want to meet and do business with someone they recognise and trust, someone who can make decisions.

“Our way of working is strictly decentralised: the person working closest to the customer and the market makes the decisions.”

I don't know if you would call this a strategy – but it's how our model works. Just about all changes are made based on customer needs that are identified by our branches, often in face-to-face meetings, in the local market. Our way of working is strictly decentralised: the person working closest to the customer and the market makes the decisions.

Our business model and our way of working are based on a fundamentally humanistic approach. We are convinced that every human being wants to do a good job. If employees are allowed to decide on all those matters that they observe in their everyday work, then the decisions they make will be much more accurate than decisions made at a head office, far from the customer and the business.

In addition, our customers appreciate local decision-making, having direct access to the person in the Bank who decides.

So the Bank we are today is the result of an infinite number of decisions made over the years throughout the organisation. The starting point for all those decisions is our customers: customers' needs and customers' expectations.

Listening to our customers has helped us arrive at the right decision in many a tricky situation. As to the existential question of local branches in a world where customers increasingly choose to interact digitally with their bank, we at Handelsbanken have again listened to our customers. The

message is crystal clear: customers want the option of meeting the Bank via digital media as well as at the local branches, depending on what suits the customer best on each particular occasion.

Our customers are both local and digital. That is why we are, too.

Our decentralised model also serves as a foundation for our profitability. When every person feels involved and takes responsibility, then they make more of those smart decisions, resulting in lower costs, more satisfied customers and higher profitability. And healthy profitability gives us a stable financial base, which in turn enables us to grow. We do that in part by opening branches in places where we have not had a presence. This happens especially in our newest home markets – the Netherlands and the United Kingdom, where we now have 25 and 206 branches, respectively.

“Our customers are both local and digital. That is why we are, too.”

But opening new branches is not the only way we are growing. We also grow when our existing branches win new customers and new business. This is where our solid financial base is a comparative advantage: we never have to say no to a transaction that we and the customer want to carry through, regardless of the economic climate or business environment.

That makes us predictable to our customers. They know that they can count on us even during periods when others have pulled back. This is how we build strong, long-term relationships with our customers.

This is fundamental to the way we want to run our Bank. What we do, we do thoroughly, sustainably and for the long term.

We must be an asset to the community in which we operate – never a burden. During the most recent financial crisis, unlike our competitors we did not require help from the central banks, taxpayers or our shareholders. Quite the contrary – for many years we have been one of the biggest taxpayers in Sweden.

“When every person feels involved and takes responsibility, then they make more of those smart decisions, resulting in lower costs, more satisfied customers and higher profitability.”

Banks that get into trouble – and thereby become a burden to society – often have one thing in common: they take excessive risks. Handelsbanken takes a very strict approach to risk. We do not modify our credit assessments depending on the economic climate; a bad credit risk is a bad credit risk, even in good times. Loan losses are an ordeal – not just for the bank, which loses money, but above all for the individuals whose personal finances are shattered, or for the company that faces insolvency.



We wish to contribute in various ways to more sustainable development in our world, not only when we grant loans but also in the way we invest our customers' savings. Of course, this should also manifest itself in the way we work and act in our day-to-day tasks, including when our branches take – or participate in – various local initiatives. These are issues that we work on in a highly structured way. Sustainability has long been a natural part of our fundamental values.

Thus, Handelsbanken continues to support wholeheartedly international initiatives for corporate sustainability, such as the Principles for Responsible Investment (PRI) and UN Global Compact, whose principles for human rights, labour rights, the environment and business ethics are wholly in line with the Bank's values, work methods and guidelines.

Our work towards gender equality and diversity continues. Personally, I feel that we can always do a little better here. These are basic issues for humanity but also crucial for our business. In our Bank, where all employees have – and take – such great responsibility, neither gender, ethnicity nor any other irrelevant factor should be a barrier to recruitment, career advancement or personal development. We cannot afford to waste talent.

Handelsbanken's future success will be based on the resolve and ability of our skilled staff to continue making all those smart decisions that have made us what we are today.

That is how we run our Bank, Handelsbanken.

Profit for the past year was SEK 16.2 billion, corresponding to a return on equity of 13.1 per cent. As noted above, this means we have met our corporate goal for the 45th year in a row, with higher profitability than the average for our competitors.

We also have more satisfied customers and, according to credit rating agencies, more stable finances than our competitors. We are one of the handful of banks worldwide with the highest credit rating, and no bank in our home markets has a higher rating than we do.

So you can surely understand that I will not be implementing any radical changes in our business model. The model is working – and evolving – perfectly. But that does not mean we're standing still. On the contrary. As I noted, our entire business model rests on our ability to continuously

change, in step with the world around us. We will continue to meet our customers' expectations, requirements and demands on us as a bank and to work even harder to be even more Handelsbanken, every day, everywhere. Exactly as we have done during the past year. Exactly as we have always done.

“We will continue to meet our customers' expectations, requirements and demands on us as a bank and to work even harder to be even more Handelsbanken, every day, everywhere.”

We can do this thanks to all our employees, who day in and day out make all those key business decisions, build relationships and win more and more satisfied customers. Thus, allow me to express my deep gratitude to all of you for your hard work during the past year.

Also, many thanks to all of you who have chosen Handelsbanken. Thank you for your trust. I promise that we will do our utmost to live up to – and preferably exceed – your expectations.

Stockholm, February 2017

Anders Bouvin, President and Group Chief Executive

Our concept and working methods

Handelsbanken is a full-service bank with 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 of 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 mainly to be achieved by having more satisfied customers and lower costs than those of competitors.

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 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.

“Practically all important business decisions are made close to our customers, at one of more than 800 local branches in our six home markets.”

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, the basis of our method of building and running Handelsbanken has several important elements, as follows.

Satisfied customers

Practically all important business decisions are made close to our customers, at one of 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 will make 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 in all home markets, thus enabling customers to visit their branch on their smartphone, tablet or computer. We like to say that we should give our customers “all the keys to the Bank”. In several home markets, we also offer our customers personal technical support 24 hours a day. In addition, in Sweden our customers can receive personal service from 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. It is through these meetings that the Bank creates, maintains and develops strong, long-term customer relationships.



This is how we are organised

Handelsbanken's way of working is best depicted by an arrow where all operations focus on the customer. The branches are closest to the customer and are responsible for the Bank's customers in their local market. Each home market has its own national organisation with responsibility for the profitability of the branch operations in that country. For our customer offering to be of the highest quality, we have a number of joint business areas for the Group where product owners design and develop our products and solutions. The central head office also has joint units and staff functions with overarching responsibility for various functions at the Bank.

When we meet our customers, it is not just a matter of solving their everyday banking needs in a simple way. We always focus on the customer's needs, and our aim is for our service to show that we care.

The branch is the Bank

Handelsbanken is geographically organised so as to create the best possible conditions for relationships with our 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 of operations.

The branches' independence gives them 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 constantly become more skilled in their work and in their efforts to seek and overcome new challenges.

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 development in their work and consideration must also be taken of the stage of life that they are in.



A full range of products and services

One condition vital to successful customer meetings is that Handelsbanken offers a full range of products and services to meet all the financial needs of its customers. We do not divide customers into different segments or specialise in product or service areas. The individual customer's unique requirements are the governing factor.

Our best advice

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

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

“When a customer contacts us, the meeting should be simple and unbureaucratic.”

Profitability before volume

Our employees who meet customers are not paid variable remuneration, either in the form of bonuses or commission, and therefore have no financial incentive to convince the customer that a certain service or product suits them best. Nor does The Bank have requirements as regards volumes, budgets or centrally determined sales targets. Instead, the Bank measures its success in terms of customer satisfaction, cost-effectiveness 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.



Hull Branch | United Kingdom

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 is maintained through a strong risk culture that is sustainable in the long term and applies to all areas of the Group.

The Bank's business model focuses on taking credit risks in the branch operations. 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, in order to have a business model that is independent 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 an institution in society.

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 when we focus on the right things by doing what is right by our customers, employees and the community.

It is vital that we always keep ourselves up-to-date on the needs and wishes that our stakeholders have regarding Handelsbanken. In addition to the thousands of dialogues the Bank is holding continuously with stakeholders, in 2015 and 2016 we also conducted in-depth discussions with stakeholders in our six home markets as part of the process of defining the Bank's most material sustainability topics. To clarify the outcomes, both internally and externally, we have grouped the topics into six sub-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.

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 that have our highest priority align closely with a long-term approach and profitability.

Handelsbanken's return on equity for total operations was 13.1 per cent (13.5). Adjusted for non-recurring items, the return was 12.2 per cent (13.5). The corresponding figure for a weighted average of other major Nordic banks was 10.9 per cent (11.3). The corresponding figure for a weighted average of all peer banks in the home markets is estimated at about 10 per cent (10.4). This means that for the 45th consecutive year, Handelsbanken met its corporate goal.

Return on equity 1973-2016



* Only Swedish banks are included for the period until 2002 inclusive.

The Bank and its customers




Material topics

- Satisfied customers
- High availability
- Responsible lending
- Responsible sales and advisory services
- Integrity and confidentiality

What does it involve?
The trust of customers and the general public is a vital asset for Handelsbanken. The Bank must meet and preferably exceed expectations on quality and service through services designed for individual needs. Handelsbanken's availability must be high, via the branches, telephone and digital services. Lending decisions are always based on the customer's financial situation; that is, the Bank will not grant credit to customers who cannot repay their loans. Weak repayment capacity is never accepted.

The Bank's role in the community



Material topics

- Local presence
- The Bank as a taxpayer
- The Bank should not be a burden on society
- Financial stability and profitability

What does it involve?
Handelsbanken has a strong presence in the local community, with a nationwide branch network in the Bank's six home markets. The Bank's local presence means that we can offer our customers financial services based on valuable knowledge of local market conditions. The Bank contributes to the community in the countries where it operates, such as by employing people and paying taxes and charges. Handelsbanken is – and will continue to be – a bank with stable finances, which manages without

The Bank's indirect impact




Material topics

- Responsible credits
- Responsible investments

What does it involve?
Handelsbanken considers sustainability very important when granting credits. The Bank's credit policy states that credit risk assessments must take into account the customer's approach to human rights, fundamental principles regarding working conditions, environmental concerns and anti-corruption. Sustainability is also a vital component in asset management. In mutual fund, asset and pension management, Handelsbanken works to promote sustainable development in financial,

The Bank as an employer



Material topics

- Responsible employer
- Working conditions and union rights
- Employee commitment
- Leadership and development
- Work environment and health
- Gender equality and diversity

What does it involve?
Handelsbanken will continue to be a secure, attractive employer and a workplace where all employees in the Bank develop, feel good and enjoy good health. We aim to promote working methods that allow employees to be proactive and influence operations. For example, everyone has the right to join a union or employee organisation. Our aim is for the great majority of employees to be permanently employed and for temporary employment to be limited. Handelsbanken's success depends on our ability to

The Bank's business culture




Material topics

- Business culture
- Salaries and remuneration
- Anti-corruption and bribery
- Counteracting money laundering and financing of terrorism

What does it involve?
Handelsbanken aims to conduct its operations with high ethical standards. This means, for example, that we must have a sound remuneration model for employees and executive officers. Long-term commitment, with no short-term incentive systems, is fundamental to our operations. For this reason 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 as an investment



Material topics

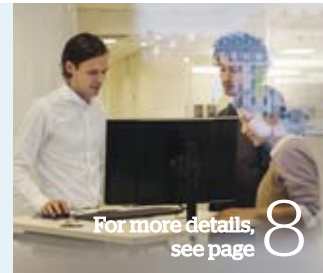
- Creating shareholder value

What does it involve?
Handelsbanken is convinced that 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 profitability 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.

even if the customer is prepared to pay a high interest rate. We must advise customers based on their individual needs, without looking at what is the most profitable product for the Bank in the short term. Thus, no bonuses or other forms of variable remuneration are paid to the Bank's executive officers or to employees who decide on credits. Customer responsibility also includes protecting customers' banking business, for example from unauthorised access through strict IT security.

Outcome 2016

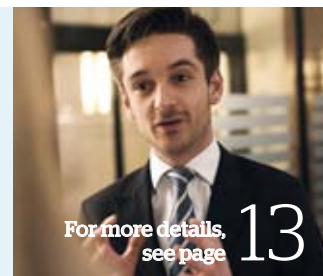
- Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets. Thus the Bank continues to enjoy a solid position in terms of customer satisfaction.
- For many years, Handelsbanken has had much lower loan losses than its peers in the banking sector. In 2016, Handelsbanken's loan losses corresponded to 0.09 per cent (0.09) of lending.



support from the government or central banks, a bank which, regardless of the situation in its environment, is there for its customers. On no occasion during the most recent financial crisis did Handelsbanken need to ask for liquidity support or capital contributions from a central bank, the state or the Bank's shareholders. Handelsbanken's social responsibility includes taking steps to reduce direct environmental impact, such as from business travel, electronic waste and paper consumption.

Outcome 2016

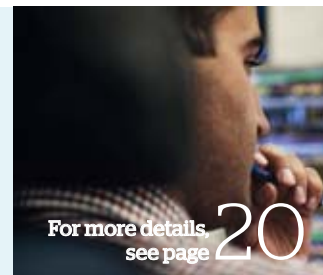
- We have more than 800 local branches in our six home markets.
- At year-end, the Bank had a common equity tier 1 ratio of 25.1 per cent. The Swedish Financial Supervisory Authority calculated Handelsbanken's common equity tier 1 capital requirement at the end of Q3 2016 at an amount corresponding to a common equity tier 1 ratio of 21.3 per cent.
- For 2016, Handelsbanken's total taxes and government fees exceeded SEK 8 billion. The Bank is one of the largest payers of corporate tax in Sweden.



environmental and social terms in the companies in which the Bank invests on behalf of customers, as part of the investment process.

Outcome 2016

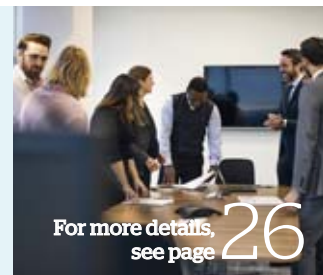
- Handelsbanken adopted the Equator Principles in 2016.
- Handelsbanken implemented guidelines regarding issues such as business relations with companies active in the extraction of fossil fuels.
- Handelsbanken Asset Management now has almost one third of the total assets under management in funds which exclude fossil fuels.
- During the year, several of our funds reduced their carbon footprint by more than 50 per cent.
- Handelsbanken Liv's board has adopted a policy for sustainability that establishes the focus of the operations' sustainability efforts.



recruit and retain skilled staff. Managers at Handelsbanken are tasked with identifying, encouraging and developing new managers at the Bank. Thus we must create conditions for a sustainable working life where employees are in good health and have the energy to enjoy their work and their leisure time. When recruiting new employees, we aim to take a broad-based approach so the workforce reflects the society where the Bank operates. Our culture aims to be inclusive and informed by an open attitude to diversity.

Outcome 2016

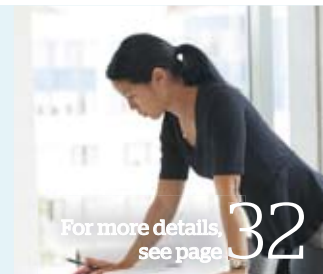
- External staff turnover was 4 per cent in the Group.
- The total sickness absence rate for employees in the Bank's six home markets was 2.6 per cent.
- The proportion of managers who are women has increased in the Group. In the UK, we signed the Women in Finance Charter, an initiative from the UK Treasury aimed at working for greater gender balance in the financial sector.
- Handelsbanken strengthened its co-operation with the European Works Council (EWC) by reviewing its agreements and forms of collaboration.



Nor does the Bank make any budgets, or have any volume or market share targets. The Bank's employees must never be involved in activities that could involve bribery or corruption, neither in relation to customers nor suppliers nor other stakeholders. The Bank also has a duty, as do all employees, to work actively to prevent all kinds of criminal activity such as money laundering, financing of terrorism and other financial crime.

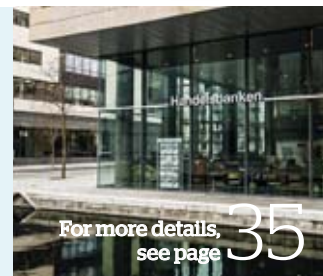
Outcome 2016

- During the year, the Bank implemented a code of conduct for major suppliers in Sweden. The code will be implemented in other home markets during 2017.
- During the autumn, production started of a new training programme aimed at all employees: Ethical standards and sustainability at Handelsbanken. The programme will be launched in early 2017.



Outcome 2016

- In every one of the past 20 years, including during the most recent financial crisis, Handelsbanken has paid a dividend to its shareholders.
- Handelsbanken was selected as a constituent in the ECPI Euro Ethical Equity and ECPI Global Developed ESG Best in Class Equity indexes. The Bank was already in the Ethibel Sustainability Index, FTSE4Good, OMX GES Sustainability, SIX Sweden SRI Index and STOXX Global ESG Leaders.
- During the year, the Bank participated in a survey of sustainable companies conducted by the RobecoSAM research company. Handelsbanken is included in the 2017 edition of The Sustainability Yearbook as a "Sustainability Yearbook Member".



The Bank and



its customers

Handelsbanken always aims 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.

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“As a result of our focus on satisfied customers, we attach great importance to being **available in our digital meeting places** – being there for our customers, whenever and wherever they need us.”

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 always aims 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.

Satisfied customers in all our home markets

Handelsbanken considers customer satisfaction surveys very important. Every year, EPSI Rating/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 enjoys solid customer satisfaction. This year's survey also shows that customers give the Bank's digital services high marks.

In Sweden, Handelsbanken has more satisfied private and corporate customers than the average for the Swedish banking sector.

In the UK, Handelsbanken continued to have the most satisfied private and corporate customers. The results also show that customer satisfaction is considerably higher than the average for the sector.

In Denmark, too, Handelsbanken has the most satisfied private and corporate customers and thus retained its No.1 position yet another year.

Handelsbanken in Finland has more satisfied private customers than the average for the sector, and satisfaction among corporate customers is on a par with the sector average.

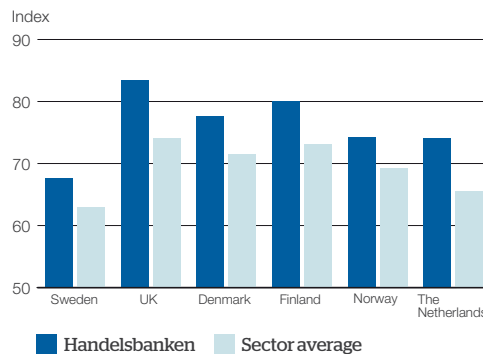
The results in Norway showed that Handelsbanken has more satisfied private and corporate customers than the average for the Norwegian banking sector.

In the Netherlands, the surveys showed that the Bank's customers are considerably more satisfied than the average for the sector. This applies to both private and corporate customers.

This year's surveys show that the combination of our personal, local presence and digital solutions is still important, wholly in line with Handelsbanken's business

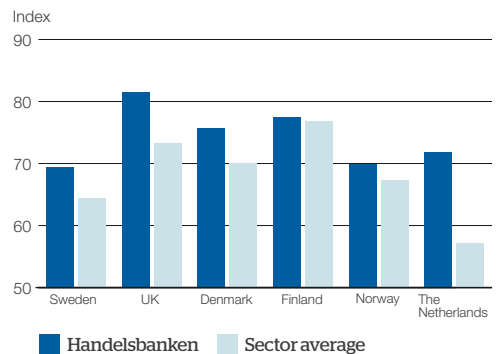
This year's surveys showed that Handelsbanken has more satisfied private and corporate customers than the average for the banking sector in all of the Bank's six home markets.

Customer satisfaction - Private customers 2016



Source: SKI/EPIS.

Customer satisfaction - Corporate customers 2016



Source: SKI/EPIS.



model: we are local and digital. Our customers expect to be able to do their banking transactions when and where they please.

To sum up, 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. That lowers costs for the Bank, thus improving conditions for more competitive prices for customers.

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, in what terms 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 2016 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 also applies to markets where Handelsbanken is regarded as a major player, which must be considered unique.

Good reputation

According to the TNS Sifo Reputation Index for 2016, based on public opinion, Handelsbanken is one of the 10 companies in Sweden with the best reputation, regardless of the sector surveyed. The Bank's index score of 54 can be compared with those of the other four major Swedish banks, which are between 27 and 45.

The survey shows that Handelsbanken is perceived to maintain high ethical and moral standards and to be a good workplace. These are important factors influencing the Bank's reputation in terms of sustainability. Handelsbanken receives higher marks than its competitors in these areas.

Managing customer complaints

For Handelsbanken, it is important that customers who make complaints are satisfied. We attach great importance to handling opinions and complaints that come in to the Bank in a manner that inspires trust. Thus the Bank takes customer complaints very seriously and has 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.

Complaints must be dealt with in the first place by the responsible branch, with the attention that each case requires. If the customer wishes to pursue the matter, there is a designated complaints officer at each regional bank. In addition, there are complaints officers at Group level who regularly report to Senior Management, regional banks and product owners.

Information about complaints management at the Bank is easily available at handelsbanken.com.

INCREASE AVAILABILITY

As a result of our focus on satisfied customers, we attach great importance to being available in our digital meeting places – being there for our customers, 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. But our customers also expect to be able to do their banking 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 on their smartphone, tablet or computer. All contacts with our customers are between the customer and the branch, regardless of how the customer wishes to meet the Bank. It is the branch that is always responsible for the customer meeting – whenever and wherever this takes place. In a number of the Bank's home markets, we offer our customers personal technical support 24 hours a day. In addition, in Sweden our customers can receive personal service 24 hours a day

Customer meetings 24 hours a day

When their branch is closed, our customers in Sweden can also receive personal service from advisors by phone.

"Meeting our customers by phone at night is an enjoyable and stimulating challenge," says Rosanna Bengtsson, one of the advisors at Customer Support.

At Handelsbanken, the local branch is always available, 24 hours a day, via the Bank's digital meeting places. At night, Customer Support responds to questions on everything from account balances to cancelling lost cards to exchange rates, but it also provides general advice on various forms of saving.

"To meet customer needs, you have to be flexible and responsive. At the same time, we want to maintain the high standard of service expected by the customer, regardless of the meeting place or the time of day," says Rosanna.

Handelsbanken is local and digital

Digitalisation is changing customer behaviour.

“Now that customers are doing more and more of their transactions themselves, we have more time for personal customer meetings,” says Jürgen Smolle, Branch Manager in Mora, Sweden.

What differentiates Handelsbanken from most other banks in this digital world are its local branches.

“Most spontaneous customer meetings are about helping customers to get started with our digital services. More customers are wanting to do their banking when and where it suits them best,” says Jürgen.

At the same time, digitalisation is increasing what customers require and expect of branch advisors.

“Our customers still want a personal meeting, such as when they are facing a major financial decision. That’s why our branches and our availability in the local market are still important,” says Jürgen.



Jürgen Smolle

from bank officers by phone if they need help with their banking transactions. Via our personal telephone service, we can meet our customers in several different languages.

Accessibility – on the customer’s terms

Good accessibility in our digital meeting places also means that the Bank strives to provide opportunities to every customer – regardless of ability – to access the information and services that we provide. We work continually to identify and remove obstacles in our digital services. When we build new services or renew our existing ones, we do it based on market standards. 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 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. This puts the focus on the customer – 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 cus-

tomers to understand the risk associated with each type of financial instrument and to have the knowledge and experience required to invest in the product concerned. The information we provide 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 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. In Sweden, the Bank has nearly 3,600 employees who are permitted to provide investment advice. All of these hold a SwedSec licence to provide advisory services concerning financial instruments and insurance and they update their knowledge every year through compulsory professional training. During the year, broad training programmes were carried out to further strengthen staff skills in this area.

Our advice always prioritises the customer’s interests and is professional, observes high ethical standards and is executed 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. This protects the individual customer from running into financial difficulties due to excessive indebtedness – which also benefits the Bank and society at large.

Handelsbanken does 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

Sensitive information is processed in the Bank’s operations on an ongoing basis, particularly regarding our customers and customer relations. Our 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 distributed to unauthorised persons and it may only be used to the extent required by the work 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.

The work with the Bank’s information security involves protecting customers’ information and transactions and also the Bank’s IT environment. If shortcomings in the processing were to arise or the information incorrectly spread, this could lead to serious consequences, including weakened confidence in the Bank or financial losses.

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. Structured work 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. For more details, see page 45.

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. By being a bank with stable finances and a stable presence, Handelsbanken aims to fulfil its role as a responsible institution 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 or sense of direction. Most of the Bank's branches in Sweden meet these requirements, though 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 offer customers a nearby branch which is adapted to their needs.

Handelsbanken in the local community

At Handelsbanken we are convinced of the need for local presence, and the basic concept of our 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 a nationwide branch network in the six countries we categorise 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.

Initiatives 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. Handelsbanken has more than 800 branches in its six home markets, and many 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 in courses at schools and universities, advise young entrepreneurs and serve in various types of mentor programmes. The branches also participate in activities which promote diversity and integration in the local labour market, for example, by offering trainee positions to newly arrived refugees.

Another example is the Het Gooi branch in the Netherlands which is taking part in an educational project at a local school. Two of the aims of the project are to stimulate entrepreneurial spirit and teach final year pupils to apply for jobs and write application letters and CVs, as well as showing them what happens in a recruitment interview.

"The pupils appreciate our feedback. For example, we've helped them to gain confidence in themselves and to highlight what they're good at. Helping young people to get onto the labour market makes a contribution to the community at large," says Branch Manager Lars Vissers.



Het Gooi Branch | The Netherlands

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 suppliers 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 significantly. Most stakeholders are affected negatively if a bank suffers high loan losses.

For many years, Handelsbanken has had much lower loan losses than peer banks. During the 1998–2016 period, the average loan loss ratio at Handelsbanken was 0.05 per cent, as compared to the average of 0.20 per cent for the five other major banks in the Nordic countries: Danske Bank, DnB, Nordea, SEB and Swedbank.

Our environmental work

Handelsbanken's direct environmental impact

A bank's direct environmental impact is fairly limited. 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 environmental impact in all six home markets. These markets represent more than 96 per cent of the Bank's total number of employees.

We are working to minimise the carbon dioxide emissions generated in our operations. For 2016, total carbon dioxide emissions from Handelsbanken's operations were 11,337 tonnes, down 15 per cent from the preceding year, mainly attributable to the Bank increasing the proportion of renewable electricity. Since 2012, the Bank has reduced its carbon dioxide emissions by 24 per cent, and total electricity consumption has decreased by 12 per cent. For more details, see page 46.

Handelsbanken's indirect environmental impact

Since 2009, Handelsbanken has adhered to the UN Global Compact. This means, for example, that we have undertaken to describe how the Bank works with environmental matters. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending, asset management and agreements with suppliers.

Contributions to economic research and higher education

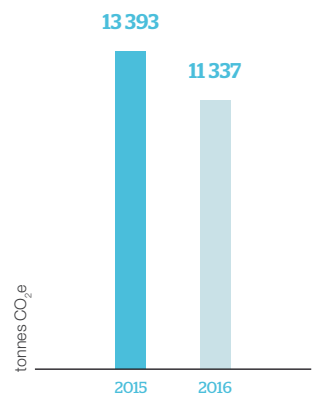
Since the early 1960s, Handelsbanken has on a number of occasions awarded grants for economic research, mainly through allocations to two independent research foundations: Tore Browaldhs stiftelse and Jan Wallanders och Tom Hedelius stiftelse.

Together, these foundations are some of the most important sources of funding for economic research in Sweden. In 2016, 197 grants (169) were awarded for a total of SEK 188 million (180).

At the end of 2016, the foundations' combined capital totalled some SEK 6,901 million (6,051).

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

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.



Total carbon dioxide emissions in the Bank's six home markets have decreased by 15 per cent.

“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.”



Human rights

Handelsbanken's work to safeguard human rights accords well with international agreements. The Bank supports the UN Guiding Principles on Business and Human Rights and, since 2009, has adhered to the UN Global Compact, cementing the Bank's expressed support for universal human rights. We support and respect human rights in our own operations and work to prevent or restrict any negative impact on human rights linked, through business relationships, with the Group's operations, products or services.

Handelsbanken also supports the Children's Rights and Business Principles formulated by UNICEF, Save the Children and the UN Global Compact. During the year, we conducted a survey of the impact of the Bank's operations with the purpose of ensuring that children's rights are respected and identifying special risk areas with regard to children's rights in our operations.

Several actions were taken in 2016 with the aim of preventing the Bank from being involved, directly or indirectly, in abuse of human rights and basic working conditions. A code of conduct was implemented for major suppliers that, among other things, focuses on how these companies manage human rights and working conditions and also forbids child labour. Another action is a training programme on ethics and sustainability which all employees will complete in the first part of 2017.

In international discussions about human rights, legislation has increasingly come into focus. For example, the UK has adopted the Modern Slavery Act, legislation to protect human rights which affects companies operating in the country. For more details, see page 45.

Counteracting commercial sexual exploitation of children



Handelsbanken aims to obstruct and prevent payments linked to the commercial sexual exploitation of children and material depicting sexual abuse of children. Thus 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. These co-operative efforts are part of

the Bank's work in corporate social responsibility to integrate a preventative working method into our operations, to support opposition to the commercial sexual exploitation of children.

Since 2015, Handelsbanken has intensified collaboration with ECPAT Sweden. Through this, we take responsibility in an area where we can make a difference in our daily operations. For example, in December Handelsbanken

arranged an activity benefitting ECPAT on the Bank's portal for benefits and offers for private customers with cards.

For a number of years, Handelsbanken has also had the NetClean IT application installed on the Bank's computers in Sweden. This application identifies and blocks images and videos of child pornography.

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 which Handelsbanken and other banks have developed together are technically advanced and are characterised by a high degree of efficiency and security. Payments are effected quickly, securely and at low cost. Increased use of digital payment solutions, such as card payments and mobile payments, makes everyday life easier for our customers while reducing our direct environmental impact.

In 2016, Handelsbanken in Denmark signed a distribution agreement with Mobile Pay whereby our customers can easily make payments using their smartphones in shops, e-commerce stores, apps and between users.

Swish is an example of a service for the public good that Handelsbanken helped to develop in collaboration with other Swedish banks. By using Swish, all the Bank's customers in Sweden can quickly and simply make payments to individuals, companies, associations and organisations that are linked to the service.

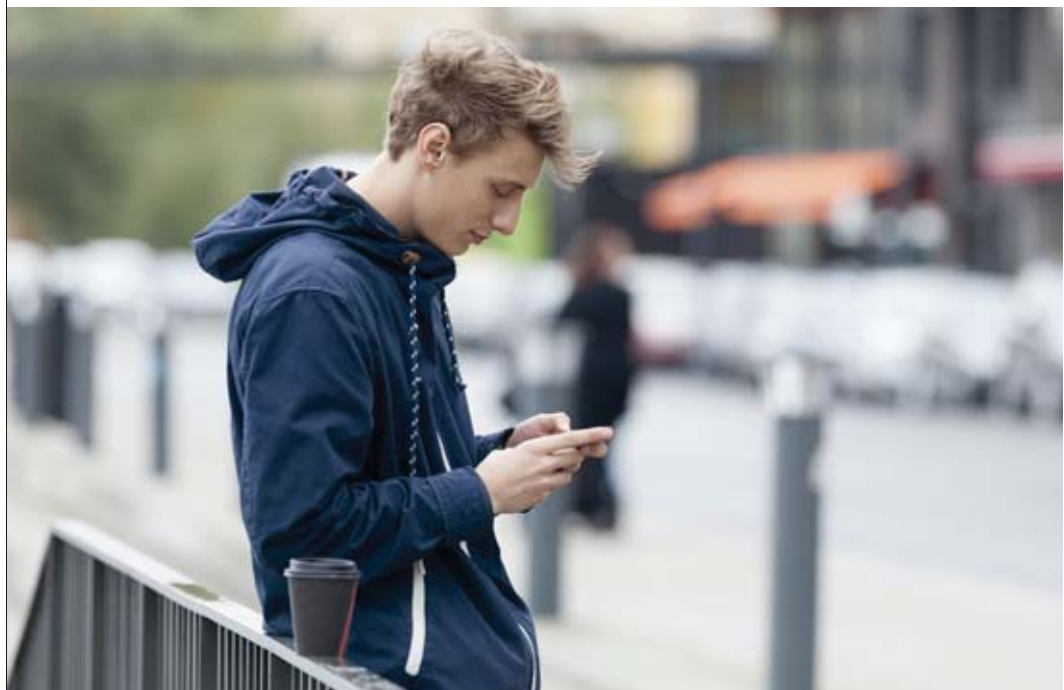
BankID is electronic identification that allows public authorities, organisations, companies and banks in Sweden to identify and enter into agreements with private individuals remotely, via a computer or smartphone. Using this electronic identification, the person

can prove their identity in contacts with various public authorities. This is another example of services jointly developed by the major Swedish banks for the public good.

In the Swedish market, our customers can use a large number of ATMs operated by Bankomat AB, in which Handelsbanken is a shareholder. The ATMs are available in about 500 towns around Sweden. Most of them are accessible to people in wheelchairs and also have a sound function for the visually impaired. The ATMs can provide instructions in Swedish and seven other languages.

Our private customers can also, using certain cards, access deposit services via Bankomat AB at ATMs in some 200 towns around Sweden.

During the year, Handelsbanken also expanded services aimed at people who have disabilities or live in sparsely populated areas, such as ordering banknotes – online, by phone or at branches – which the customer can pick up at a postal service point.





Ekonomi
journalist
ranking
2016

Bäst TV
& Radio

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 broadcasting 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 customers the opportunity to deepen their knowledge of their own finances as well as broader international issues. The service is free of charge and available to everyone via a computer, smartphone or tablet. In 2016, EFN.se was voted Sweden's best financial news channel by executive managers in Swedish listed companies, in the annual ranking of journalists carried out by Hallvarsson & Halvarsson.

EFN

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

Programmes include:

Börslunch (Stock market lunch)

Börslunch is broadcast every weekday at 11:45 and focuses on the latest events in financial markets worldwide. Programme hosts and guests analyse the situation.

EFN förklarar (EFN explains)

The world of economics and finance is full of special terminology: share issue, spread, Gini coefficient, and more. EFN makes these terms easy to understand.

Plånboksnytt (Wallet news)

Plånboksnytt broadcasts brief, up-to-date news covering everyday finances: petrol and electricity prices, the housing market, healthcare insurance, and more.



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, tax-payers or its shareholders in modern times.

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 following the financial crisis of 2008. 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, life 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. So it is not prudent to fund all lending with deposits. Funding long-term lending with short-term deposits creates liquidity risks which may cause serious problems in the financial system. 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.

VALUE CREATION IN 2016

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 corporate goal. Each employee receives an equal part of the allocated amount. The Oktogonen profit-sharing foundation is described in more detail on page 44.

In 2016, Handelsbanken's profit before taxes and government fees was more than SEK 24 billion. This created value was distributed as follows: more than SEK 8 billion in taxes and government fees, SEK 9.7 billion in proposed dividends, to be paid to the shareholders in the spring of 2017, and the remaining just over SEK 7 billion reinvested in the operations.

HANDELSBANKEN AS A TAXPAYER

For Handelsbanken, tax is an important sustainability issue. We contribute to the community in the countries where we operate by paying taxes and charges and by employing people. We maintain an open dialogue with the tax authorities in the countries where we operate. In the UK, Handelsbanken has adopted the British tax authorities' code of conduct for banks.

For many years, Handelsbanken has been one of the largest payers of corporate tax in Sweden. In addition to corporate tax, Handelsbanken pays substantial amounts in social security contributions and other taxes. Historically, it has been the largest payer to the Swedish Stability Fund (the resolution reserve) for the financial system and one of the largest payers to the state deposit guarantee scheme. For 2016, Handelsbanken's

Economic

“For Handelsbanken, tax is an important sustainability issue.

We contribute to the community in the countries where we operate by paying taxes and charges and by employing people.”



value creation

total taxes and government fees exceeded SEK 8 billion (8). Another significant expense for Handelsbanken is value-added tax (VAT). Because VAT is not charged on most banking products, the Bank's customers do not pay VAT on financial services. Hence the Bank cannot recover input VAT that it pays when buying external services and products.

In addition to the taxes relating to the Bank's own operations, the Bank reports and pays in substantial amounts to the tax authorities in the countries where it operates, on behalf of its customers and employees.

STABLE THROUGH THE FINANCIAL CRISIS

Throughout the financial crisis, Handelsbanken did not use the Swedish government's capital support or guarantee programme and was the only listed Swedish bank that did not need to ask its shareholders for fresh capital.

When the financial crisis was at its height in Sweden in 2009, Handelsbanken provided about SEK 100 billion to be at the disposal of the Riksbank, the central bank.

A well-run bank, which 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

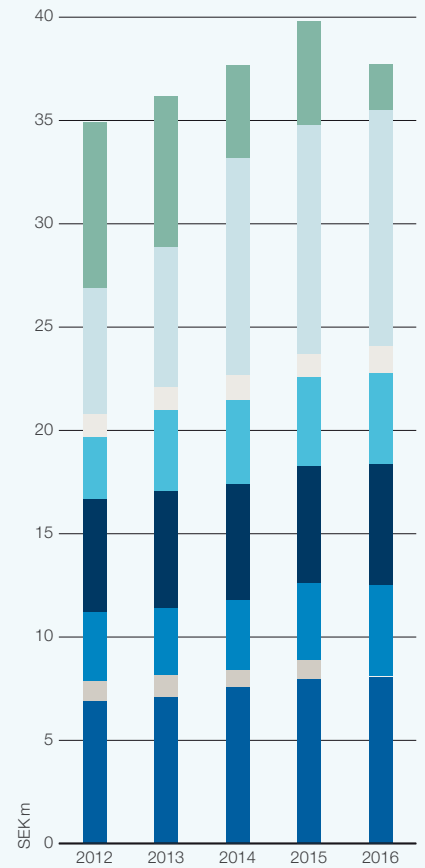
During the most recent business cycle, Handelsbanken paid dividends to its shareholders every year, while remaining one of the largest payers of corporate tax in Sweden.

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 must act responsibly and with a long-term perspective. Through responsible lending and investment, we can influence our customers to respect human rights and working conditions and to pay attention to the environment.

Financial advice in conjunction with lending must always be based on the customer's overall situation and financial position. Using this knowledge, the Bank can provide guidance based on the individual needs of each customer. This puts the focus on the customer – not individual products or services.

Handelsbanken does not apply performance- or volume-based bonuses, or other forms of variable remuneration for employees who decide on credits or limits. Nor does the Bank have volume or market share goals.

RESPONSIBLE LENDING

Credits to households and companies are Handelsbanken's core operations. The Bank considers it paramount 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. This 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. This gives Handelsbanken a distinct local presence in all markets where the Bank operates. Taking important business decisions on the spot, in a discussion with the customer, is a sound basis for successful customer meetings. This creates close, long-term relationships with our customers.

Rules and principles when granting credits

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. Handelsbanken supports international initiatives and guidelines with the common aim of encouraging and facilitating corporate sustainability. Thus, in its lending Handelsbanken must assess and evaluate each customer's stance on these principles and guidelines. Ultimately, this can result in Handelsbanken declining to grant credit to companies that do not apply these principles.

Handelsbanken's credit assessments take into account factors such as how environmental risks affect the customer's repayment capacity. Such risks might

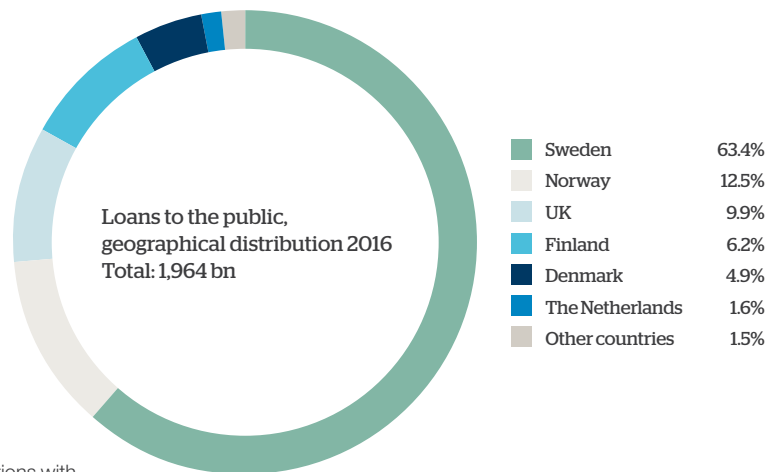
include the customer being unable to sell its product or the risk that more stringent environmental regulations on the customer's manufacturing process might damage the company's repayment capacity.

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 assessment, the Bank's method for evaluating a customer.

The business assessment 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 environmental issues, human rights, fundamental principles of working conditions and other such factors when assessing credit risk. For a long time, the Bank 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.

During 2016, work began on expanding the assessment and documentation of sustainability aspects in the credit-granting process.

“Taking important business decisions on the spot, in a discussion with the customer, is a sound basis for successful customer meetings.”

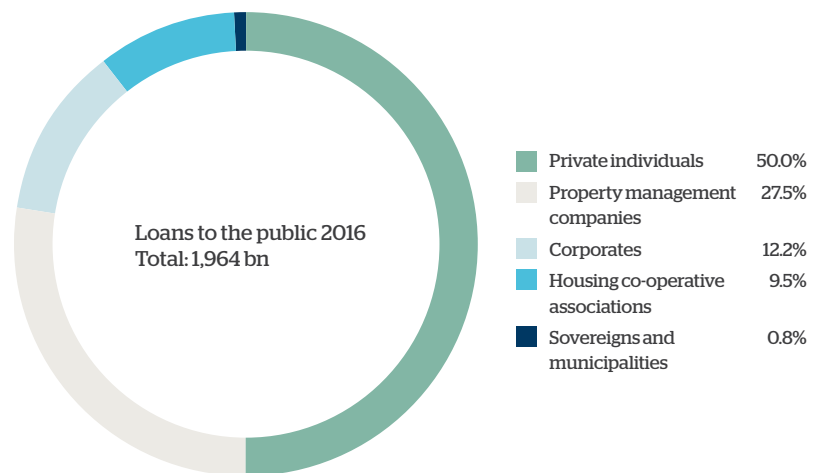


Guidelines for business relations with the armaments and defence industry

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. Handelsbanken cannot 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 for business relations with companies with operations within fossil fuels

During the year, Handelsbanken introduced 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 relations with companies operating in coal mining that are not working actively to ensure a transition to renewable energy sources.



Equator Principles

In 2016, Handelsbanken adopted the Equator Principles. The Principles are a framework that provides guidance to financial institutions for assessing social and environmental risks in project finance. For more details, see page 46.

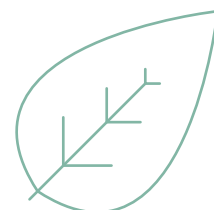
Green bonds

Interest in sustainability and green bonds is growing quickly in the fixed income markets. Green bonds enable investors to fund projects for which the borrower has sought a second opinion of the environmental benefits and sustainability of the investments from an external party.

In 2016, Handelsbanken Capital Markets contributed to the development of this market by serving as an advisor in

the launch of an innovative bond programme with integrated green terms. In addition, the first sustainability bond in the Nordic region, which includes both environmental and social investments, was launched on behalf of a customer.

Handelsbanken Capital Markets served as advisor to almost one third of the Nordic borrowers that issued their inaugural green bonds in the past year.



In addition, for the third year running Handelsbanken Capital Markets organised a well-attended conference for borrowers and investors in Stockholm on the theme of green bonds and sustainable capital markets.



“A long-term approach is essential to Handelsbanken’s corporate culture and is well integrated into our investment philosophy.”

RESPONSIBLE INVESTMENT AT HANDELSBANKEN LIV

Through its subsidiary Handelsbanken Liv, Handelsbanken offers pension solutions and other insurance solutions for private and corporate customers.

During the year, Handelsbanken Liv’s board adopted a policy for sustainability that sets the direction for sustainability in its operations. The company offers sustainable insurance products in savings, pensions and security, for example, and ensures that sustainability is integral to the investments offered customers.

For some time, Handelsbanken Liv has had a policy for responsible investment based on the Global Compact and PRI. When selecting and assessing asset managers, mutual funds and fund management companies, Handelsbanken Liv factors in how well they meet the sustainability requirements adopted.

Review of mutual funds

In 2016, Handelsbanken Liv refined and quality assured its processes for selecting and evaluating the sustainable investments it offers customers. During an implementation phase, the current range of mutual funds is being reviewed to determine which funds and fund management companies satisfy the stricter criteria for sustainability established by Handelsbanken Liv in 2016. If this review indicates that a fund does not fulfil the requirements for responsible investment, it may be excluded from the range of funds available. In 2017, restructuring of the range of mutual funds offered will continue, in order to comply with stricter sustainability criteria.

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 suppliers as well as their individual products. For example, each fund management company must have policies or principles for systematic work for sustainability and must periodically perform analyses of their mutual funds.

Monitoring of all the funds on offer is carried out regularly in order to identify companies that systematically violate international standards for the environment, human rights, labour law, anti-corruption, controversial weapons, etc. If the evaluation of a mutual fund indicates non-compliance with these standards, a dialogue is initiated with the fund manager with the aim of influencing the manager to review the fund’s holdings. Handelsbanken Liv also examines the fund management company’s capacity to integrate sustainability in its own operations. If the dialogue with the asset manager does not lead to a change, the mutual fund may be excluded from the offering as a result. Handelsbanken Liv’s fund selection committee compiles such reviews and prepares supporting documentation to determine which mutual funds will be included in or excluded from its range of funds. Decisions are made by the subsidiary’s Chief Executive.

Handelsbanken Liv strives to exclude funds that invest in companies with significant operations that mine coal for combustion or generate coal-fired power as well as companies involved in the manufacture or distribution of weapons that are banned under international law (such as cluster munitions, anti-personnel mines, chemical weapons and

biological weapons). Handelsbanken Liv also strives to exclude funds with investments in companies that are involved in the production or distribution of nuclear weapons.

However, the regulations for index funds allow limited possibilities for making changes that jeopardise a fund's ability to deliver a return in line with its underlying index. Handelsbanken Liv works to ensure that index fund managers track sustainable indexes.

The majority of customers' pension capital is managed by Handelsbanken Asset Management, which was thus the largest supplier of Handelsbanken Liv's traditional pension management and unit-linked management during the year.

RESPONSIBLE INVESTMENT IN ASSET MANAGEMENT

As an asset manager, Handelsbanken is entrusted by its customers to manage their savings in the optimum way. Our goal is to generate strong long-term returns for our customers, which requires that we invest in a sustainable, responsible manner. We do this by integrating sustainability topics in our investment process and offering a wide range of mutual funds and other savings products that meet customers' expectations.

A long-term approach is essential to Handelsbanken's corporate culture and is well integrated into our investment philosophy. In mutual fund and asset management, as well as pension management, we strive to contribute to sustainable development in financial, social and environmental terms in the companies in which we invest on behalf of our customers. We do so based on common standards set out in international conventions and guidelines. Handelsbanken adheres to the UN Principles for Responsible Investment (PRI).

One value base – two ways of investing

All our asset management is based on the same values: Handelsbanken's corporate culture and a framework resting on international standards. At year-end 2015, we split asset management operations into two companies: Handelsbanken Fonder for active management, and Xact

Kapitalförvaltning for index management. The new structure enables us to make the most of the strengths of each management model. It also enables us to clarify how we integrate sustainability into different investment methods.

Active management is based on the analysis of companies and markets, and the investment process aims to find and invest in the right companies. Here, sustainability is important in making better investment decisions. Sustainability research is done on a regular basis and is an integral part of our asset managers' investment process. In our view, an integrated working method, in which sustainability topics are part of both company analysis and investment decisions, creates the greatest value in portfolios in the long term. As we have a long-term investment horizon, we have no interest in investing in companies that take short-term shortcuts. The sustainability dimension helps identify risks in the companies' business models and identify investment opportunities.

One investment approach in active management is thematic investing, a way of identifying external changes with a long-term impact on companies' profitability. Global water supply and energy efficiency are two themes where we identify companies that contribute efficient solutions to the global problems of water shortages and energy consumption.

Index management is a rule-based management approach with no company analysis. Instead, our index managers ensure that the funds track the markets selected by customers in an optimum, cost-effective manner. Here, sustainability entails tracking the "right" index, that is, one not including companies that we wish to avoid. During the year, we worked actively to improve our methods of governance and to develop indexes for responsible investment. This gives more latitude to exclude companies that do not live up to the fund management company's fundamental values.

Ongoing efforts to reduce our climate impact

During the year, we continued our environmental work in asset management, where we work at three levels: influence, exclusion and transparency.

Sustainability profile in our range of mutual funds

During the year, Handelsbanken made it even easier for customers to compare its funds and to obtain information about how the funds apply sustainability criteria in their management through Hållbarhetsprofilen, a sustainability declaration for funds (available in Swedish). It is easy to access via Handelsbanken's website and in the Bank's apps. The profile includes each fund's sustainability rating, which is based on Morningstar's Sustainability Rating and measures how well the companies in which a fund is invested manage sustainability compared with other funds in the same category.

Active management for sustainable investments

"At Handelsbanken, we help companies with sustainable business models grow. This benefits our unit holders and contributes to long-term sustainable development for society at large," says Patric Lindqvist, manager of the Hållbar Energi (sustainable energy) fund.

To meet the climate goals in the Paris Agreement, we must boost investment in sustainable energy. The sector contains major growth and investment opportunities. In the sustainable energy fund, we actively seek out investment in sustainable business models, such as in companies that

develop technologies to limit global warming and companies that work to reduce society's need for energy. Many companies in this area are in a start-up phase, which involves risks as well as opportunities.

"Our analysis is very important here. A standardised screening of companies may end up rejecting companies with high emissions. But we take the sustainability analysis one step further and examine the entire value chain. We put a great deal of effort into meeting the companies, analysing them and understanding them. Take, for example, a company that manufac-

tures glass for solar panels. The production itself is energy-intensive, but that should be weighed against the fact that the product saves CO₂ throughout its service life," says Patric.



Patric Lindqvist

We try to influence the companies in which we invest to run their operations in a more "climate-smart" way. We do that either independently or together with other investors.

One way of reducing our mutual funds' carbon footprint is to avoid, in various ways, companies operating in coal mining and coal combustion, which we do in all our mutual funds. In our Criteria funds, we go one step further and also exclude oil, gas and other fossil fuels. Combined with the exclusion of coal companies, the carbon footprint in a number of our funds has decreased more than 50 per cent.

Almost one third of the total assets under management is now invested in funds which exclude fossil fuels.

We also work for improvements in transparency and better climate reporting. Since 2015, Handelsbanken has adhered to the Montréal Carbon Pledge, a UN initiative whereby asset owners and investment managers have committed to measuring and reporting the carbon footprint in their portfolios. 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.

Handelsbanken also supports the Carbon Disclosure Project (CDP), an independent international non-profit organisation which works for transparency and a dialogue concerning companies' carbon dioxide emissions and climate strategies.

Corporate governance

In Handelsbanken's asset management operations, the Bank exercises an 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 show optimal value performance in the long term, benefitting our fund savers. This work follows the principles for governance set out in the Swedish Corporate Governance Code, such as in conjunction with shareholders' meetings and the composition of the companies' boards. Ahead of AGMs (Annual General Meetings) in 2016, we participated in the work of 27 nomination committees, and ahead of the 2017 AGMs, we have participated in 30 nomination committees. In the nomination work, we consider it particularly important to have 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 and in 2016 averaged 31 per cent. The proportion of women on the boards where we have been involved in the nomination committee was on average 37 per cent.

In 2016, Handelsbanken Asset Management voted at 153 AGMs, 82 of these in Swedish companies.

Many of the companies we invest in are outside the Bank's home markets, so during the year we began voting through global representatives. This enables the fund management companies to exert an active influence by participating in more AGMs and shareholder motions than previously.

Dialogue and influence

Our sustainability efforts rest on international standards and conventions. In asset management, dialogue is our main long-term method for contributing to sustainable development. Twice a year, via an external party we ana-

Equity and credit research

At Handelsbanken, we continually strive to integrate our sustainability efforts in our equity and credit research. In 2016, the Bank published sustainability research for our customers on two major Scandinavian companies, to scrutinise the companies from a sustainability viewpoint and discuss the challenges and opportunities the companies face. The goal of our sustainability research is to examine information in a standardised way from a sustainability viewpoint and enable peer comparisons of companies.



lyse all our holdings of listed equities and corporate bonds. The purpose is to identify companies that do not comply with international standards or conventions, so the screening is "norm-based". The analysis is based on the Global Compact's 10 principles, the International Labour Organization's core conventions on labour laws, the OECD Guidelines for Multinational Enterprises and other internationally accepted standards.

If we determine that the companies we invest in do not meet the international standards and conventions that we respect, we contact these companies – independently or together with other investors.

In 2016, we conducted dialogues regarding specific sustainability issues with almost 140 companies. These dialogues have covered topics such as corruption, environmental destruction and labour laws. A list of these companies is published at handelsbanken.se/csreng.

Patience and persistence are vital in these processes – up to a point. Divestment or exclusion of companies from our investments are a last resort if all other alternatives have failed. Any decision to undertake a dialogue to influence a company or to exclude it is made by the Responsible Investment Council and is implemented through decisions by the management team in each fund management company.

During the year, we also initiated 10 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 2016, our asset managers had meetings with almost 1,600 companies, in order to monitor their business methods, performance and opportunities.

Exclusion of companies

There are companies that do not act in line with the values which we at Handelsbanken stand for. An example of such companies are those involved in nuclear weapons and other weapons that are banned under international law. All actively managed mutual funds at Handelsbanken exclude companies which are involved with



MORE INFORMATION

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

There you will find policies and documents such as:

- Corporate governance policy and policy for responsible investment for Handelsbanken Fonder.
- Xact Kapitalförvaltning AB's policy for responsible investment.
- Handelsbanken Liv's policy for responsible investment and policy for sustainability.
- Examples of companies with which we are having discussions
- Examples of companies that we exclude
- Information brochure about Responsible Investment
- List of carbon footprints for Handelsbanken's equity funds.



controversial weapons. These companies are also excluded from our index funds, providing it does not jeopardise the fund's ability to track its index.

We have also decided that our mutual funds must not invest in companies with significant operations in coal power or in companies which mine coal for combustion. We do so because combustion of coal accounts for a high proportion of greenhouse gas emissions. How we avoid investments in coal and the list of the companies that have been excluded from Handelsbanken's mutual funds is published at handelsbanken.se/csreng.

Products with special sustainability focus

Criteria funds

Handelsbanken also offers funds which observe special criteria in their investment strategy, for example, excluding investments in controversial businesses such as alcohol, tobacco and fossil fuels. In 2016, we further

increased the range of these funds and now offer a total of 19 funds with special criteria. The range now consists of 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 the end of the year, the total assets managed in these funds was SEK 165.8 billion, corresponding to more than 31 per cent of the total fund volume.

Structured products with sustainability focus

In 2016, Handelsbanken issued five equity-linked bonds with a sustainability focus. These are capital-protected investments that provide exposure to European and global companies with a strong focus on sustainability or to European and global companies with low climate impact. The total value of these products exceeded SEK 131 million.

Collaboration and initiatives for sustainability in asset management

Signatory of:



PRI

PRI, the United Nations-backed Principles for Responsible Investment Initiative, is a network of investors that work together with the UN to implement principles for responsible investment. Handelsbanken Fonder has participated in the following PRI-related initiatives.

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

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

- Montréal Carbon Pledge – an initiative for asset managers to undertake to measure and report their funds' carbon footprints.

CDP

CDP is an independent international non-profit organisation which works for transparency and dialogue on companies' CO₂ emissions and climate strategies. Handelsbanken supports this initiative and reports annually to CDP.

SWESIF

Handelsbanken Asset Management is a member of SWESIF, an independent network forum for organisations working for or with sustainable investments in Sweden. SWESIF aims to increase knowledge of and interest in sustainable investments 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 profile for mutual funds. Since 2015, most of Handelsbanken's funds have this type of sustainability profile. More information about this can be found at hallbarhetsprofilen.se (Swedish-only site). Since spring 2016, Handelsbanken Asset Management has served on SWESIF's board.

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.

The Bank as



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 2016, Handelsbanken had 11,759 employees, working in more than 20 countries, of whom just over 40 per cent were employed outside Sweden.

employer



“Above all, working at Handelsbanken is about relationships with other people.”

WE RECRUIT PEOPLE WHO SHARE THE BANK’S BASIC VALUES

Handelsbanken’s concept of how to run a successful full-service 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. Without the right staff, it does not matter how good the products or services are. When we recruit new employees, we seek people who share the Bank’s fundamental values. For us, it is very important that our employees are driven by putting the customer first, enjoy taking a large amount of individual responsibility, and want to take their own initiatives.

Handelsbanken’s joint Group guidelines for its employees are based on the Bank’s corporate culture, working methods and fundamental view of people.

CONSTANT DEVELOPMENT

The Bank’s strength is derived from the combined competency of its 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 training in investment and mortgage advice, sustainability and ethics, and actions to counter money laundering and the financing of terrorism. These courses are organised by the Bank’s HR departments as well as central units. It is important that employees have the skills they need to help our customers in the best way possible, to provide advice when needed, and to comply with the current policies and regulations.

There is a structured, continual relationship between the Bank’s operations and the employee’s development.

All employees participate in their own unit’s business planning every year. After that, 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.

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 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.

INTERNAL LABOUR MARKET AND MANAGEMENT SUCCESSION

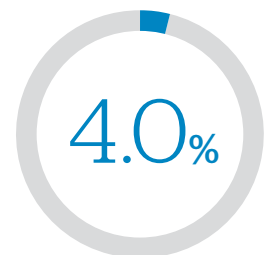
Handelsbanken’s strong corporate culture and values are vital to our success. Due to the Bank’s decentralised working methods, employees take a large amount of personal responsibility, are given a mandate to take their own decisions, and are driven by putting the customer in focus. During their period of employment, employees are given the opportunity to develop within different professional roles, to work in different areas of operations, and also to work outside their home country. Internal mobility contributes to both the working methods and culture being spread to all parts of the operations. Thus internal recruitment and long-term employment are important to us. To retain employees, the right conditions must exist for development in their work and consideration must also be taken of the stage of life that they are in. In 2016, the Bank continued to have low external staff turnover in the Group, totalling 4.0 per cent (3.0), and 3.1 per cent (2.1) in Sweden.

Managers at Handelsbanken must be exemplary ambassadors for the Bank’s corporate culture, which explains why most managers are recruited internally. Smoothly functioning management succession planning activities are critical to being able to satisfy current and future needs for competency. In 2016, 99 per cent (100) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure was 93 per cent (93).

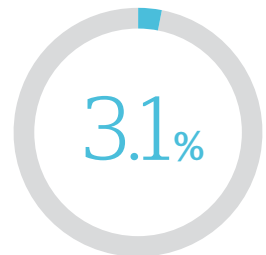
One of the most important tasks for managers at the Bank is to identify, encourage and develop new managers in operations.

LOCAL COMMITMENT

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



Staff turnover Group



Staff turnover Sweden

The Wheel - the relationship between the Bank’s operations and the employee’s development



Common values create opportunities

“Took for employees who share the Bank’s fundamental values, people with common sense who provide good service to customers and take the initiative,” says Alan Barnard, Branch Manager in Colchester, UK.

Handelsbanken’s decentralised business model gives branch managers a full mandate to make business decisions in their local markets. This appealed to Alan Barnard, and in

2010 he opened the Colchester branch. As branch manager, he is also responsible for recruiting his staff.

In addition to common values, diversity is an important part of Handelsbanken’s recruitment process.

“Our employees’ diverse competencies, experience and ways of thinking have a positive impact. I try to encourage and benefit from every single employee’s full potential so

that we achieve success in our local market,” says Alan.



Alan Barnard

At year-end, the proportion of managers in each home market’s management team who had been recruited locally was 89 per cent (86).

FOR GENDER EQUALITY AND DIVERSITY

Gender equality, diversity and an inclusive corporate culture are part of our fundamental 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 skills and work experience, different ways of thinking and solving problems.

Initiatives are being taken in several parts of the Group to further increase knowledge and awareness of gender equality and diversity.

In the UK, we signed the Women in Finance Charter, an initiative from HM Treasury, which means a commitment to work for more gender balance in the financial sector and to set our own goals and follow up on progress towards their fulfilment.

In Sweden we continued our efforts towards gender equality and diversity during the year by training members of management teams and employees in human resources.

At Handelsbanken Capital Markets and Handelsbanken International, activities were carried out to stimulate discussion in working groups about values related to gender equality and diversity.

Ongoing dialogue is necessary for our strong corporate culture to continue developing, and as a condition for this we promote a healthy atmosphere in the workplace and an inclusive culture where differences are valued and benefited from. All types of discrimination and harassment are totally unacceptable, which is also stated in the Groupwide guidelines for employees.

Incidents of discrimination concerning Handelsbanken’s employees are normally managed through the Bank’s HR units, but cases reported to the national discrimination ombudsman or a corresponding official body are followed up at Group level. No such cases were reported in 2016.

AN EVEN MORE EQUAL HANDELSBANKEN

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 equality goal. The plan must be based on Handelsbanken’s fundamental values and take into account the laws and guidelines that apply in the country. One aim of this is to create as even a gender distribution as possible within different professional roles, working groups and units.

In the Group as a whole, 40 per cent (39) of managers were women; the corresponding figure for the total number of employees in the Group was 50 per cent (50). In Sweden 48 per cent (47) of the Bank’s managers were women at year-end; the corresponding figure for the total number of employees in Sweden was 53 per cent (53).

Our work with gender equality is continuing, 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.



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 identified, and every year all salaries are mapped by the Bank to act on any differentials that have arisen.

WORK ENVIRONMENT AND HEALTH

Handelsbanken's 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. This is a long-term goal that includes factors such as clear and honest communication, having the skills and competence and the 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.

All employees are responsible for their own health and for contributing to the creation of a positive work environment. Together with their staff and employee representatives, managers must develop a safe, health-promoting workplace for a sustainable working life.

Each manager is responsible for performing regular work environment surveys with their employees. This includes topics relating to the physical and psychosocial work environment, gender equality, diversity and an inclusive corporate culture. In a dialogue with their staff, they identify what works well and what could be better. This results in a work environment plan with activities to maintain and develop a positive, health-promoting work environment. The plan is then integrated with the unit's business plan and in this way becomes a natural part of how the operation develops.

The plans are regularly followed up in order to evaluate and continuously improve the Bank's efforts for the work environment and health. Trends in the sickness absence rate and reported incidents are also monitored.

In connection with crisis situations, there are well-developed procedures, including a support programme with the help of external partners.

CULTURE AND ACTIVITIES

Handelsbanken offers a large number of subsidised health-promotion activities.

There is a rich variety of activities as well as a long tradition of clubs, societies and the like. A sports and leisure association dating back to 1919 has almost 4,400 members and is one of the largest of its kind in Sweden. Finland and Denmark have corresponding associations.

There is also an Art Association with more than 3,700 members. The Association is divided into two sections: one for art and one for crafts and design. Handelsbanken also has its Historical Association, whose aim is to spread knowledge about and preserve the Bank's cultural heritage.



STAFF MAGAZINE

The staff magazine Remissan started in 1948 and is a publication 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. The magazine is published in Swedish and English and is distributed to all employees in the Group.

The staff magazine Remissan started in 1948 and is a publication for, about and by the employees of Handelsbanken.

COLLABORATIONS WITH YOUNG PEOPLE

Handelsbanken has a number of collaborations with schools, universities and colleges that are an important

Student Programme

Handelsbanken's Student Programme started in Sweden in 2011. Since then, 140 young people have combined their higher education studies with a job at a bank branch or the Bank's IT department.

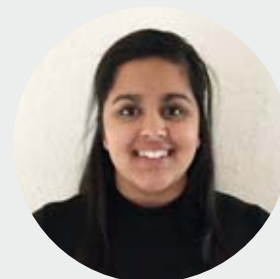
"I immediately felt that I was welcome to pitch in with my ideas and drive to create business opportunities," says Iqra Sahi, a participant in the Student Programme.

Iqra felt at home from her very first day at the Jönköping branch. She found a

workplace with an atmosphere where every employee's drive to develop the Bank is made the most of. Together with her supervisor, Iqra has designed an individual development plan, and her goal is to be a trained advisor by the end of the Programme. Iqra likes meeting people and being a leader. So a managerial position at Handelsbanken is part of her plans for the future.

"Thanks to the Student Programme, I have the opportunity to get the best managerial training while completing

a university degree in business administration. This is a great combination for the future," says Iqra.



Iqra Sahi



“Handelsbanken has a number of collaborations with schools, universities and colleges that are an important part of its long-term employer branding work.”

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 and that of the students. Student degree thesis projects are another valuable way of exchanging knowledge. Several of our managers and employees are active in various external mentor programmes and networks in order to contribute to work with integration and diversity.

Handelsbanken's Student Programme

Handelsbanken in Sweden has a Student Programme aimed at young people who are about to start a university course. 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 relevant training to be able to develop at Handelsbanken. A total of 140 students are participating or have participated in the Student Programme since its inception in 2011.

Oktagonen 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 Oktagonen Foundation.

Allocations are subject to Handelsbanken achieving its corporate goal. All employees receive an equal part of the allocated amount, regardless of their position or work 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 Oktagonen.

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

The Bank's **business culture**

Handelsbanken's success depends on the trust of our customers and the business world. This trust is based upon us acting according to high ethical standards and taking responsibility for sustainable development in the long term.

Corporate philosophy

Handelsbanken manages large amounts of money, 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 demonstrates great confidence in and respect for all employees. When we recruit new employees, we seek people who share the Bank's fundamental values. This means that we behave with care, sound judgement and common sense – we quite simply do things we can stand by.

We make tough 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 maintain 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 follow-up. In this way we can uphold the trust which customers, owners and other stakeholders have put in us.



Piteå Branch | Sweden

Handelsbanken's **policy on ethical standards** covers:

- High ethical standards
- Laws, regulations and guiding principles
- The UN Global Compact
- Counteracting financial crime
- Customer relations
- Counteracting conflicts of interest
- Conduct of employees
- Reporting by employees who suspect internal fraud or other irregularities
- Confidentiality
- External contractors

Policy for ethical standards at Handelsbanken

Handelsbanken's policy document for ethical standards has been adopted by the Bank's Board and formulates the basic guidelines for every employee's actions.

Banks' operations are regulated by legislation and are governed by extensive laws and regulations. If a bank does not comply with the laws and regulations, the responsible supervisory authority can impose fines and, in the worst case, revoke the banking licence.

A self-evident rule is that Handelsbanken and the Bank's employees must comply with the laws and regulations that govern the Bank's operations. If the individual has poorer protection from local laws and regulations than Swedish laws, regulations and principles, Handelsbanken applies the latter.

Policy for sustainability

Handelsbanken's policy for sustainability was adopted by the Board in March 2016. The policy establishes the focus of sustainability activities in the Group, in terms of Handelsbanken's approach to material topics regarding customer relations, the Group as an employer and institution in society, and also its relationship with owners and investors. The policy covers the following areas: environment, human rights and working conditions, 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. In order for this confidence to be maintained, there must be transparency in the Group's sustainability activities.



Action against money laundering and financing of terrorism

Money laundering and financing of terrorism are international problems. The financial system can be protected through prevention, identification and investigation of suspicious behaviour and transactions, but only with the active participation of all participants in the financial system. Handelsbanken regards work to prevent money laundering and the financing of terrorism as a fundamental principle for secure and sound bank operations.

One prerequisite for the regulations against money laundering and financing of terrorism is that banks must have good knowledge of their customers and document customer due diligence. Handelsbanken's decentralised working methods and strong local presence in the community create a solid basis for close, long-term customer relations. This means that our staff know their customers and understand their business and requirements.

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 smartphones. This means that Handelsbanken needs to stay informed of how our customers are using our products, services and channels. This enables us to understand customer needs and behaviour, and also to work effectively through actions against money laundering and the financing of terrorism.

All employees and managers participate in mandatory training in this area at least once a year and have ongoing responsibility to be attentive and take action within the scope of their function.

Efforts against money laundering and financing of terrorism demand the skills and awareness of all employees of the Bank, customised processes and IT solutions. To reinforce Handelsbanken's work in this area, the Bank invested extensively in expertise and new technology in 2016. The Bank's anti-money-laundering organisation has been strengthened with more employees. Additionally, governance documents which describe responsibilities, processes and procedures in the area have been developed and clarified. This has led to risk assessments that more sharply highlight the risk of money laundering, more sophisticated procedures for customer due diligence, increased training efforts and the development of IT systems.

Conduct of employees 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.

“Handelsbanken regards work to prevent money laundering and the financing of terrorism as a fundamental principle for secure and sound bank operations.”

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 2016, 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, through enhanced reporting of conflicts of interest. The policy includes details on the procedure for identifying and managing conflicts of interest.

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 employees. 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 corruption. 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. This course will be launched in early 2017, and its implementation will be documented. 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 bribery, improper influence and corruption, 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 customer as when it supplies products and services. We have a regular dialogue with suppliers and when making purchasing decisions, we check that they have collective bargaining agreements, a work environment policy and a policy against giving and accepting bribes. Environmental considerations are also taken 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 good, and many of the Bank's major suppliers have signed the code. In 2017, the code will also be introduced to the Bank's other home markets; it is already being implemented in some of these. We see a positive link between the code of conduct and our relationships with suppliers as well as their direct impact on our sustainability.

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



“Each year, operational risk analyses are performed which include the area of corruption.”

Sustainable **value creation**

Long-term and responsible business decisions that focus on customer 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”. The general public can benefit from this value creation because the Bank's shares are traded in the open market.

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.

In 2016, Handelsbanken's share price rose 12 per cent. During the same period, the Swedish stock market advanced 5 per cent, the Stockholm stock exchange's bank index increased by 11 per cent, and the Euro STOXX Bank index declined 5 per cent.

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 the Bank has achieved its financial goal, to have better profitability than the average of peer banks in its home markets, every year since 1972.

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 institution in society.



Amager Branch | Denmark

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.

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 a bank's business 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.

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 market places. Turnover is largest on 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, expressed in increasing earnings per share over a business cycle. The Bank aims for the ordinary dividend to

SUSTAINABILITY INDEX

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

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.

**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 multiple sustainability indexes, such as Ethibel Sustainability Index, FTSE4Good, OMX GES Sustainability, SIX Sweden SRI Index and ECPI Global Developed ESG Best in Class Equity.

During the year, Handelsbanken participated in a survey of sustainable companies conducted by the RobecoSAM research company. This resulted in Handelsbanken being included – for the first time – in the Sustainability Yearbook for 2017 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.

During the year, Handelsbanken has also been in contact with sustainability analysts from some 10 independent research firms. 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 increase these contacts by having an ongoing dialogue with each research analyst.

During the past five years – since 31 December 2011 – Handelsbanken has generated positive shareholder value of SEK 179 billion. Market capitalisation has grown by SEK 133 billion, while the Bank has paid out SEK 46 billion in dividends to shareholders.



FTSE4Good



A sustainable share

"Many stakeholders track and evaluate our share from a sustainability perspective. Our share is included in several sustainability indexes and many of our institutional shareholders include sustainability aspects in their investment decisions. In addition to the large investment banks, we are in contact with a couple of independent research companies with special focus on analysing companies from a sustainability perspective," says Lars Kenneth Dahlqvist from the Bank's investor relations unit.

When these research companies sum up their evaluation of the Bank's sustainability work in their reports, they often point to our financial stability, our view of business relations with controversial sectors, our focus on satisfied customers, our risk management and the Bank as an employer as Handelsbanken's strengths.

"Investors often tell us how they appreciate our long-term approach and that responsible action is a natural part of the Bank's business model. Handelsbanken is also one of the few banks in

Europe that in the past 10 years has fulfilled one of the two basic criteria for sustainable value creation – actually creating value," says Lars Kenneth.



Lars Kenneth Dahlqvist

Sustainability management

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Our view of sustainability

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

Organisation for sustainability

Handelsbanken's sustainability work is decentralised and is done where the Bank's business and operational decisions are made. Activities embrace the entire Group's operations and are co-ordinated by a Groupwide specialist function and by the Bank's Sustainability Committee, which was formed in 2010. Handelsbanken's Chief Sustainability Officer chairs the Committee and is a member of Senior Management. The Committee consists of representatives from various operating areas throughout the Bank 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 investing, to contribute to the continuing improvement of Handelsbanken's work in this area and to set 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.

Stakeholder dialogue

Listening closely to stakeholders' expectations is a vital aspect of being a responsible bank. At Handelsbanken, we work systematically 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. 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, Handels-

banken maintains a continuous dialogue with other stakeholder groups, such as:

- 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.

Regular dialogue with our stakeholders

It is vital that we keep ourselves up-to-date on the needs and wishes that stakeholders have regarding Handelsbanken. That is why we have, and have long had, an ongoing dialogue with our customers, staff, shareholders and investors, as well as with the community at large, such as authorities and other public organisations, in the markets where the Bank operates.

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



All stakeholders have expectations of Handelsbanken. What they have in common is that they all wish the Bank to be stable and responsive to their wishes. How well the Bank manages to live up to these expectations has an impact on the continued success of Handelsbanken.

customer expectations, for example, 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.

In addition to direct discussions with our customers, Handelsbanken also closely monitors the customer satisfaction surveys that are carried out by independent research companies. The most comprehensive studies of customer satisfaction in our six home markets are the annual surveys conducted by the EPSI Rating Group, which includes SKI (Swedish Quality Index).

Employees

All of the Bank's employees participate in their own unit's business planning every year. After that, 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.

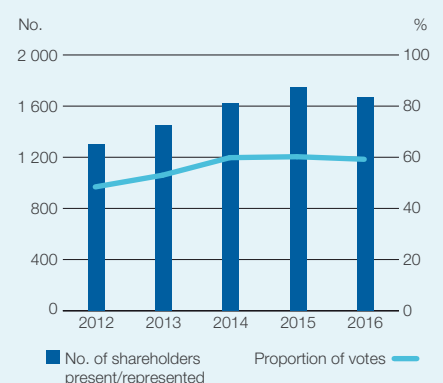
Shareholders

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 2012–2016



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 discussions with these.

Union organisations

For a long time, Handelsbanken has had excellent relations with the union organisations, 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. For many years, the Bank has worked with trade unions in Sweden to correct unwarranted pay differentials between women and men. Together with union representatives, the Bank has also carried out a separate survey of salaries, to identify and correct any remaining differentials. Managers have also received support and training so that they can independently decide on salary adjustments.

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.

During the year, Handelsbanken has also been in contact with sustainability analysts from about 10 independent research firms. 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 increase these contacts by having an ongoing dialogue with each research analyst.

Suppliers

Handelsbanken purchases goods and services from many suppliers. The Group’s purchases can roughly be divided into the following 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 usually purchased mainly from local suppliers. We work to co-ordinate purchases in order to take into account both cost effects and environmental impact. In the Swedish operations, roughly 70 of the Bank’s several thousand suppliers account for two thirds of all purchases.

The Bank has an ongoing dialogue with its key suppliers in which sustainability figures prominently. One result of these dialogues is to promote and improve our environmental work. During 2016, the Bank in Sweden implemented a code of conduct for major suppliers that defines

the expectations we make on our suppliers and their sub-contractors. Most of the requirements are based on internationally accepted standards, with the UN Global Compact as the starting point. Heightened awareness of sustainability has resulted in the termination of agreements with suppliers who fall short in their sustainability management. In 2017, the code will also be introduced to the Bank’s other home markets; it is already being implemented in some of these.

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. As part of a process of updating the materiality analysis, during the year Handelsbanken sought out stakeholders’ views on the Bank’s most important sustainability topics.

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.

This dialogue was a key step in updating the materiality analysis during the year. 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. To clarify the outcomes for Handelsbanken’s material topics, internally and externally, we have grouped them into six sub-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 sustainability is confirmed by the detailed stakeholder dialogue

The 2016 stakeholder dialogue largely confirms the view that the Bank has had of sustainability for many years and paints the same picture overall as the 2015 stakeholder dialogue. Responsible investments had slightly higher priority than in the previous year.

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 the detailed dialogue with these main stakeholders, Handelsbanken also conducted dialogues with representatives of other stakeholder groups, using various methods and channels. For example, we have had discussions with a number of non-profit organisations and a selection of the Bank’s suppliers.

The results of the materiality analysis are presented on pages 6–7. The presentation describes the significance of these questions to Handelsbanken and the risks and opportunities with which they are associated.

AGENDA 2030 AND HANDELSBANKEN

In September 2015, the UN General Assembly adopted 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, to achieve the goals it is vital that all parts of society get involved. 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 charges, 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 the overriding goals.

During the year, Handelsbanken’s Sustainability Committee analysed the 17 goals and their 169 targets to determine which ones the operations would focus on and how we can integrate them in our operations 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 comprises substantially reducing illicit financial flows and significantly reducing all forms of corruption and bribery, an area where banks play a crucial role.

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.

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 also other stakeholders with an interest in Handelsbanken's corporate governance upon whose confidence 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 CEO. 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 a number of central sustainability issues regarding measures against money laundering and financing of terrorism, the environment, remuneration, ethics and corruption. The CEO also exercises governance by issuing various governance documents. The CEO 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.



More information

For more information, please see the Bank's full Corporate Governance Report, which can be found on pages 47–63 of the Annual Report.

More information about Handelsbanken's corporate governance is available at handelsbanken.se/ireng. The site includes the following information:

- previous corporate governance reports from 2006 onwards
- the articles of association
- information about the nomination committee
- minutes of shareholders' meetings from 2008 onwards.

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 characterised by sufficient diversity in terms of age, gender, geographical origin, and educational and professional background. The proportion of women on the Board of the Bank is 50 per cent, and the proportion of members of a nationality other than the country where Handelsbanken is domiciled is 40 per cent.

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.

Facts: 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.

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.

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 financing of terrorism 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 BANK'S CEO:

- Guidelines for Handelsbanken's environmental activities
- Guidelines for business relations with the armaments and defence industry
- Guidelines for information security in the Handelsbanken Group
- Guidelines regarding business relations with companies with operations within fossil fuels

- Guidelines for the Handelsbanken Group's Sustainability Committee
- Guidelines regarding business relations in forestry and farming
- Guidelines for managing taxes

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 Kapitalförvaltning
- Policy for responsible investment at Handelsbanken Liv
- Policy for sustainability at Handelsbanken Liv

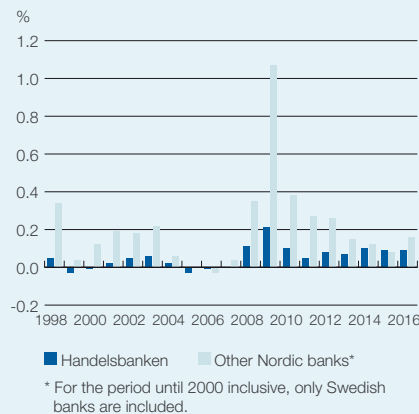
SELECTION OF CODES OF CONDUCT IN THE HR AREA:

- Guidelines for employees
- Guidelines for alcohol- and drug-related matters
- Guidelines for handling suspected addiction to gambling
- Guidelines for the prevention of victimisation at work
- Guidelines for the prevention of sexual harassment
- Guidelines regarding bribery and improper influence
- Guidelines on presence on social media

Outcome

Loan losses were SEK 1,724 million (-1,597). As a proportion of lending, loan losses equalled 0.09 per cent (0.09). For the most recent 10-year period – that is, since 2007 – the Bank’s average loan loss ratio has been 0.09 per cent. This can be compared with the average for the other major Nordic banks over the same period: 0.27 per cent.

Loan losses as a percentage of lending



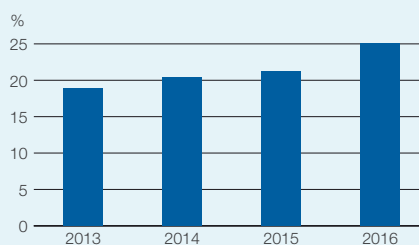
CAPITAL

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 assessment 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 according to CRD IV rose to 25.1 per cent (21.2). The Swedish Financial Supervisory Authority calculated Handelsbanken’s common equity tier 1 capital requirement at the end of Q3 2016 at an amount corresponding to a common equity tier 1 ratio of 21.3 per cent.

Common equity tier 1 ratio, CRD IV



POLITICAL INDEPENDENCE

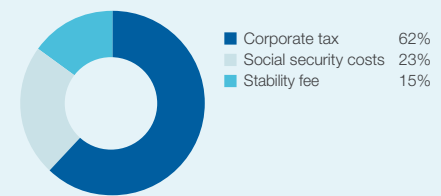
Handelsbanken is not allied to any political parties. In modern times, the Bank has not provided any financial support to any political party, nor has it made any other type of political donations.

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.

Corporate tax and charges 2016



Geographical information 2016

SEK m	Income	Operating profit	Corporate tax (current tax)	Social security costs	Fees for Swedish Resolution Fund, deposit guarantee, etc.	Assets	No. of employees
Sweden	26 212	15 288	-3 807	-1 472	-1 006	2 211 192	7 057*
UK	5 027	1 851	-481	-199	-90	296 449	2 069
Norway	3 624	1 917	-390	-88	-99	261 574	753
Denmark	2 219	180	-73	-86	-42	124 624	673
Finland	1 981	973	-199	-25	-54	230 654	613
USA	670	422	-130	-6	-	289 126	67
The Netherlands	544	179	-46	-19	-8	35 667	218
Luxembourg	169	25	-22	-7	-1	19 597	57
Germany	109	-3	-	-5	-	14 935	45
China	59	-47	1	0	-	8 438	73
France	55	8	-2	-6	-	10 194	16
Poland	42	-49	0	-3	-	3 400	41
Singapore	27	-76	-2	0	-	13 366	39
Estonia	14	-13	-	-2	-	1 533	20
Austria	6	-3	-	-1	-	330	4
Latvia	4	-8	-	-1	-	303	8
Lithuania	1	-9	-	-1	-	90	5
Brazil	0	-2	-	-1	-	-	1
Eliminations	-	-	-	-	-	-893 892	-
Group	40 763	20 633	-5 151	-1 922	-1 300	2 627 580	11 759

*Includes 11 employees at the Bank’s representative offices.

The table, which is laid out according to GRI’s 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	2016	2015	2014	2013	2012
DIRECT ECONOMIC VALUE CREATED					
Customers					
Income after loan losses and before fees for Swedish Resolution Fund, deposit guarantee, etc.	37.7	39.8	37.7	36.2	34.9
Value created by serving customers	37.7	39.8	37.7	36.2	34.9
ALLOCATED ECONOMIC VALUE					
Employees					
Salaries	8.1	8.0	7.6	7.1	6.9
Provision to profit-sharing foundation (incl. social security costs)	-	0.9	0.8	1.1	1.0
Social security costs and other staff costs	4.4	3.7	3.4	3.2	3.3
Cost of employees	12.5	12.6	11.8	11.4	11.2
Public authorities and society at large					
Suppliers*	5.9	5.7	5.6	5.7	5.5
Tax costs**	4.4	4.3	4.1	3.9	3.0
Fees for Swedish Resolution Fund, deposit guarantee, etc.	1.3	1.1	1.2	1.1	1.1
Government bank support received	-	-	-	-	-
Participation in government guarantee programmes	-	-	-	-	-
To society	11.6	11.1	10.9	10.7	9.6
Shareholders					
Dividends (refers to the year dividends were paid)	11.4	11.1	10.5	6.8	6.1
New share issue	-	-	-	-	-
Transactions with the shareholders	11.4	11.1	10.5	6.8	6.1
Reinvested economic value ("remaining in the Bank")	2.2	5.0	4.5	7.3	8.0

*Refers to Other administrative expenses and depreciation.
**Refers to Tax costs according to the income statement.

The table of created and delivered direct economic value 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 social development.

Facts: Employees

In a decentralised operation focusing on customers, it is crucial that every employee works according to clear common goals and values. A variety of key figures tells whether the organisation is healthy and employees are satisfied in their work.

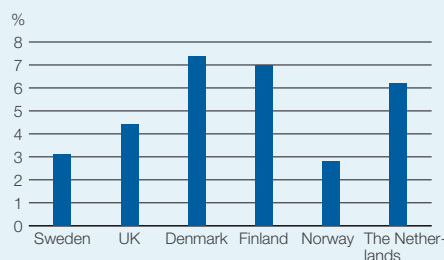
STAFF TURNOVER

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.

Outcome

External staff turnover for the six home markets was low, at 3.9 per cent (2.8) and 3.1 per cent (2.1) for Sweden. For the Group, it was 4.0 per cent (3.0).

Staff turnover 2016*



* Percentage of the number of employees in each home market. Proportion of employees who have left the Bank (excluding retirements and deaths) relative to the number of employees.

SICKNESS ABSENCE

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

Outcome

Absence due to sickness for staff in the Bank's six home markets was 2.6 per cent (2.5). For staff in Sweden, the rate was 3.2 per cent (3.0), of which 1.3 percentage points (1.2) referred to those on long-term sick leave.

Sickness absence by home market 2016

%	Men	Women	Total
Sweden	2.0	4.2	3.2
UK	0.8	1.4	1.0
Denmark	0.8	1.8	1.3
Finland	1.3	2.2	1.9
Norway	2.1	4.4	3.1
The Netherlands*			2.9
Total sickness absence	1.7	3.6	2.6
of which long-term absence	0.5	1.5	1.0

* 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 both permanent and temporary employees. 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 profit.

An attractive employer

Handelsbanken wishes to be an attractive employer which meets its employees' needs at 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 market 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.

Benefits and pensions

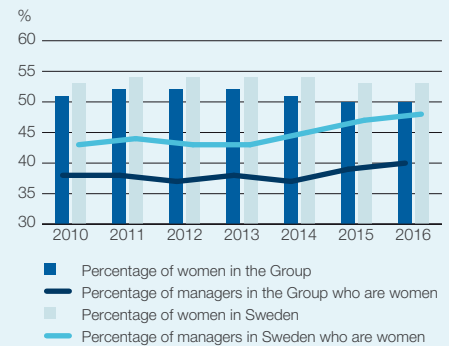
Handelsbanken offers various types of competitive benefits, for both permanent and temporary employees of the Group; these differ between the countries. In 2016, the proportion of permanent employees was 95 per cent (96).

Handelsbanken aims to make it easier for women and men to combine employment with parenthood. The Bank subsidises home and family services for employees in Sweden who have children under the age of 12. In addition to current social insurance regulations for parental leave, in most of its home markets Handelsbanken provides remuneration in accordance with local 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 have taken parental leave in 2016 in the Bank's home markets, 64 per cent (66) were women and 36 per cent (34) 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.

Proportion of women as managers 2016



Employees by form of employment 2016	Number	%	Men %	Women %
Regular employment				
Full-time	10 175	83	54	46
Part-time	1 526	12	16	84
Temporary employment	571	5	45	55
Group total	12 272			

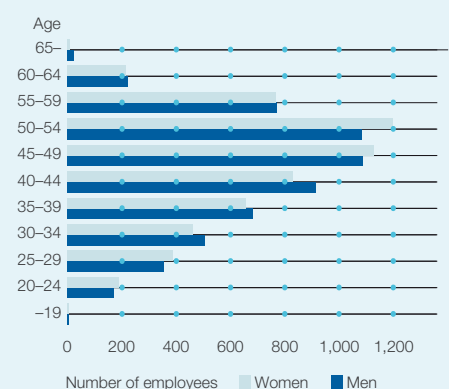
Average number of employees 2016	Number	%	Men %	Women %
Sweden	7 046	60	47	53
UK	2 069	18	59	41
Denmark	673	6	51	49
Finland	613	5	41	59
Norway	753	6	54	46
The Netherlands	218	2	69	31
Other countries	387	3	45	55
Group total	11 759		49.7	50.3

2016	New employees by home market, age group and gender		Staff turnover* by home market, age group and gender	
	Number	%**	Number	%**
Sweden	195	2.8	215	3.1
UK	216	10.2	94	4.4
Denmark	38	5.6	50	7.4
Finland	31	5.2	42	7.0
Norway	22	2.9	21	2.8
The Netherlands	51	19.6	16	6.2
Total number	553	4.9	438	3.9
men	< 30 yrs old	90	41	
	30-50 yrs	182	140	
	> 50 yrs	40	50	
women	< 30 yrs	82	38	
	30-50 yrs	125	126	
	> 50 yrs	34	43	

* 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.

Age and gender distribution 2016



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 pursues its operations must be competitive and adapted to legislation and regulations, in accordance with the conditions prevailing in each country.

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.

Convertibles aimed at the Bank's employees

On several occasions, Handelsbanken has offered its employees the opportunity to subscribe for convertible bonds. The convertible bond programmes offer new employees, as well as those who have been with the Bank a long time, a further opportunity to benefit from the value created jointly by the staff and to participate in the Bank's future development. Subscription for convertibles is entirely on market terms with no subsidy; the rate of participation in the Bank's convertible programmes has been high. More than 65 per cent participated in the most recent convertible bond programme, in 2014. In Sweden, the participation rate was more than 75 per cent.

Oktagonen – 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 employees outperform their peers in the rest of the sector. Every year but three since 1973, the Board has decided to allocate part of the Bank's profits to a profit-sharing scheme for employees. The funds are managed by the Oktagonen 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. All employees receive an equal part of the allocated amount, regardless of their position or work 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 Oktagonen.

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

For many years, the profit-sharing foundation has been one of the Bank's largest shareholders, and Oktagonen nominates two representatives for election to the Board of Handelsbanken. Since Oktagonen's board is made up of representatives from the employee organisations, 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 supports the right of all

employees to join a trade union or employee organisation. All employees in Denmark, Finland, Luxembourg, Norway, Sweden and Germany – comprising 78 per cent (80) 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 the Financial Sector Union of Sweden's local bodies 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.

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. In 2016, the Bank updated the process for major operational and organisational changes in the Group. As well as matters which are 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, Luxembourg, the Netherlands, Norway, Poland, the UK, Sweden and Germany.

Facts: Business ethics

Handelsbanken safeguards 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 for ethical standards, policy for management of conflicts of interest and policy against corruption as well as condensed versions of other policies in the Handelsbanken Group. In addition all guidelines adopted by Handelsbanken's Group Chief Executive are available on the Bank's website.

POLICY ON ETHICAL STANDARDS

The policy document regarding ethical standards is reviewed every year by the Board. The starting point here is any changes to the relevant legislation as well as changes in external expectations, the Bank's experience of regular internal work, and observations from the Bank's comprehensive internal control.

GUIDELINES FOR MANAGING TAXES

Handelsbanken's actions regarding taxes aim to be responsible, correct and transparent. The Bank

has co-ordinated management, governance and follow-up of tax-related issues. It continually monitors developments in the area of taxation in Sweden and internationally, particularly with reference to transparency and tax ethics.

At Handelsbanken, high ethical standards must be observed, as regulated in policy documents from the Board. The Bank must not participate in transactions or provide products that may be called into question in the light of prevailing tax legislation. In case of doubt, Handelsbanken must not participate.

POLICY FOR SUSTAINABILITY

During the year, 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 Groupwide policy and guidelines that serve as the framework for the Bank's measures against money laundering and financing of terrorism.

The function responsibility for working with measures against money laundering and financing of terrorism is held by a central department which must ensure that there is competency in and awareness of these areas throughout the Group. In addition, there are regional officers for this area in the countries where the Bank conducts banking operations.

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 2016, 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 through enhanced reporting of conflicts of interest. The policy includes details on the procedure for identifying and managing 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.

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

No verified corruption incidents were reported in 2016.

Handelsbanken's anti-corruption policy states that all Bank employees must complete a course on corruption, bribery and improper influence each year. This course will be launched in early 2017, and its implementation will be documented. The policy also applies to members

of Handelsbanken's Central Board and boards of subsidiaries who must complete specific parts of the course.

INTEGRITY AND CONFIDENTIALITY – INFORMATION SECURITY AND IT SECURITY

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 and IT security as well as its management of sensitive information is also governed by international and national legislation. The processing of personal data is subject to the provisions of the Swedish Personal Data Act and corresponding international legislation. The rules mean that private individuals are protected against their personal integrity being violated when personal data is processed. The regulations regarding bank confidentiality, whereby information about individuals' relations with the Bank must not be disclosed, are stated in the Swedish Banking and Financing Business Act and corresponding legislation in other countries.

In 2016, 11 complaints relating to customer integrity or poor management of customer data were reported, and all cases were managed with the parties involved.

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. In 2015, Handelsbanken was the first Nordic bank to become a 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.

Facts: Modern Slavery Act Statement

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. 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. This confidence is based on ethical conduct and taking responsibility for financial, social and environmental development that is sustainable in the long term. For this confidence to be maintained, there must be transparency in the Group's sustainability activities. Our work to prevent the occurrence of modern slavery and human trafficking in our supply chains and our Group is part of the Bank's broader efforts related to sustainability. This statement is part of Handelsbanken's Sustainability Report.

POLICIES, GUIDELINES AND ACTIONS TAKEN DURING THE 2016 FINANCIAL YEAR

Handelsbanken supports international initiatives and guidelines that aim to encourage and facilitate sustainable corporate management, for example, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Environment Programme Finance Initiative (UNEP FI), the UN Principles for Responsible Investment (PRI), and the International Labour Organization's core conventions. In 2016, Handelsbanken's Board of Directors adopted a policy for sustainability that applies throughout the Handelsbanken Group and encompasses all activities in relation to customers, suppliers and other business partners. The purpose of this policy is to establish the focus for Handelsbanken's work in the area of sustainability. It concerns Handelsbanken's approach to material topics, such as human rights and working conditions.

Human rights and working conditions

The Group's work to protect human rights and employees' rights is based on international guidelines. Handelsbanken supports the UN Guiding Principles on Business and Human Rights. Structured work to protect human rights is a natural part of the Group's operations, and Handelsbanken always strives for improvement in this area.

At Handelsbanken, we work to prevent and limit negative effects on human rights in our own operations, and we take action if such effects arise. In 2016, Handelsbanken continued to work to promote diversity and gender equality, to prevent discrimination, and to ensure good working conditions. Handelsbanken aims to continue to be a secure, attractive employer and a workplace where all employees enjoy good health and develop.

Recruitment

Internal recruitment and long-term employment are important to Handelsbanken, since our strong corporate culture and values are vital to our success. When Handelsbanken recruits new employees, we seek people who share the Bank's basic values. We aim to make the most of the employees' combined competency, and to broaden the recruitment base, in order to become, to an even greater extent, a Bank that reflects the community in which we operate.

Suppliers

Handelsbanken purchases goods and services from many different suppliers. The Group's purchases can be roughly divided into the following categories: property and premises, external IT costs, travel and marketing, purchased services, procurement of material, and other expenses. External IT and telecommunications are purchased centrally, while in the other categories purchases are mainly local. The Bank maintains a regular dialogue with suppliers, in which 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, the Bank introduced a code of conduct for major suppliers. The code defines the expectations we have on our suppliers and their sub-contractors. Most of the requirements 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. We see a positive link between the code of conduct and our relationships with suppliers as well as their direct impact on our 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.

Training

In 2016, an internal training programme in ethical standards and sustainability was developed, including a section on modern slavery and human trafficking. The training course will be rolled out for all employees in the Group in 2017.

Procedures

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

Facts: Equator Principles

As of mid-2016, Handelsbanken reports new project finance commitments pursuant to the Equator Principles. 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.

Facts: Environment

Systematic environmental work is under way at Handelsbanken to continually reduce the environmental impact of the Bank's operations. This is monitored using an array of key figures that show how the work is progressing.

SYSTEMATIC ENVIRONMENTAL WORK

To promote long-term sustainable development, Handelsbanken works to minimise the Bank's direct and indirect impact on the environment.

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

- Taking long-term sustainable business decisions in which environmental factors are taken 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.

Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Guidelines for Sustainable Development, the UN Environment Programme Finance Initiative (UNEP FI), the UN Global Compact, and the UN Principles for Responsible Investment (PRI).

ENERGY AND CARBON DIOXIDE

The Bank's direct impact derives mainly from energy consumption, business travel and trans-

Report pursuant to Equator Principles 2016*

Category	Project finance			Project-related corporate loans			Project finance advisory services
	A	B	C	A	B	C	
Sector							
Mining	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-
Oil and gas	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Region							
North and South America	-	-	-	-	-	-	-
Europe, Middle East and Africa	-	-	-	-	-	-	-
Asia and Oceania	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Designated country							
Designated country	-	-	-	-	-	-	-
Non-designated country	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Independent review							
Yes	-	-	-	-	-	-	-
No	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

* No project financing commitments have been carried out since joining.

port, and use of resources such as paper. We measure our material environmental impact in our six home markets. These markets represent more than 96 per cent of the Bank's total number of employees.

We are working to minimise the carbon dioxide emissions generated in our operations. For 2016, total carbon dioxide emissions from Handelsbanken's operations were 11,337 tonnes, down 15 per cent from 2015, mainly because the Bank increased the proportion of renewable electricity. Since 2012, the Bank has reduced its carbon dioxide emissions by 24 per cent.

The Bank's electricity consumption decreased by 3 per cent in 2016 compared with 2015. The proportion of renewable electricity is 100 per cent for Nordic operations and 96 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.

- A green collaboration agreement with the Bank's landlords means that one of the Bank's largest office buildings has now been certified according to the Swedish Green Building standard – Silver category.
- In 2016, the number of video conferences that can replace business travel was up by 50 per cent from 2015.
- An energy survey was carried out by the business operations during the year with the purpose of identifying measures to reduce energy consumption. The results of this survey are expected in 2017 and will serve as the foundation for activities to enhance energy efficiency.
- By improving processes in the Bank's digital platforms, we have reduced the number of paper

communications to customers in Sweden by 10 per cent. Work to further reduce the number of paper communications will continue in 2017.

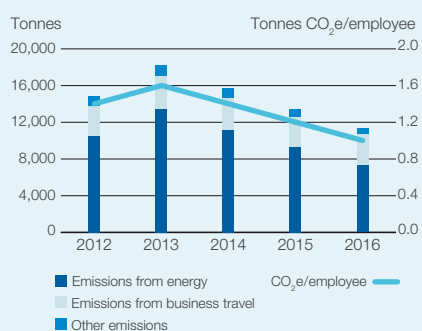
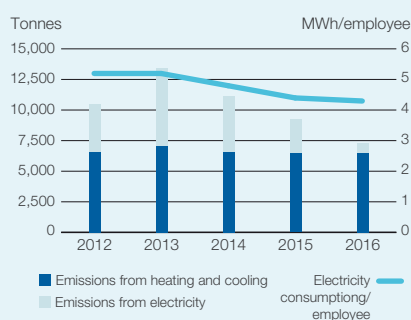
Measures to reduce the Bank's environmental impact

To reduce the Bank's environmental impact, the following initiatives are planned over 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. The aim of this is that all parts of the organisation should be able to contribute effectively to reducing energy consumption, for example.
- 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 and internal meetings via Skype.
- Further develop the Group's digital services for customers, via computers, smart phones and tablet devices, and for branches and internal units in order to reduce paper consumption.
- Continued system development to be able to measure more exactly our use of resources and direct environmental impact.

Climate compensation

Handelsbanken compensates for carbon dioxide emissions currently related to business travel in the Bank's six home markets. The Bank compensates through CDM projects (Clean Development Mechanism), which are UN-registered projects with verified climate benefits. The projects are certified according to the Gold Standard, which is endorsed by more than 80 NGOs and which ensures that the projects contribute to long-term sustainable development.

Total CO₂e emissionsCO₂e emissions from energy consumption

Handelsbanken's indirect environmental impact

By joining the UN Global Compact, Handelsbanken has undertaken to describe how the Bank works in areas such as the environment. In addition to the Bank's own consumption of resources, this mainly concerns the indirect environmental impact via lending, asset management and agreements with suppliers.

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. Within the framework of Scope 3, emissions linked with business travel, transport and use of paper are reported.

ENVIRONMENTAL DATA

General information	Unit	2016	2015	2014	2013	2012
Number of branches reporting		809	827	815	791	742
Total office space reported	m ²	457 017	455 176	459 422	458 071	451 199
No. of employees covered by environmental data	persons	11 373	11 407	11 271	11 070	10 629
Proportion of total number of employees	%	97	97	96	96	96
Emissions of greenhouse gases (CO₂e)						
		2016	2015	2014	2013	2012
Emissions Scope 1 ¹	tonnes	51	27	28	47	41
Emissions Scope 2 ²	tonnes	7 299	9 300	11 134	13 415	10 507
<i>Emissions Scope 2 without GO electricity</i>	tonnes	25 352	23 872	25 564	34 197	21 555
Emissions Scope 3 ³	tonnes	3 988	4 065	4 570	4 795	4 324
Total emissions	tonnes	11 337	13 393	15 731	18 257	14 872
Total emissions per employee	tonnes/employee	1.00	1.17	1.40	1.65	1.40
Emissions of greenhouse gases by source (CO₂e)						
		2016	2015	2014	2013	2012
Emissions from energy use (in buildings)	tonnes	7 342	9 321	11 155	13 458	10 544
Emissions from business travel	tonnes	3 371	3 263	3 485	3 577	3 179
Emissions from other sources	tonnes	623	809	1 091	1 222	1 149
Emissions by country (CO₂e)						
		2016	2015	2014	2013	2012
Sweden	tonnes	4 646	4 632	5 709	7 791	7 043
UK	tonnes	3 615	5 686	5 641	4 923	3 838
Denmark	tonnes	676	719	988	1 948	1 459
Finland	tonnes	671	689	1 380	1 714	1 349
Norway	tonnes	1 157	1 182	1 635	1 564	1 281
The Netherlands	tonnes	572	485	461	396	0
Energy consumption						
		2016	2015	2014	2013	2012
Total energy consumption (in buildings)	MWh	105 877	107 221	111 912	121 690	119 897
Electricity consumption	MWh	48 070	49 574	52 646	56 470	54 630
Change in electricity consumption from preceding year	%	-3.0	-5.8	-7.0	3.0	
Proportion renewable electricity ⁴	%	96	87	73	73	77
Total electricity consumption per employee ⁵	MWh/employee	4.2	4.3	4.7	5.1	5.1
Use of heating and cooling	MWh	57 806	57 647	59 266	65 220	64 117
Business travel						
		2016	2015	2014	2013	2012
Total business travel	km	27 887 052	28 491 679	29 382 275	29 871 914	28 623 525
Business travel per employee	km/employee	2 452	2 498	2 607	2 698	2 693
Travel by air	km	18 202 419	17 652 882	17 972 447	18 758 302	17 917 599
Travel by car	km	7 080 995	7 163 074	7 452 892	7 203 086	7 038 075
Travel by train	km	2 603 638	3 675 722	3 956 936	3 910 526	3 667 851
Resource efficiency						
		2016	2015	2014	2013	2012
Paper use	tonnes	1 661	1 479	1 454	1 615	1 515
Paper use per employee	tonnes/employee	0.15	0.13	0.13	0.15	0.14

¹ Scope 1 – Direct emissions from stationary combustion of diesel, city gas and Eo1.

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

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

⁴ Refers to electricity from wind power and hydroelectric power.

⁵ Number of employees according to the definition reported in the annual report/no. of full-time employees.

Initiatives, awards, surveys and sustainability indexes

As an institution in the business world, Handelsbanken participates in numerous initiatives in order to demonstrate our commitment and contribute through various efforts in line with our operations as well as for the important exchange with representatives from different spheres of society.

INITIATIVES

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, include human rights, labour laws, the environment and anti-corruption.

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.

PRI

Signatory of:



UN PRI (United Nations-backed Principles for Responsible Investment) was launched in 2006. It is a network of investors and service providers that work together with the UN to implement principles for responsible investment. Its aim is to promote responsible actions 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. In total, some 1,450 capital owners, asset managers and other stakeholders – managing almost USD 70 billion in all – have become signatories.

UNEP FI



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 aspects can be integrated into financial decisions. Handelsbanken has been a member of UNEP FI since the mid-1990s.

GDP



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, of which Handelsbanken has been one since 2015.

Equator Principles



In 2016, Handelsbanken adopted the Equator Principles.

The Principles are 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 is run by a secretariat of more than 80 members representing financial institutions from 36 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.

ECPAT



In 2009, Handelsbanken, together with the Swedish Bankers' Association, started co-operating with ECPAT Sweden. Since 2015, the Bank has intensified its collaboration with ECPAT. 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, in order to contribute to our stance against commercial sexual exploitation of children.

ECPAT Sweden is a 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.

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, a unique co-operation has been developed between 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 its spread.

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 provoke discussions about children's rights. The forum brings together leaders from the business community, civil society, academia and government in order to spur action for social change around children's rights.

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 its sustainability activities.

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 2016, 197 grants (169) were awarded for a total of SEK 188 million (180).

At the end of 2016, the foundations' combined capital totalled some SEK 6,901 million (6,051).

Handelsbanken has also funded a professorial chair in accounting at the Stockholm School of Economics and contributed to the Institute for Financial Research (SIFR) and 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 that 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, as well as employees and managers from branches and internal units.

Handelsbanken's Student Programme

Handelsbanken in Sweden offers students from upper secondary school who plan to study at university 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 studies for development 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.

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 fourth time in five years. One of Handelsbanken's success factors highlighted by the voting of magazine readers and the jury was the way in which it focuses on its customers.

Britain's most admired companies 2016



In the UK, Handelsbanken was the most admired company in 2016 in the "Banking" category, according to a survey by Management Today magazine. The survey involved companies rating the various characteristics of their competitors, including the quality of administration, financial position and inspirational leadership. Handelsbanken's decentralised and customer-focused business model was highlighted as being the key to the Bank's success.

Best for Private Banking 2016 – Privata affärer

Handelsbanken in Sweden was ranked No.1 in the annual review of private banking offerings conducted by Privata affärer magazine. The review involved a number of test persons making 135 visits to the banks being evaluated. One of the reasons why Handelsbanken received the award was that test persons perceived the meetings with the Bank to be of high quality.

International Banker

In 2016, Handelsbanken was acclaimed "Best Customer Service Provider of the Year Western Europe" by International Banker magazine for the second consecutive year. When announcing the award, International Banker highlighted Handelsbanken's decentralised business model, the continuing strength of our profits, and our focus on customer service. International Banker is one of the most renowned international periodicals in the fields of economics, banking and finance. International Banker presents its awards to banks all over the world – banks that are at the very forefront of the sector.

ServiceScore 2016

For the fifth year in succession, Handelsbanken has been awarded the prize for best service among banks in Sweden, according to the ServiceScore survey. In 2016, Handelsbanken also received a prize for best service in the financial services category. ServiceScore is based on the opinions of more than 3,400 people, where 178 Swedish companies, public authorities and organisations are assessed in terms of the level of service that customers consider they receive, based on their expectations.

Sweden's Small Enterprise Bank 2016

For the fifth consecutive year, Handelsbanken was acclaimed Small Enterprise Bank of the Year in Sweden by companies with between one and nine employees in Finansbarometer's annual survey. In the survey, the Bank achieved the highest rating in the categories of customer satisfaction, service and customer treatment, range of products and services and quality of advisory services. Handelsbanken received the award for sticking to its model of having a local presence, something which is appreciated by customers.

Business Bank of the Year 2016

For the sixth year running, Handelsbanken was voted Business Bank of the Year by nearly 1,000 of Sweden's largest companies in the annual Finansbarometer survey. Eastbrook – the research company that conducts the survey – noted: "It is clear that Handelsbanken's unique method of meeting its customers still works well. Companies appreciate the local presence and the personal relationships that Handelsbanken offers at its branches."

SURVEYS

Business Banking Insight Survey

BUSINESS BANKING INSIGHT For the second year running, Handelsbanken was rated the best bank in the UK for small and medium-sized companies. This was the result of a survey carried out by The British Chambers of Commerce and The Federation of Small Businesses.

Handelsbanken earned excellent marks in all 12 categories in the survey and earned the highest score, 10 out of a possible 10, for the Bank's personal service.

The overall results showed that Handelsbanken's customers were significantly more likely to recommend their bank compared to other banks. More than seven of 10 companies surveyed were very willing to recommend Handelsbanken to others, putting the Bank in a class by itself: among customers of the bank ranked second, fewer than half were willing to recommend their bank.

European Bank Quality Ratings

 According to the "European Bank Quality Ratings" report, published by the Lafferty Group research company at the beginning of December 2016, Handelsbanken has the best culture and business strategy for sustainable commercial success. In its comparison of 100 European banks, no other bank received a higher rating than Handelsbanken. The Lafferty Group has 30 years of experience in delivering information and business intelligence to international banks and aims to identify the key factors contributing to a bank's long-term success.

Global Finance

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

Satisfied customers



In 2016, 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. SKI (Swedish Quality Index) compiles, analyses and distributes information about customers' expectations, perceived quality and evaluation of goods and services. SKI is related to the Swedish Institute for Quality (SIQ) and the international organisation EPSI Rating Group (European Performance Satisfaction Index), which conducts comparable 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



SUSTAINABLE BRAND INDEX

The 2016 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 assess the sustainability of a brand.

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

The Sustainability Yearbook 2017

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 score between 0 and 100, resulting in a ranking of all companies in each sector. Handelsbanken received a total score of 85.

TNS Sifo Reputation Index 2016

KANTAR SIFO Handelsbanken is among the 10 companies in Sweden with the best reputation according to the 2016 survey by TNS 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 their expectations of various companies and how well the companies meet these.

Universum Business students



According to Corporate Barometer 2016 – a survey carried out by Universum, an employer branding consultancy – Handelsbanken was the top bank and fifth overall among a total of 200 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 2016 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 23rd out of a total of 188 companies.

Among professional IT graduates, Handelsbanken placed 65th in a total of 120 companies.

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

SUSTAINABILITY INDEXES

Handelsbanken is scrutinised and assessed by both customers and financial market players. The outcome, and the assessment of the Bank as a result of this, shows how well Handelsbanken lives up to their expectations.

ECPI



Since the end of the 1990s, ECPI has 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 Ethibel provides the financial market with information on various companies and their sustainability activities. Its analyses are carried out by the Vigeo research company, and based on these results, Ethibel creates a universe that forms a platform for sustainability products and responsible investments. The Svenska Handelsbanken class A share has been included in the Ethibel Excellence Investment Register since 2004 and is also included in the ESI Excellence index, which is based on this universe.

FTSE4Good



Handelsbanken has been selected for the international FTSE4Good Index 2016. The

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

OMX GES Sustainability



Together with the GES Investment Services



research company, the Nasdaq Stockholm stock exchange has launched a

number of sustainability indexes that provide investors with a universe of companies that fulfil sustainability requirements. Handelsbanken has qualified for the OMX GES Sustainability Sweden index as well as the OMX GES Sustainability Nordic index.

SIX Sweden SRI Index

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 con-

cepts 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 an analysis-based advisor for institutional investors in Sweden, other Nordic countries, Europe and the US.

STOXX Global ESG Leaders



Handelsbanken is 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 issues. 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.

Content and restrictions

Since 2009, Handelsbanken has reported relevant figures regarding its work with sustainability in accordance with guidelines from the Global Reporting Initiative (GRI). The aim of the report is for our stakeholders to be able to find out about our work in a simple manner, gaining a good understanding of the Bank's performance.

DATA COLLECTION AND LIMITATIONS

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.

The Report has certain limitations regarding labour practices and environmental data (LA and EN). Some HR information refers to the Swedish operations only or the Bank's home markets, while other information is for the Group as a whole. Environmental data refers to operations in the Bank's home markets. Any limitations are shown in the report. No major corrections or amendments to previous information provided in previous years' sustainability reports have been made in this report.

THE WORK OF DEFINING CONTENT

In 2016, Handelsbanken reviewed the materiality analysis that had resulted from the process of defining the Bank's most material sustainability topics.

In addition to the dialogues that Handelsbanken constantly maintains with stakeholders,

during the year the Bank also carried out a more detailed dialogue with representatives from the Bank's main stakeholder groups. 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.

This year, the dialogue was carried out with stakeholders in the Bank's home markets outside Sweden. The dialogue again confirmed the view that Handelsbanken has had of sustainability for many years.

The topics that the groups considered most important comprise Handelsbanken's material sustainability topics which we describe in detail in this report. To be able to report what is relevant and material, Handelsbanken applies the GRI Financial Services Sector Supplement (FSSS). We provide information on aspects additional to the most material topics, because the Bank is aware that there is general interest in a variety of sustainability issues.

Read more about the materiality analysis on page 40. The results of the materiality analysis are presented on pages 6–7.

Standard disclosures		
Governance and indicators: Economic performance (EC)	Governance and indicators: Environmental performance (EN)	Governance and indicators: Social performance (LA, HR, SO, PR)
Sector supplement: FINANCIAL SERVICE SECTOR SUPPLEMENT (FSSS)		

Index according to the Global Reporting Initiative (GRI)

Handelsbanken reports its sustainability activities in accordance with the Global Reporting Initiative (GRI) G4 guidelines. The Sustainability Report meets the information requirements of the “Core” level and this has been confirmed by the Bank’s external auditors. Handelsbanken reports the Group’s sustainability activities annually. This year’s Sustainability Report is Handelsbanken’s

seventh in accordance with the GRI and relates to the 2016 calendar year. The previous report was submitted in February 2016 and related to the 2015 calendar year. The table below contains the indicators deemed relevant to Handelsbanken’s operations including indicators from the GRI Financial Services Sector Supplement (FSSS).

CONTACT

For questions or comments on this report, or on the Bank’s sustainability activities, please e-mail Handelsbanken’s Head of Sustainability at sustainability@handelsbanken.se.

STANDARD DISCLOSURES		PAGE SR ¹	PAGE AR ²	EXTERNAL ASSURANCE
Strategy and analysis				
G4-1	Comments from the Group Chief Executive	2-3	4-5	•
Organisational profile				
G4-3	Name of the organisation	1	3	•
G4-4	Primary brands, products and services	Inside	Inside cover	•
G4-5	Location of headquarter	Back cover	208	•
G4-6	Countries of operation	Inside	210-217	•
G4-7	Ownership and legal form	36	42-43	•
G4-8	Markets served	Inside	28-41	•
G4-9	Scale of the organisation	Inside, 1	24	•
G4-10	Total number of employees	Inside, 43	110	•
G4-11	Percentage of total employees covered by collective bargaining agreements	44		•
G4-12	Supply chain	40, 45	173	•
G4-13	Significant changes during the reporting period	2-3, 52		•
G4-14	Implementation of the precautionary principle	Handelsbanken applies the precautionary principle in accordance with Global Compact and Swedish legislation		•
G4-15	External charters, principles or initiatives	1, 3, 7, 14-15, 21, 23-25, 32, 40, 45-46, 48-49		•
G4-16	Membership of associations	48-49		•
Identified material aspects and boundaries				
G4-17	Entities included or alternatively excluded	52	145	•
G4-18	Process for defining report content	6, 40, 52		•
G4-19	Identified material aspects	6-7, 40		•
G4-20	Aspect boundary within the organisation	6, 40		•
G4-21	Aspect boundary outside the organisation	6, 40		•
G4-22	Explanation of the effect of any re-statements of information provided in earlier reports	52		•
G4-23	Significant changes of scope or boundaries compared with previous annual reports	52		•
Stakeholder engagement				
G4-24	Stakeholder groups	39-40		•
G4-25	Identification and selection of stakeholders	39		•
G4-26	Approach to stakeholder engagement	39-40		•
G4-27	Key topics raised through stakeholder dialogue and how the organisation has responded	6-7, 39-40		•
Report profile				
G4-28	Reporting period	53		•
G4-29	Most recent previous report	53		•
G4-30	Reporting cycle	53		•
G4-31	Contact point for the report	53		•
G4-32	“In accordance” option, GRI Content Index, External Assurance Report	53-55		•
G4-33	Policy and practice for external assurance	1, 56		•
Governance				
G4-34	Governance structure	32, 34, 41	48-50	•
Ethics and integrity				
G4-56	Values, principles, standards, codes of conduct or ethics	15, 21, 32-33, 41, 44	55-57	•

¹ SR Refers to the Sustainability Report 2016.

² AR Refers to the Annual Report 2016.

SPECIFIC STANDARD DISCLOSURES

MATERIAL ASPECTS	DISCLOSURE OF MANAGEMENT APPROACH AND INDICATORS	PAGE SR ¹	PAGE AR ²	OMISSIONS/ COMMENTS	EXTERNAL ASSURANCE
Financial aspects					
ECONOMIC RESULTS	G4-DMA Management of material aspects	4-5, 6-7, 18-19, 20, 35-37, 41-42	10-11		•
<i>Handelsbanken's material topics:</i> • Financial stability and profitability • Creating shareholder value • The Bank should not be a burden on society • Salaries and remuneration • The Bank as a taxpayer	G4-EC1 Direct economic value generated and distributed	19, 42			•
	G4-EC3 Coverage of the defined benefit plan obligations		191		•
	G4-EC4 Financial assistance received from government	6-7, 18-19			•
	MARKET PRESENCE	G4-DMA Management of material aspects	4-5, 6-7, 41		
<i>Handelsbanken's material topics:</i> • Local presence	G4-EC6 Proportion of senior management hired from the local community	28-29			•
	INDIRECT ECONOMIC EFFECTS	G4-DMA Management of material aspects	4-5, 6-7, 13		•
<i>Handelsbanken's material topics:</i> • Local presence	G4-EC7 Development and impact of infrastructure investments and services supported	14, 16, 17			•
	G4-EC8 Significant indirect economic impacts, including the extent of impacts	18-19, 42			•
Environment					
EMISSIONS*	G4-DMA Management of material aspects	6-7, 14, 20-25, 40, 46-47			•
	G4-EN3 Direct and indirect energy use by primary energy source	46-47			•
	G4-EN15 Total amount of direct greenhouse gas emissions (Scope 1)	47			•
	G4-EN16 Total amount of indirect greenhouse gas emissions (Scope 2)	47			•
	G4-EN17 Other relevant indirect greenhouse gas emissions (Scope 3)	47			•
Social					
<i>Labour practices and decent work</i>					
EMPLOYMENT	G4-DMA Management of material aspects	4-5, 6-7, 27-31, 39, 43-44			•
<i>Handelsbanken's material topics:</i> • Salaries and remuneration • Responsible employer	G4-LA1 New employees and employee turnover, by age group, gender and region	43			•
	G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	43-44		Handelsbanken does not consider it relevant to report the situation in the different countries, as only 5 per cent of the Bank's employees are temporarily employed.	•
	LABOUR/MANAGEMENT RELATIONS	G4-DMA Management of material aspects	4-5, 6-7, 44		•
<i>Handelsbanken's material topics:</i> • Working conditions and union rights • Employee commitment	G4-LA4 Minimum notice periods regarding operational changes and whether these are specified in collective agreements	44		All collective bargaining agreements regulate notice periods, though these differ depending on the agreement and market.	•
	OCCUPATIONAL HEALTH AND SAFETY	G4-DMA Management of material aspects	4-5, 6-7, 30, 43-44		•
<i>Handelsbanken's material topics:</i> • Work environment and health	G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees	30, 44			•
	G4-LA8 Health and safety topics covered in formal agreements with trade unions	30, 44			•
TRAINING AND EDUCATION	G4-DMA Management of material aspects	6-7, 28, 31			•
<i>Handelsbanken's material topics:</i> • Responsible employer • Leadership and development • Employee commitment	G4-LA10 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	28			•
	G4-LA11 Percentage of employees receiving regular performance and career development reviews	28			•
GENDER EQUALITY AND DIVERSITY	G4-DMA Management of material aspects	6-7, 29-31, 39-40, 41, 43, 45			•
<i>Handelsbanken's material topics:</i> • Gender equality and diversity	G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	29, 43	60-63	Handelsbanken currently reports by gender and age.	•

* The materiality analysis did not identify environmental impact among Handelsbanken's most material sustainability topics, but with regard to the importance of climate issues both locally and globally, we have opted to include in the GRI Index a selected number of indicators showing our performance within this area.

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² AR Refers to the Annual Report 2016.

MATERIAL ASPECTS	DISCLOSURE OF MANAGEMENT APPROACH AND INDICATORS	PAGE SR ¹	PAGE AR ²	OMISSIONS/ COMMENTS	EXTERNAL ASSURANCE
Human rights					
INVESTMENT	G4-DMA Management of material aspects	4-5, 6-7, 20-25, 45, 46			•
<i>Handelsbanken's material topics:</i> • Responsible credits	G4-HR1 Number and percentage of significant investment agreements that include human rights clauses or that underwent human rights screening	20-21, 46			•
NON-DISCRIMINATION	G4-DMA Sustainability management of material aspects	6-7, 28-30, 45			•
<i>Handelsbanken's material topics:</i> • Satisfied customers • Gender equality and diversity	G4-HR3 Total number of incidents of discrimination and actions taken	29			•
Society					
LOCAL COMMUNITIES	G4-DMA Management of material aspects	4-5, 6-7, 10-13, 16-17			•
<i>Handelsbanken's material topics:</i> • High availability • Local presence	G4-SO1 Operations with implemented local community engagement, impact assessments, and development programmes	11-12, 13, 16			•
	FS13 Access points in low-populated or economically disadvantaged areas	11-13			•
	FS14 Initiatives to improve access to financial services for disadvantaged people	13			•
ANTI-CORRUPTION	G4-DMA Management of material aspects	6-7, 32-34, 41, 44-45			•
<i>Handelsbanken's material topics:</i> • Business culture • Anti-corruption and bribery • Counteract crime	G4-SO3 Number and percentage of operations assessed for risks related to corruption	34, 44			•
	G4-SO4 Communication and training on anti-corruption policies and procedures	34, 44			•
	G4-SO5 Confirmed incidents of corruption and actions taken	No confirmed incidents of corruption occurred in 2016			•
COMPLIANCE	G4-DMA Management of material aspects	6-7, 32-34, 41, 44-45			•
<i>Handelsbanken's material topics:</i> • Counteract crime	G4-SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with current laws and regulations	No significant incidents in 2016			•
Product responsibility					
PRODUCT AND SERVICE LABELLING	G4-DMA Management of material aspects	6-7, 12, 20, 23, 25, 33			•
<i>Handelsbanken's material topics:</i> • Satisfied customers • Responsible sales and advisory services	G4-PR3 Type of product information required by procedures for product and service information and labelling, and percentage of products subject to such information requirements	12			•
	G4-PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling	No significant incidents in 2016			•
	G4-PR5 Results of surveys measuring customer satisfaction	10-11, 49-50			•
CUSTOMER PRIVACY	G4-DMA Management of material aspects	6-7, 12, 32-33, 41, 45			•
<i>Handelsbanken's material topics:</i> • Integrity and confidentiality	G4-PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	45			•
COMPLIANCE	G4-DMA Sustainability management of material aspects	6-7, 12, 20			•
<i>Handelsbanken's material topics:</i> • Responsible sales and advisory services	G4-PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	No significant incidents in 2016			•
PRODUCT PORTFOLIO	G4-DMA Management of material aspects	6-7, 20-25, 45, 46			•
<i>Handelsbanken's material topics:</i> • Responsible credits • Responsible investments	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	21, 25			•
MONITORING CREDITS AND INVESTMENTS (FS)	G4-DMA Management of material aspects (FS)	6-7, 20-25, 45-46			•
<i>Handelsbanken's material topics:</i> • Responsible credits • Responsible investments					
ACTIVE OWNERSHIP	G4-DMA Management of material aspects	6-7, 22-25			•
<i>Handelsbanken's material topics:</i> • Responsible investments	FS10 Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	24			•
	FS11 Percentage of assets subject to positive and negative environmental or social screening	1, 23-25			•

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² AR Refers to the Annual Report 2016.

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

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

To Svenska Handelsbanken AB (publ)

INTRODUCTION

We have been engaged by the executive management of Svenska Handelsbanken AB (publ) to undertake a limited assurance engagement of Handelsbanken's Sustainability Report for the year 2016.

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

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 1 in the Sustainability Report, that are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) 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.

We conducted our limited assurance engagement in accordance with 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. The procedures performed in a limited assurance engagement 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. Consequently, the procedures performed 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 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 conclusion below.

CONCLUSION

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.

Stockholm, 16 February 2017

KPMG AB

Anders Bäckström
Authorised Public
Accountant

Torbjörn Westman
Expert Member of FAR

