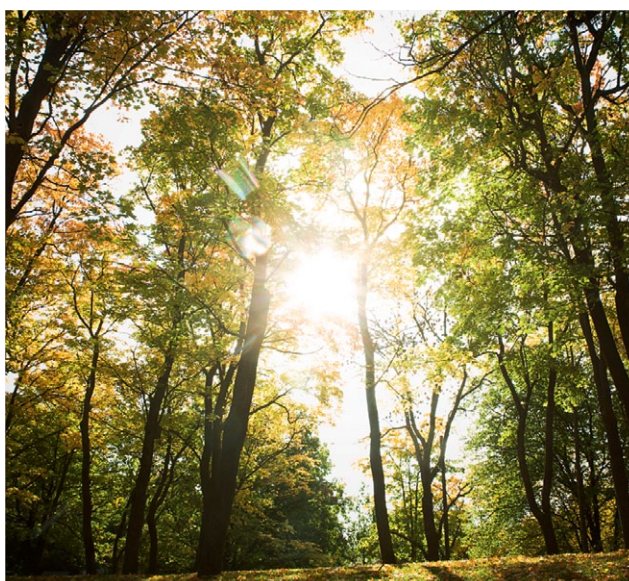


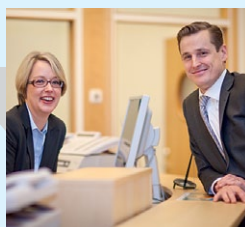
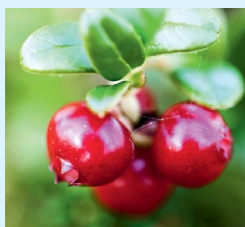
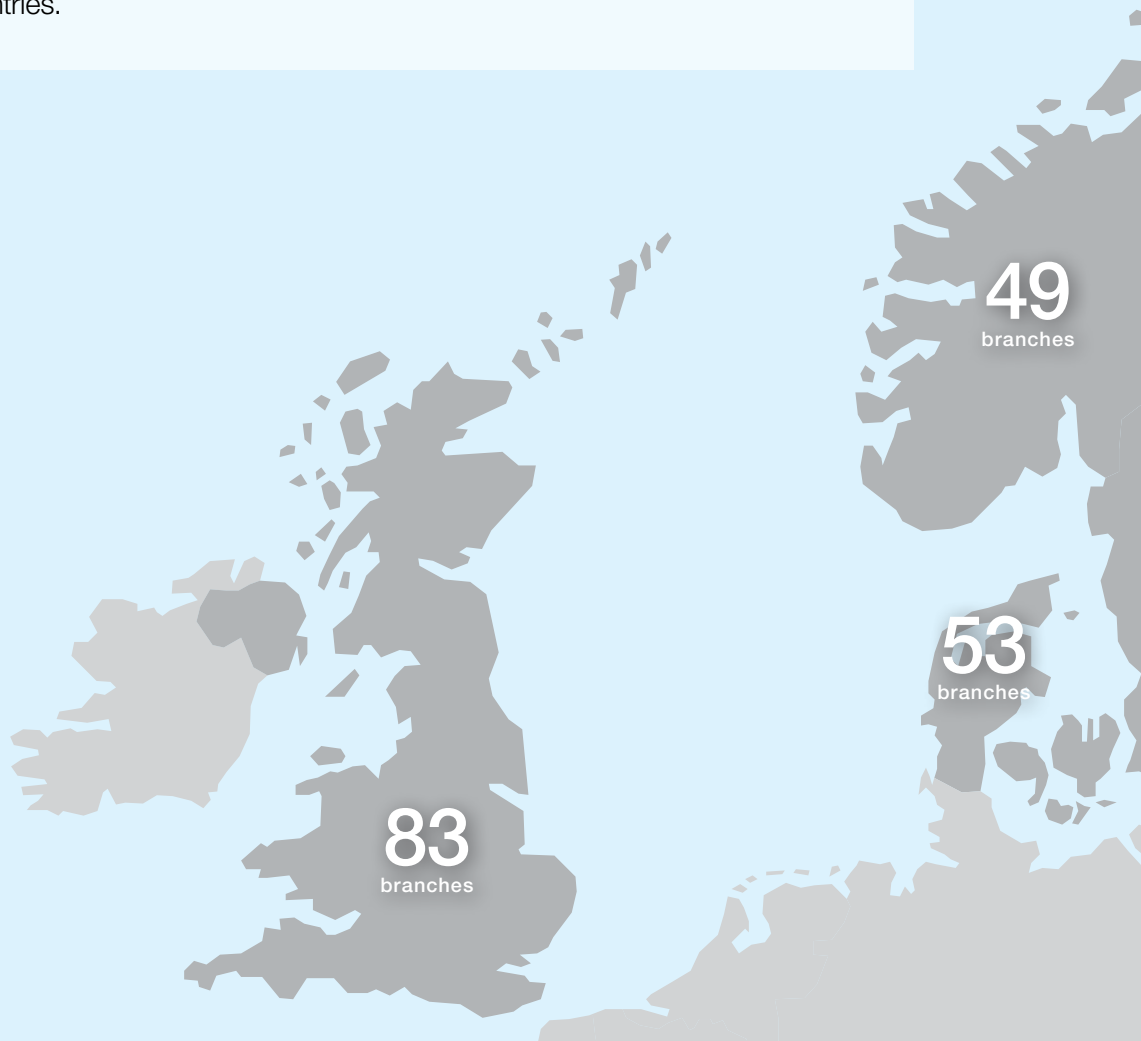
# 2010

## Sustainability report



# Handelsbanken in brief

Handelsbanken has been conducting banking operations since 1871 and has the oldest listed share on the Stockholm stock exchange. We are a full-service bank with a strictly decentralised way of working and a strong local presence due to nationwide branch networks on our five home markets: Sweden, Great Britain, Denmark, Norway and Finland. Handelsbanken has almost 11,000 employees, working in 22 countries.



Svenska Handelsbanken AB (publ)  
Corporate identity no: 502007-7862  
Registered office: Stockholm  
[www.handelsbanken.com](http://www.handelsbanken.com)

This Sustainability Report is also available in Swedish.

461  
branches

45  
branches

Handelsbanken Group	2010	2009
Profit before loan losses, SEK m	16 278	17 115
Net loan losses, SEK m	-1 507	-3 392
Operating profit, SEK m	14 770	13 727
Return on equity total operations	12.9%	12.6%
Loan loss ratio	0.10%	0.21%
Loans to the public, SEK billion	1 482	1 477
Average number of employees	10 850	10 821
No. of branches in Sweden	461	461
No. of branches in rest of Nordic region	147	146
No. of branches in the UK	83	62
No. of branches outside home markets	32	35

Rating 31 Dec 2010	Long-term	Short-term	Financial strength
Standard & Poor's	AA-	A-1+	
Fitch	AA-	F1+	
Moody's	Aa2	P-1	C+
DBRS	AA (low)		

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## ABOUT THIS REPORT

Handelsbanken's first sustainability report covers activities and results during the 2009/2010 calendar years. The report describes how the Bank works with its most important sustainability issues, in relation to the main stakeholders. It has been prepared in accordance with Global Reporting Initiatives' (GRI) reporting guidelines. On page 24 we describe how Handelsbanken has worked with the guidelines to produce this report, as well as the limitations. In Handelsbanken's assessment, the report fulfils level C. There is a comprehensive index according to GRI principles on pages 25-27. This report constitutes Handelsbanken's Communication on Progress to Global Compact.



# What is sustainability for Handelsbanken?

For Handelsbanken, sustainability means meeting customers' needs for financial products and services in a responsible manner, providing its shareholders with a strong return, and being a good employer and market player, making a positive contribution to the community and its development.

## DEFINITION

In addition to its financial goal of having higher profitability than its competitors, Handelsbanken aims to act in a socially responsible manner. It is therefore natural for the Bank to work with the questions of sustainability that often come within the concept of Corporate Social Responsibility (CSR). For Handelsbanken, Corporate Social Responsibility is a voluntary responsibility for how the Bank's operations affect the community from an economic, social, ethical and environmental perspective.

## A LONG TRADITION OF SUSTAINABILITY WORK

Sustainability has long been an integrated part of the Handelsbanken concept of how successful banking operations should be run. Dating back to 1900, the then management of the Bank looked after the employees' interests over and above the legally stipulated requirements, for example in terms of the staff's pension terms and entitlement to paid annual leave. In the early 1970s, Handelsbanken was a pioneer in giving seats on the company's board to employee representatives – in their capacity as shareholders – by allocating part of the Bank's annual surplus to the staff-owned profit-sharing foundation, Oktogonen.

## OUR OBJECTIVE

How a company communicates information about its sustainability activities is important, but even more vital is how it acts in its day-to-day work. The objective of Handelsbanken's sustainability work is to act responsibly and to run a sustainable operation. To follow up the sustainability work, we must identify relevant and measurable indicators for how the Bank's sustainability activities perform over time, and compare them with those of peer companies with similar conditions. This work is carried out through our own analyses of the Bank's impact, and in discussion with external stakeholders.

## OUR ANALYSIS OF THE IMPACT OF OUR OPERATIONS

Taking responsibility is a vital element of a successful and sustainable banking operation. Handelsbanken has great financial responsibility for the funds that it is entrusted to manage. In addition, in the Bank's view, it has a responsibility for the environment – for acting socially and ethically in relation to all its stakeholders.

Different sectors have larger or smaller impacts within the various areas of responsibility. A bank's direct environmental impact is fairly limited, even though Handelsbanken endeavours to minimise the carbon dioxide emissions, etc. generated by our operations. External analysts often highlight banks' indirect environmental

impact, i.e. their ability to influence customers' actions in environmental matters, etc. when credit is granted. In Handelsbanken's assessment, however, the Bank's ability to influence customers' actions is normally relatively limited. The bank also performs a separate environmental review when granting credits.

In general, banks have heavy exposure to social risks. Therefore, a bank has greater opportunities to make a difference when it comes to social and civic responsibility, particularly in its role as a lender. A loan loss often conceals a personal tragedy for a customer. Therefore, it is important that the Bank's lending is responsible, based on a close assessment of the customer's repayment capacity. A weak repayment capacity can never be accepted with the argument that the customer is prepared to pay a high interest rate. The aim of short-term profits for the Bank must take second place to what can be considered sustainable in the long term. That is one reason why Handelsbanken does not apply performance- or volume-based bonuses, or other forms of variable compensation, in its traditional banking operations.

Handelsbanken takes responsibility by managing risks in such a way that as few customers as possible have difficulties in making payments, and we can therefore remain a bank with stable finances that makes a positive contribution to its customers, its shareholders, and the community in general.

## SUSTAINABILITY FOR A BANK

The recent global financial crisis has made it clear that, for a bank, the most fundamental criterion for sustainability is survival. A bank must be run in such a way that it is always able to fund its operations, so that it can survive unaided. This means that a bank's top priority must be to maintain the confidence of its customers, its bond investors, the supervisory authorities and its shareholders. Such confidence is based on the assumption that the bank's operations are sound. It is therefore vital that corporate social responsibility is an integral part of all Handelsbanken's operations.

## SUSTAINABILITY – A COMPETITIVE ADVANTAGE

In a time of financial turbulence, it has become even clearer that banks which have acted responsibly have a competitive edge, for example in terms of their ability to fund themselves on the international market, and the terms they receive when doing so.

Private customers, too, attach great importance to the fact that a bank has acted responsibly. During the recent financial crisis, having funds on an account with a secure bank came to be seen as an increasingly attractive option.

# Corporate social responsibility – part of our corporate culture

Sustainability and corporate social responsibility (CSR) are deeply rooted in Handelsbanken's culture and method of working. Indeed, for several years we have reported on these issues in our annual report and on our website.

In addition to our internal steering documents and guidelines that govern Handelsbanken's actions, in 2009, we decided to become a member of the voluntary initiatives Global Compact and Principles of Responsible Investment (PRI), which are both UN initiatives aimed at companies. The principles in these initiatives are totally in keeping with the values and principles that already apply at Handelsbanken.

In recent years, there has been a growing interest in issues related to CSR from our customers and the world at large. In response to this interest, we have prepared this separate sustainability report to give a more detailed report of how Handelsbanken views corporate social responsibility.

Pär Boman, President and Group Chief Executive  
Stockholm, March 2011

# What we have achieved so far

During the financial crisis, Handelsbanken has received neither the Swedish government's capital support and guarantee programmes nor any support from a central bank.



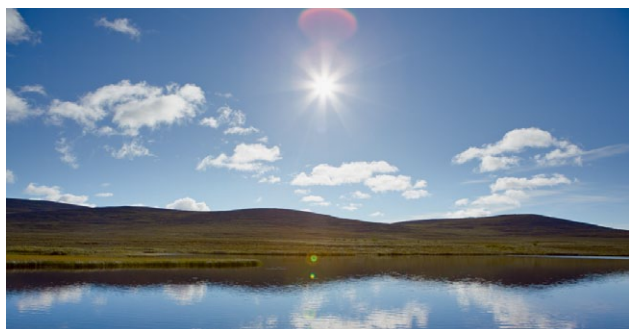
## Financial aspects

- Every year since the early 1970s, Handelsbanken has had higher profitability than the average of peer banks.
- Over a long period the Bank has grown organically, and on no occasion during the recent financial crisis did it need to ask for a capital contribution.
- Handelsbanken has paid a dividend to its shareholders for many years in succession, including during the recent financial crisis.
- By virtue of its profit level over many years, Handelsbanken has been one of the largest payers of corporation tax in Sweden.



## Social responsibility

- In 2010, Handelsbanken's loan losses corresponded to 0.10 per cent (0.21) of lending. This can be compared with the average figure for the other major Nordic banks which was 0.38 per cent (1.02).
- Handelsbanken had the most satisfied customers of the major banks in Sweden. This applies for both private and corporate customers. The Bank tops these lists in all its home markets.
- Total absence due to sickness for staff in Sweden is low, and decreased for the fourth year running to 2.8 per cent (3.1) with 1.1 percentage points of this figure being long-term sick leave (1.4).
- External employee turnover continued to be low at 3 per cent (3).
- At Handelsbanken, 98 per cent (98) of all managers in Sweden are recruited internally. For the Group as a whole, the equivalent figure is 90 per cent (92).



## Environmental performance

- Handelsbanken's total carbon dioxide emissions from the emission areas reported by the Bank decreased by 15 per cent from 2009 to 2010.
- In order to encourage the selection of green cars as company cars, the Bank has decided to subsidise these. 35 per cent of company cars are classified as green cars.
- The proportion of green electricity is 67 per cent for all the Nordic countries and 77 per cent for Swedish operations.



## Significant events

- In 2009, Handelsbanken signed the UN's Global Compact.
- Handelsbanken adopted the UN Principles of Responsible Investment (PRI) in 2009.
- In 2010, a Committee for Corporate Social Responsibility was set up, with the aim of co-ordinating the reporting of the Bank's CSR work.

# Handelsbanken's stakeholders

For Handelsbanken, corporate social responsibility means acting in such a way that our stakeholders' confidence in the Bank is maintained.

## THE BANK'S STAKEHOLDERS

Many private individuals, organisations and companies are affected by how Handelsbanken acts in various matters. The Bank must live up to the reasonable expectation of these stakeholders and act in such a way that their confidence in the Bank is maintained. Handelsbanken's main stakeholders are its customers, employees, shareholders and bond investors, as well as the community at large, mainly in the form of the financial supervisory authorities in Sweden and the other countries where the Bank operates.

## CONTINUOUS DIALOGUE

It is important that the Bank keeps itself up-to-date with the wishes and requirements that various stakeholders have as regards Handelsbanken. Therefore the Bank has a continuous dialogue with its customers, staff, shareholders and investors, as well as with authorities and other public organisations.

### Customers

The most important dialogue occurs at the thousands of meetings with customers that take place at more than 700 branches, or by phone, where the Bank offers personal service 24 hours a day,

seven days a week. By being sensitive to customers' requests and questions, Handelsbanken can provide responses and meet the customers' expectations.

Read more about Handelsbanken and its customers on page 11.

### Employees

All employees participate in their unit's annual business planning. This is followed by the individual planning dialogues and performance reviews which are the link between the goals of the business operations and those of the employee. The result is an action plan which is followed up regularly and then forms the basis of the individual 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 relating to the company at the AGM. Here, individual shareholders have the opportunity to put questions to the Bank's board and senior management. Information in preparation for AGMs as well as minutes of past AGMs can be viewed on the Bank's website.

The Bank's Investor Relations Department provides shareholders, analysts and other capital market players with information regarding Handelsbanken's share, activities and financial performance.

### Public authorities and society at large

Handelsbanken has a continuous dialogue with supervisory authorities, central banks and regulatory bodies, as well as governments and parliaments. The Bank also has a dialogue with non-governmental organisations (NGOs).

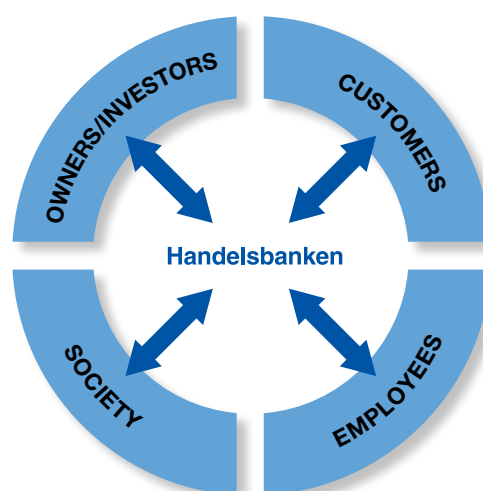
The Bank's decentralised organisational structure means that Handelsbanken is firmly established in the local community.

Direct economic value generated and distributed (according to GRI) Economic flows to and from various groups of stakeholders				
SEK bn	2010	2009	2008	
<b>DIRECT ECONOMIC VALUE CREATED</b>				
<b>Customers</b>				
Income after deduction for loan losses and before fees to Stability fund, Deposit guarantee, etc.	30.4	29.5	28.4	
<b>Value created by serving customers</b>	<b>30.4</b>	<b>29.5</b>	<b>28.4</b>	
<b>ALLOCATED ECONOMIC VALUE</b>				
<b>Employees</b>				
Salaries	6.4	6.7	6.1	
Provision to profit-sharing foundation	0.8	0.7	0.0	
Payroll charges and other staff costs	2.3	2.6	2.1	
<b>Cost for employees</b>	<b>9.5</b>	<b>10.0</b>	<b>8.2</b>	
<b>Public authorities and society at large</b>				
Suppliers*	5.5	5.2	5.1	
Tax costs**	4.0	3.5	3.4	
Fees to Stability fund, Deposit guarantee, etc.	0.6	0.6	0.1	
Government bank support received	-	-	-	
Participation in government guarantee programmes	-	-	-	
<b>To society</b>	<b>10.1</b>	<b>9.3</b>	<b>8.6</b>	
<b>Shareholders</b>				
Dividends (refers to the year dividends were paid)	5.0	4.4	8.4	
New share issue	-	-	-	
<b>Transactions with the shareholders</b>	<b>5.0</b>	<b>4.4</b>	<b>8.4</b>	
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>5.8</b>	<b>5.8</b>	<b>3.3</b>	

\* Refers to Other administrative expenses and depreciation.

\*\* Refers to Tax costs according to the income statement

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 date comes from the Group's income statement and balance sheet.



The various stakeholders all have expectations of Handelsbanken. What they have in common is that they would all like the Bank to be stable, and responsive to their wishes. How well the Bank manages to live up to these expectations and address each stakeholder's questions will have an effect on the continued success of Handelsbanken.

# Concept and organisational structure

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

## THE HANDELSBANKEN CONCEPT

Handelsbanken's concept of running a successful full-service bank is essentially based on trust and respect for the individual – both customers and employees. Trusting our staff and giving them a great deal of freedom to do their job provides a good basis for satisfied customers and profitable business.

## PRODUCTS AND SERVICES

Handelsbanken is a full-service bank for private and corporate customers. Our most important products, in social and purely financial terms, are those linked to the Bank's lending: mortgages for households and financing of companies on the Bank's home markets. On the savings side, the dominant products are deposit accounts, equity funds and fixed income funds. Here, the Bank offers the opportunity to save in mutual funds with a specific investment focus. Handelsbanken also carries out trading in emissions allowances. In the future, the Bank expects demand for both funding and management of environmental projects to increase.

## MARKETS

The Bank offers a full range of financial products and services on the Bank's home markets in Sweden, Great Britain, Denmark, Norway and Finland where the Bank has almost 700 branches.

With the primary aim of providing customers on the Bank's home markets with service, the Bank has operations in a total of 22 countries. In addition to its home markets, the Bank serves local customers by pursuing branch operations in the Netherlands, Germany and other countries.

## DECENTRALISED ORGANISATIONAL STRUCTURE FOCUSING ON THE CUSTOMER

The belief in people's will to always do their best and their ability to make the right decision at the right time is the basis of the strong decentralisation at Handelsbanken – a working method that helps to create a sense of involvement and job satisfaction.

All business decisions that affect the individual customer's relationship with the Bank are based on the customer's requirements and are made by the local bank branch. Handelsbanken's methods of work and organisational structure are based on the branches' responsibility for individual customers and not on the central departments' responsibility for product areas or market segments.

No-one has better knowledge of the specific demands that apply in the local market than the local branch. Hence, the Bank seldom works with central marketing plans or advertising campaigns. Handelsbanken has consistently and successfully applied these working methods for many years.

Responsibility for the customer always lies with the local branch, but regardless of where an employee works in the organisation, the aim of their work is the same – to meet the customer's requirements. Some customer requirements may require specialist expertise, and the branch may then delegate the business responsibility to a regional unit or a central business area. The interplay between the branches and central business areas and departments creates a dynamic organisation, which benefits customers.

Central business areas and product owners are responsible for developing competitive products in their respective areas. In these cases, the specifications are made by experienced branch staff who, at their branches, see on a daily basis what their customers expect in the way of service.

## SUSTAINABLE GROWTH MODEL

Handelsbanken grows mainly through organic growth. This means that instead of growing by making large acquisitions, the Bank will grow branch by branch, customer by customer. To complement this, Handelsbanken may make small, add-on acquisitions, provided that these can easily be incorporated into the Bank's working methods.

By giving priority to organic growth in countries with a stable economy and an established infrastructure, the Bank wants to minimise the macro-economic risk that easily results from rapid expansion in emerging markets.

## ORGANISATIONAL STRUCTURE FOR SUSTAINABILITY ISSUES

One member of the Group management team has overall responsibility for ensuring that Handelsbanken identifies and addresses the sustainability issues that are relevant to the Bank.

In 2010, a Committee for Corporate Social Responsibility was set up, with the aim of co-ordinating the reporting of the Bank's CSR work. The Committee consists of representatives from bank branches, the central administrative functions, Group Finance, Corporate Communications, Investor Relations, Asset Management, lending and Personnel.

In 2009, a special Committee for Responsible Investment within the Handelsbanken Asset Management business area was established, to ensure compliance with the Bank's responsible investment policy.

Information regarding corporate governance and control systems in Handelsbanken may be found on pages 7–9 of this report.



# Corporate governance at Handelsbanken

The strong corporate culture is of major importance in governance of the Bank.

The operations of Swedish banks are regulated by law, and banking operations may only be run with a license from the Swedish Financial Supervisory Authority. Handelsbanken applies Swedish regulations both in Sweden and in its operations outside Sweden. The host country's regulations are also applied, if these are stricter or in other respects deviate from the Swedish regulations.

The Bank's corporate governance report is based on a shareholder perspective. The sustainability report takes a broader approach, and also includes stakeholders that are usually covered by the concept of corporate governance, such as customers in general, but particularly deposit customers, bond investors and supervisory authorities, on whose confidence the Bank is dependent.

## PRINCIPLES FOR CORPORATE GOVERNANCE AT HANDELSBANKEN

Handelsbanken has developed a strong value base for how banking work should be carried out. This corporate culture is described in detail in an internal document called Our Way. This document describes the Bank's goals, ideas and way of working, and is read and discussed by all employees of the Bank. Thus it has become the Group's most important policy instrument. This is not, however, sufficient from a corporate governance perspective.

### Policy

In parallel with informal discussions, the board has established principles, strategies, limits and target figures in a series of policy documents and instructions. An overview of the Bank's policies and guidelines is set out at the bottom of this page. Pages 8–9 give an overview of the structure of the Bank's corporate governance.



### Internal control

The responsibility for internal control and compliance is an integral part of managers' responsibility at all levels in the Bank. This responsibility means that appropriate instructions and procedures for the operation must be in place, and compliance with these procedures must be monitored regularly. Sustainability issues, too, are part of the responsibility of all managers within the Group. The compliance function offers advice and support in regulatory matters and follows up compliance within the Bank to a greater extent. Internal control and compliance work are subject to internal and external risk-based auditing.

### Information and dialogue

Providing frequent, regular information about the Bank's work and results is a basic responsibility to the Bank's various stakeholders.

Increasingly, the Bank must also meet requirements for information regarding sustainability. In recent years, the Bank has had meetings with several owners with a special focus on sustainability issues. At these meetings, the Bank's guidelines for responsible investment and environmental considerations in lending have been discussed.

Handelsbanken endeavours to meet these information requirements by open communications regarding the Bank's work in the relevant areas.

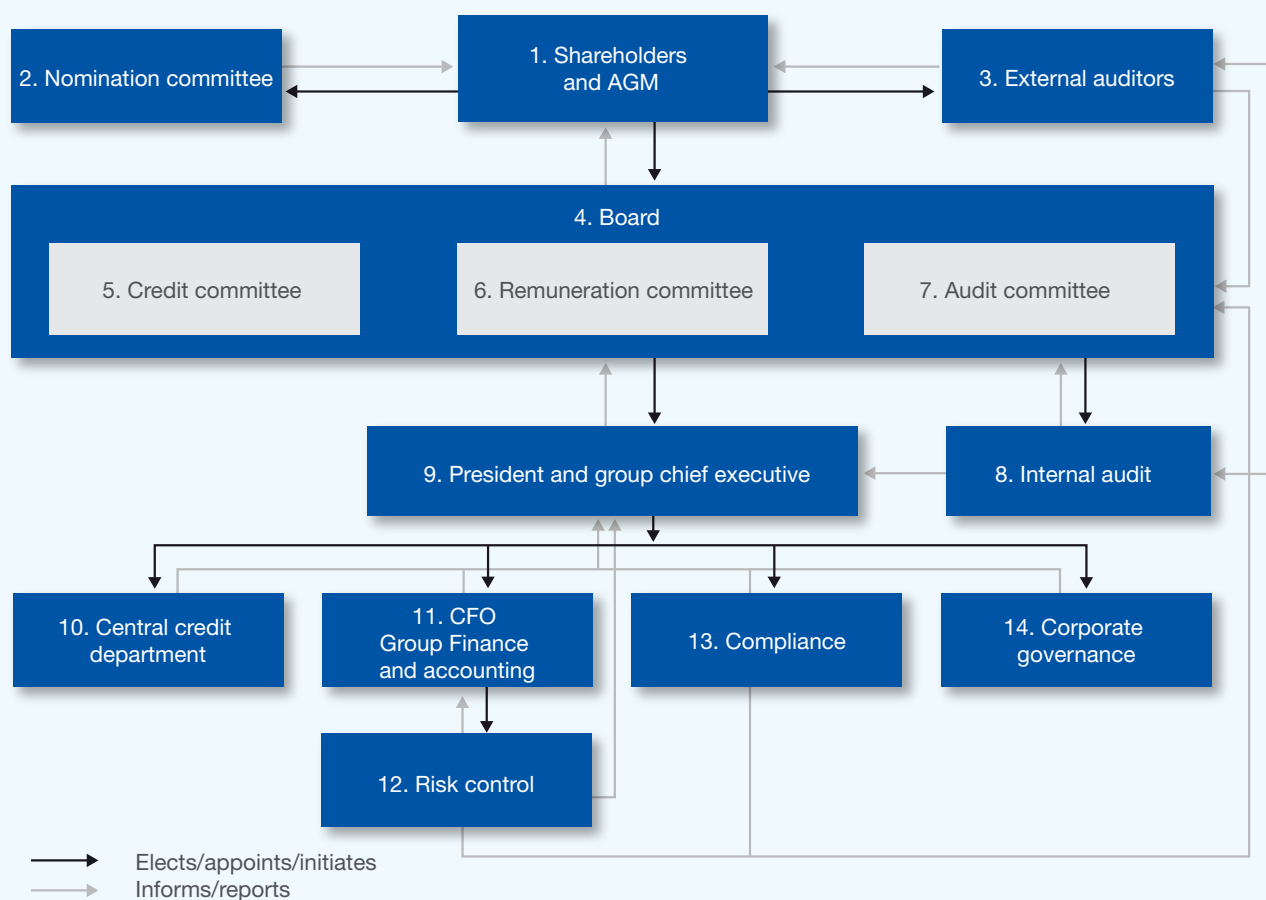
### POLICY DOCUMENTS

- Credit policy
- Operational risks
- Capital policy
- Financial policy
- Financial risk policy
- Information policy
- Ethical guidelines
- Compensation policy
- Policy for internal audit operations
- Policy for managing and reporting events of material importance
- Policy for the Bank's use of the external auditors' services
- Policy for independent risk control
- Policy for compliance
- Policy for agreements relating to the engagement of third parties
- Policy on money laundering and financing of particularly serious crime
- Policy for responsible investments (set by the asset management unit)

# Corporate governance structure

Handelsbanken's shareholders are ultimately responsible for making decisions about the Bank's governance. At the AGM, the shareholders appoint the board, the board chairman and auditors and decide how the nomination committee will be appointed. The board is responsible to the owners for the Bank's organisation and management of its affairs. The auditors report to the AGM on their findings. The diagram below provides a summary of how governance and control are organised at Handelsbanken.

## Corporate governance structure – an overview



### 1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

Shareholders exercise their right to decide on matters concerning Handelsbanken at the shareholders' meetings, which are Handelsbanken's highest decision-making body. The AGM decides on any changes to the Bank's articles of association – the Bank's most fundamental governing document – and on matters such as the adoption of the income statement and balance sheet, discharge from liability for the board, the new board, new auditors and also remuneration to the chairman of the board, the other board members and to the auditors. The AGM also decides on guidelines for remuneration paid to senior management.

### 2. NOMINATION COMMITTEE

The AGM decides how the nomination committee will be appointed. The nomination committee's task is to prepare and submit proposals to the next AGM regarding the appointment of the chairman and other members of the

board and also fees to the chairman and other members of the board. The committee's task also includes evaluating the work of the board, primarily based on the report that the chairman of the board submits to the committee. The committee also proposes the appointment of the auditors, and their fees.

### 3. EXTERNAL AUDITORS

The AGM currently appoints the auditors for a period of four years, which guarantees continuity and depth in their auditing work. The auditors are accountable to the shareholders at the AGM and submit an audit report covering matters such as the annual report and the board's administration. The auditors report regularly, orally and in writing, to the audit committee concerning how their audit was conducted and their assessment of the Bank's administrative order and control. The auditors also submit a summary report of their audit to the whole board.

#### 4. BOARD

The board is responsible for the Bank's organisation and manages the Bank's affairs on behalf of its owners. The board is to continuously assess the Bank's financial situation and ensure that the Bank is organised such that the accounting records, management of funds and other aspects of the Bank's financial circumstances are satisfactorily controlled. The board establishes policies and instructions on how this should be executed, and establishes a work procedure for the board and also instructions for the group chief executive. These central policy documents state how responsibility and authority are distributed among the board as a whole and the committees, and also between the chairman of the board and the group chief executive. The board appoints the group chief executive, and also executive vice presidents and the Head of Internal Audit. The chairman is responsible for evaluating the board's work and informs the nomination committee of the result of the evaluation.

#### 5. CREDIT COMMITTEE

The credit committee decides on credit cases where the amount exceeds the decision limit applying to the regional bank boards and to the board of Handelsbanken International. Cases of major importance are referred to the full board for a decision. The credit committee comprises the chairman of the board, the vice chairmen, the group chief executive, the chairman of the audit committee, three board members appointed by the board to circulate on the committee with two-year mandates, and the Head of the Central Credit Department. The heads of the regional banks and the Head of Handelsbanken International are responsible for reporting to the credit committee.

#### 6. REMUNERATION COMMITTEE

The remuneration committee regularly evaluates the employment conditions for the Bank's senior management in the light of prevailing market terms for their peers in other companies. The committee's tasks include preparing the board's proposals to the AGM concerning guidelines for remuneration to senior management and the board's decisions on these conditions for senior managers and the Head of Internal Audit. The remuneration committee consists of the chairman of the board and two members appointed by the board.

#### 7. AUDIT COMMITTEE

The audit committee monitors the Bank's financial reporting by examining all crucial accounting matters and other factors that may affect the qualitative content of the financial reports. The committee also monitors the effectiveness of the Bank's and Group's internal control, internal audit and risk management systems as well as the external auditors' impartiality and independence. It evaluates the audit work and assists the nomination committee in appointing auditors. The audit committee comprises the chairman of the board and two other members appointed by the board. One of these two members is the committee's chairman.

#### 8. INTERNAL AUDIT

Internal Audit performs an independent and impartial audit of the operations and financial reporting of the Handelsbanken Group. A central task for Internal Audit is to assess and verify the internal control.

#### 9. PRESIDENT AND GROUP CHIEF EXECUTIVE

The group chief executive is appointed by the board to lead the operations

of the Handelsbanken Group. In addition to instructions from the board, the group chief executive is obliged to comply with the provisions of the Swedish Companies Act and a number of other statutes concerning the Bank's accounting, management of funds and operational control.

#### 10. CENTRAL CREDIT DEPARTMENT

The Bank's Central Credit Department is responsible for maintaining the Bank's credit policy, primarily by preparing every major credit case that the board's credit committee or the whole board decides on. The Head of Credits presents all cases to the group chief executive before they are submitted for a decision. The Head of Credits reports to the group chief executive and is a member of the board's credit committee.

#### 11. GROUP FINANCE

Group Finance is responsible for control systems, reporting, control, book-keeping, accounting and taxes. It is also responsible for the Group's liquidity, funding and capital, and for the Group's overall risk management for all risks except credit risk. For a detailed description of this risk management, see note G2 on pages 81–95 of Handelsbanken's Annual Report for 2010. The Head of Group Finance, the CFO, also has the main responsibility for independent risk control (section 12 below) and reports on all the Group's risks, including credit risks at aggregate level, to the group chief executive, the board's audit committee and the board.

#### 12. RISK CONTROL

Risk Control is responsible for the overall internal reporting of all the Group's material risks at an aggregate level. This responsibility comprises credit, counterparty and market risks (interest rate, exchange rate, equity price and commodity price risk), operational, liquidity and insurance risks and also risks related to variable compensation. The task of risk control is to identify, measure and monitor the Group's risks, to inform the board and bank management about these risks and to analyse development of the risks. The management of the individual risks is, however, the task of the operating unit that is responsible for the customer or counterparty (account manager) or responsible for conducting a certain transaction (business manager). The Head of Risk Control reports to the CFO. In addition, the Head of Risk Control makes regular reports of his observations to the group chief executive.

#### 13. COMPLIANCE

The compliance function is responsible for ensuring that laws, regulations and internal rules, as well as accepted business practices or norms, are complied with in the operations conducted by the Handelsbanken Group that are subject to a licence. The function must interpret the applicable regulations and inform the units concerned about risks that may arise in the operations as a result of inadequate compliance, assist in identifying and assessing such risks and assist in drafting internal regulations. The function informs the Bank's management and board regularly in matters concerning compliance. The Bank's chief lawyer is responsible for the compliance function. Compliance officers have been appointed in all business areas and in all countries where the Bank operates.

#### 14. CORPORATE GOVERNANCE

The unit ensures that decisions made at the AGM and by the central board as well as changes in legislation, regulations and corporate governance code are implemented in policies, guidelines and instructions with the aim of stipulating responsibilities and authorities internally at the Bank.

# Handelsbanken in the community

By running stable, long-term operations that focus on customer needs, Handelsbanken is contributing to economic development in the community.

## THE BANK'S TASK IN THE COMMUNITY

The banking system is principally a support function for the real economy. What essentially legitimises a bank's operations is its ability to manage the savings of those who wish to postpone their consumption and lend these savings to companies and households that wish to consume and invest now. Thus, redistributing savings over time becomes a bank's main task. By being a bank with stable finances and a stable presence, Handelsbanken aims to fulfil its role as a responsible institution.

Handelsbanken has 461 branch offices in Sweden. Thus the Bank has by far the largest branch network in Sweden and a wider geographical spread than any other player on the Swedish banking market. On its other home markets in Great Britain, Denmark, Norway and Finland, the Bank also has nationwide branch networks. Handelsbanken has a total of 720 branches in 22 countries around the world.

## HANDELSBANKEN IN THE LOCAL COMMUNITY

High cost-effectiveness allows the Bank to retain a local presence and thus continue to fulfil an important function in local communities, including places where other banks have closed their local branches. In almost 40 towns in Sweden, Handelsbanken is now the only bank to have a branch. Handelsbanken always aims to offer its customers better service and greater accessibility.

Handelsbanken is convinced that a local presence is necessary. The basic concept of the Bank's way of operating is that decisions are made as close to the customer as possible, including decisions to grant loans. In concrete terms, this means that credit requests are processed and – with few exceptions – decided by the local branch where knowledge of the customer's circumstances is the best. This approach means that Handelsbanken has close ties with the local community.

## SERVICES FOR THE PUBLIC GOOD

By providing financial and advisory services, Handelsbanken, together with other players in the financial sector, fulfils an important function in society, contributing to its development. In addition to being a link between various market players, the Bank's task is also to execute payments and, together with other banks, to maintain a functioning, efficient payments system.

Naturally, corporate and private customers alike appreciate having a bank branch in the town where they live or operate. For Handelsbanken, it is therefore important to offer customers the best availability on the market. Although evening and Saturday opening hours are becoming more common at Handelsbanken, there are times of the day when branches are not open. Therefore, a few years ago, the Bank set up Handelsbanken Direkt Personal Service, which corporate and private customers can call 24 hours a day, seven days a week, and receive assistance and advice from experienced bank staff.

Our aim is that customers should be able to move freely between our various meeting-places – but have the same ability to take care of their business, regardless of whether this is at a branch or in a smartphone.

Therefore we are constantly working to develop and improve these meeting-places outside the branch – to simply increase our availability all the time, to be there for our customers, whenever and wherever they need us.

## CONTRIBUTIONS TO RESEARCH AND HIGHER EDUCATION

Since 1961, Handelsbanken has on a number of occasions awarded grants for economic research through allocations to two independent research foundations: the Jan Wallander and Tom Hedelius Foundation and the Tore Browaldh Foundation. Taken together, these foundations are one of the most important sources of funding for economic research in Sweden, and their financing includes two professorships. In 2010, 140 grants (150) were awarded for a total of SEK 133 million (140).

## NEW PROFESSORSHIP AT STOCKHOLM SCHOOL OF ECONOMICS

In collaboration with the Stockholm School of Economics, Handelsbanken has enabled the creation of a new professorial chair. The chair will focus on external accounting and financial analysis.

Good accounting is one of the cornerstones of a sound economy. The opportunity and ability to be able to analyse companies' financial positions in a fair manner is fundamental to well-functioning credit and capital provision in society.

## PERSONAL FINANCE FOR YOUNG PEOPLE

Handelsbanken supports initiatives that improve young people's knowledge of personal finance by sponsoring information campaigns and contributing knowhow. Ung Privatekonomi ("Young Personal Finance") is a school information project that contributes to Swedish upper secondary school students' and teachers' knowledge of personal finances and savings in equities and mutual funds. The project has achieved good results, with the great majority of students reporting that their knowledge had increased. In the 2008/2009 academic year, roughly 12,000 students attended talks throughout Sweden. The "Ung Privatekonomi" book, which had been produced as part of the project, was launched in the second half of 2008. So far, it has had a print run of 35,000 copies, which are used regularly as educational material. For the 2009/2010 academic year, the aim was for 13,000 students to attend the talks.



# Satisfied customers

For Handelsbanken, the starting point is always meeting the individual customer's requirements rather than selling individual products and services.

One of Handelsbanken's cornerstones for achieving its goal of long-term profitability is to have more satisfied customers than comparable banks in the Nordic region and Great Britain. Satisfied customers stay, and they do more business. They are also the most important ambassadors for reaching new customers.

## AT THE TOP ON ALL HOME MARKETS

Handelsbanken considers customer satisfaction surveys to be very important. Every year, Swedish Quality Index (SKI) and its sister company EPSI carry out independent surveys of customer satisfaction, based on a European standard. Every year since the survey started in 1989, Handelsbanken has been unchallenged in the No.1 position for both private and corporate customers.

The 2010 results showed that Handelsbanken had gained top positions in all the Nordic countries and Great Britain, among both private and corporate customers. The survey in Sweden also shows that in the past decade, Handelsbanken has had a higher average increase in customer satisfaction than any of its peers. This result is proof of Handelsbanken's success in working consistently and continuously with building up long-term customer relationships.

## THE RIGHT ADVICE TO THE RIGHT PERSON

Having the most satisfied customers is the result of long-term, determined efforts. An important starting point is that the Bank must always be available when the customer needs help and advice or wants to do business. Longer opening hours at branches, easy-to-use online services and personal advice over the phone, 24 hours a day, 7 days a week, are important ingredients in this.

For the Bank's financial advisory services, gaining a total overview of the customer's circumstances and financial situation is at the very core of the Handelsbanken way of working – regardless of whether the customer is a private individual or a company. Based on this, the adviser and the Bank can provide customers with proposals and guidance on financing, payments or investments that are adapted to each customer's requirements and investment horizon, as well as their knowledge and understanding of the risks related to each type of investment.

The Bank's customer information must be clear, factual and easy to understand. Terms and conditions for the Bank's services must be clear and not arbitrarily changed.

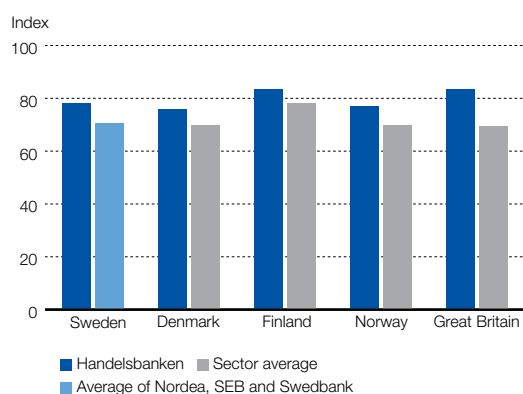
## HANDLING OF CUSTOMER COMPLAINTS

Part of the work of achieving and keeping satisfied customers involves handling the complaints that come in to the Bank in a manner which inspires confidence. Handelsbanken takes customer complaints very seriously and regards them as a stage in developing its operations, together with its customers.

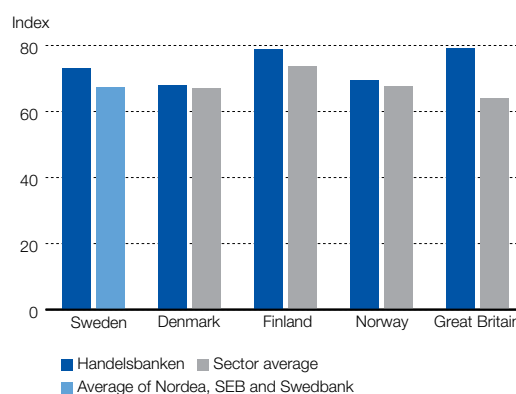
Handelsbanken has well-developed procedures for handling customer complaints. Complaints by customers must be dealt with in the first place by the branch responsible for the customer in question, quickly and correctly, with the attention that each case requires. If the customer wishes to pursue the matter, there is a designated complaints officer in each regional bank and subsidiary who continuously follows up complaints made to the Bank.

In addition, there is a complaints manager at the Group level, who regularly reports to senior bank management, regional banks and product owners.

Customer satisfaction, private customers 2010



Customer satisfaction, corporate customers 2010



# Skilled staff

Irrespective of where in the world Handelsbanken opens branches, the Bank wants its decentralised work method and belief in the individual to apply throughout its operations.

All employees, irrespective of where in Handelsbanken they work, have a joint responsibility for the satisfaction of Handelsbanken's customers. With almost 11,000 employees in 22 countries, many of whom have daily contact with customers, common ideas on how the operations should be run are needed. The fundamental means of control is the company's values and business culture.

## STAFF DEVELOPMENT

At Handelsbanken, employees are responsible for their own skills and competence development, and also for sharing their competence with others in the Handelsbanken Group. The knowledge acquired by employees in their daily work is the most important source of increased professionalism.

All employees should take part in their unit's business planning process, to create a sense of involvement and commitment to reach set targets. Guided by the business plan, employees meet their immediate superior for a planned and structured personal planning and development dialogue. This involves a discussion of the employee's contribution to operational goals and the conditions required to deal with specific tasks. The discussion leads to an individual action plan which is continuously followed up. This then forms the basis of the salary dialogue review between manager and employee.

## INTERNAL LABOUR MARKET

As the Bank's culture and values are so important, internal recruitment is crucial to Handelsbanken. Managers must be exemplary ambassadors for the Bank's corporate culture, which explains why most managers are recruited internally. In 2010, 98 per cent (98) of all managers in Sweden were recruited internally. For the Group as a whole, the corresponding figure is 90 per cent (92), including those markets where the Bank established operations relatively recently.

In all its recruitment, it is important to Handelsbanken that the Bank's values and decentralised method of working appeals to the individual concerned.

## FOR GENDER EQUALITY – AGAINST DISCRIMINATION

Handelsbanken's fundamental human outlook is one of trust in and respect for the individual. There must be no discrimination of any kind at Handelsbanken.

Handelsbanken's equal opportunities policy states that equal conditions must apply to men and women regarding career development within the Handelsbanken Group. An important element of the Bank's work related to equality is increasing awareness of how social and cultural norms affect us in our daily lives. As part of this process, the Group's senior management, personnel managers and union representatives have participated in gender equality courses.

The goal is for the proportion of female and male managers to correspond to the overall gender distribution at the Bank. At year-end, 38 per cent (38) of managers in the Handelsbanken Group were women. The proportion of women among the total number of employees was 53 per cent (53). Of the twelve members of the Bank's board elected by the AGM, three are women.

The work of promoting equality aims to make it easier for both women and men to combine employment with parenthood.

## WORK ENVIRONMENT AND HEALTH

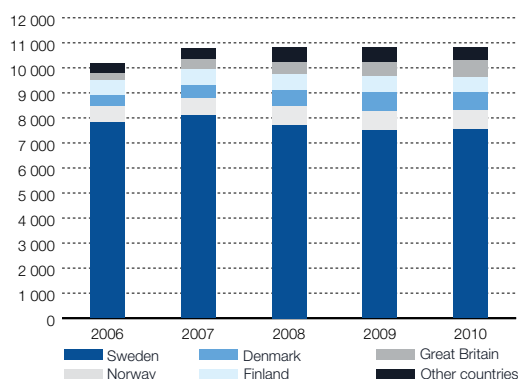
The overall objectives in matters regarding the work environment focus on health. Employees should enjoy good health, develop on a personal level and function in an optimal way. This is a long-term goal that includes factors such as balance in life, clear and honest communication, having the skills and competence needed 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 creating a positive working environment at Handelsbanken. In Sweden, managers who have been assigned responsibility for the working environment must, in co-operation with working environment representatives and other staff, compile a work environment status report at least once a year. This includes both the physical and the psychosocial environment.

The Wheel – the relationship between the Bank's operations and the employee's development.



Average number of employees 2006–2010



The results are discussed in the unit's operational planning. Health promotion activities are considered to be very important. Employees of Handelsbanken are offered a wide choice and large number of subsidised group and individual health promotion activities. The aim is to reach all employees and to strengthen the sense of community at the Bank. Health promotion and working environment activities are components of the long-term process to create the conditions for good physical and mental health in the work place.

Handelsbanken also has its own sports association. Dating back to 1919, with around 3,600 members, the association is one of the largest of its kind in Sweden. To stimulate interest in art and crafts the Bank also has an Art Association with 3,500 members. It is one of the largest and best-reputed art associations in Sweden.

### WORKING CONDITIONS AND UNION RIGHTS

One component of Handelsbanken's culture is the traditionally good relationship with the trade union. There is an ongoing dialogue between union representatives and managers concerning changes and new services to be launched – and this takes place at the very early stages.

### CONDUCT OF EMPLOYEES

It is important that the Bank's employees are not suspected of taking improper advantage of knowledge about the financial markets which they obtain in the course of their work. All employees must be familiar with the local insider trading laws and observe the Bank's own rules for employees' and closely-related persons' private securities and currency transactions. This means that certain categories of employee within Handelsbanken that have knowledge of the stock market are not permitted to process transactions in which they, or persons closely related to them, have a personal interest. The same applies to companies that these employees have a significant connection with or personal commitment to.

In their work at the Bank and in their private affairs, employees must refrain from business transactions that violate the Bank's rules or current legislation. Employees must not handle matters in which they or a relative have a personal interest nor matters for companies in which they or a relative have a material interest. Handelsbanken's employees must also refrain from transactions or other commitments that may seriously jeopardise their own financial position. Employees 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. Remuneration for being a member of a board on behalf of the Bank must be paid to the Bank.

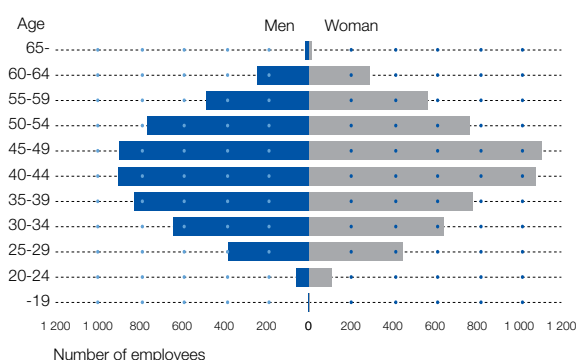
### OKTOGONEN – THE BANK'S PROFIT-SHARING SYSTEM

A condition for achieving the Bank's financial goal of achieving higher profitability than comparable banks on its home markets is that employees outperform their peers in the rest of the sector. Therefore, the board considers it only reasonable that employees should receive a share of any extra profits. Every year but two since 1973, the board has decided to allocate part of the Bank's profits to a profit-sharing scheme for its employees. The funds are managed by the Oktogonen profit-sharing foundation.

An allocation is made only if the Bank's return on equity is higher than a weighted average of other listed Nordic and British banks. All employees receive an equal part of the allocated amount and the scheme includes all employees on the Bank's five home markets: Sweden, Great Britain, Denmark, Norway and Finland. As of 2009 it also includes employees in the Netherlands, Hong Kong, Luxembourg, Switzerland and Taipei.

The profit-sharing scheme is long-term, as payments cannot be made until an employee has reached the age of 60. One of the fundamental concepts in managing the foundation is that a considerable part of the funds are invested in shares in Handelsbanken.

Age and gender distribution 2010



Sickness absence rate in Sweden						
%	2010			2009		
	Men	Women	Total	Men	Women	Total
Aged 29 or younger	1.3	2.1	1.7	1.4	2.8	2.7
Aged 30-49	1.3	3.2	2.4	1.6	3.3	2.5
Aged 50 or older	2.3	5.3	3.9	2.5	6.1	4.5
<b>Total sickness absence</b>	<b>1.6</b>	<b>3.7</b>	<b>2.8</b>	<b>1.8</b>	<b>4.1</b>	<b>3.1</b>
<i>of which long-term absence</i>	<i>0.4</i>	<i>1.7</i>	<i>1.1</i>	<i>0.6</i>	<i>2.1</i>	<i>1.4</i>

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.

# High ethical standards engender trust

Handelsbanken's business opportunities and success on the market derive from the trust it enjoys from customers and financiers, as well as the general public, public authorities and its employees. A decentralised organisation must have common ideas on how the operations should be run. The basic guidelines for every employee's actions are formulated in the Bank's ethical guidelines.

## ETHICAL GUIDELINES AT HANDELSBANKEN

Handelsbanken's ethical guidelines state that operations must be characterised by high ethical standards. Employees must conduct themselves in a manner that upholds confidence in the Bank. A fundamental, self-evident rule is that the Bank and its employees must comply with the laws and regulations that govern the Bank's operations in various ways. The guidelines are reviewed every year by the board, based on changes in legislation and the business world's expectations of companies, as well as the Bank's experience of regular internal work and observations from the Bank's comprehensive internal control.

Employees who are in doubt when applying the Bank's ethical guidelines and dealing with related issues must contact their immediate superior to find out what is ethically acceptable. As a guide, employees are encouraged to ask themselves: "Can I account for my actions to the other employees of the Bank, to the public authorities, the press and other media and the general public without having the slightest doubt as to whether my conduct has been ethically acceptable?"

## MEASURES AGAINST MONEY LAUNDERING, FINANCING OF TERRORISM AND ECONOMIC CRIME

Money laundering means actions taken in order to hide or transform gains from criminal activities. Financing of terrorism means the collection, provision or receipt of funds for the purposes of terrorism.

The Bank must not participate in transactions which may be suspected of being linked to criminal activities, or transactions of which the employees do not understand the implications. Nor should the Bank participate in transactions implying assistance in tax evasion.

The foundation for this work is knowledge of the customer and understanding of the customer's operations, so as to be able to react to abnormal transactions.

All new employees who handle customer transactions participate in a training course which explains all aspects of these matters.

## BRIBERY AND CORRUPTION

To avoid being in a position of dependence in relation to the Bank's customers, employees must observe the Bank's rules as regards giving and receiving personal gifts. These rules must also be observed when entertaining. Business trips must always be paid for by the Bank. Bonus points and similar discounts which employees have obtained in connection with work for the Bank (e.g. business trips) may only be used for business purposes.

## THE BANK AS A CUSTOMER

Handelsbanken purchases goods and services from Swedish and international suppliers. Ethical considerations are just as important for the Bank in its role as customer as when it supplies services and products. To avoid incurring obligations in relation to suppliers, the Bank also has rules regarding receiving and giving personal gifts and for business entertaining. Environmental considerations are included in all purchase decisions. An ongoing dialogue is maintained with the Bank's suppliers to promote and develop environmental considerations. To facilitate the drafting of specifications there is a template for supplier agreements, with examples of how environmental requirements should be specified.

### HANDELSBANKEN'S ETHICAL GUIDELINES COVER

- High ethical standards
- Laws, regulations and guiding principles
- Economic crime
- Customer relations
- Conflicts of interest
- Human rights
- Conduct of employees
- Confidentiality
- Environmental matters





# Corporate social responsibility

Corporate social responsibility at Handelsbanken is manifested in responsible advisory services and lending, as well as efforts to have satisfied customers and be a good employer.

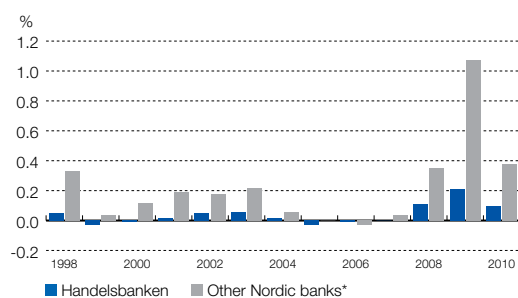
The expression 'corporate social responsibility' reflects the strong social aspects of a responsibly run banking operation. While environmental risks, for example, have a relatively limited impact, the social risks associated with traditional banking operations are more substantial. There is a risk that irresponsible lending will not only affect the bank, but also have major social consequences for the customer. This is one reason why Handelsbanken does not apply variable compensation in its traditional banking operations. For those who wish to evaluate a bank in terms of sustainability, one method is to study the bank's risk tolerance, to get an idea of the bank's approach to risk, or to study the actual outcome of loan losses.

## RESPONSIBLE ADVISORY SERVICES

For the Bank's financial advisory services, gaining a total overview of the customer's circumstances and financial situation is at the very core of the Handelsbanken way of working – regardless of whether the customer is a private individual or a company. Based on this, the adviser and the Bank can provide customers with proposals and guidance on financing, payments or investments that are adapted to each customer's requirements. Within investments, it is important that the advisory service takes into account the customer's knowledge and understanding of the risks related to each type of investment.

The Swedish Financial Advice to Consumers Act requires that all employees who work with providing customers with financial advice be certified. These staff then take an annual knowledge update in the area of investments and insurance, in order to meet developments in this field and the need for up-to-date information for customers. At the last year-end, Handelsbanken in Sweden had just over 4,300 employees who were certified to provide financial advice.

Loan losses as a percentage of lending 1997-2010



Handelsbanken has a low risk tolerance. One manifestation of this is the fact that for many years, the Bank has had considerably lower loan losses than the rest of the sector.

## INTERNAL WORK CONCERNING CORPORATE SOCIAL RESPONSIBILITY

At Handelsbanken, responsibility for matters concerning corporate social responsibility relating to personnel policy lies with the Head of Central Personnel who is also an executive vice president and a member of the senior management team.

In connection with the business planning, each local unit prepares a working environment plan. Gender equality plans are also set up locally.

The policies and agreements relating to corporate social responsibility can be found on Handelsbanken's intranet to which all employees of the Bank have access.

## EXTERNAL DIALOGUE CONCERNING CORPORATE SOCIAL RESPONSIBILITY

Handelsbanken maintains a dialogue with the Swedish Equality Ombudsman on matters concerning corporate social responsibility. The Bank also has a representative on the central gender equality committee where both the union organisations and the Employers' Association of the Swedish Banking Institutions participate.

## HUMAN RIGHTS

Handelsbanken endorses the principles set out in the United Nations Universal Declaration of Human Rights. This means that the Bank strives to support and respect the protection of international human rights within the area which the Bank can influence. It also means that the Bank endeavours to ensure that it is not involved in any breach of human rights. When granting credits, the Bank takes account of its customers' attitudes to human rights.

## COLLABORATION WITH ECPAT

Together with the Swedish Bankers' Association, Handelsbanken has started cooperating with ECPAT. The overall objective of the cooperation is to prevent commercial exploitation of children by preventing and obstructing monetary transactions made as payment for child pornography.

# Financial value creation

Handelsbanken's higher profitability benefits society at large, as well as the Bank's shareholders. The Bank is one of the largest payers of corporation tax in Sweden. During the financial crisis, Handelsbanken has neither received government aid nor participated in any state guarantee programme.

## CORPORATE SOCIAL RESPONSIBILITY CREATES ECONOMIC VALUE

Handelsbanken's financial goal is to have higher profitability than the average of the comparable banks operating on the Bank's home markets. The Bank has achieved this goal every year since 1972. One condition for attaining this goal year after year is to have a sustainable concept of how the Bank should be run. Handelsbanken aims to accomplish its goal by having more satisfied customers than other banks, while keeping costs lower.

## STABILITY THROUGHOUT THE FINANCIAL CRISIS

During the financial crisis, Handelsbanken has received neither the Swedish government's capital support or guarantee programmes nor any support from a central bank. On the contrary, the Bank was a net lender to the Swedish government.

Nor has Handelsbanken needed to ask its shareholders for a capital contribution during the current crisis.

Direct economic value generated and distributed (according to GRI) Economic flows to and from various groups of stakeholders				
SEK bn	2010	2009	2008	
<b>DIRECT ECONOMIC VALUE CREATED</b>				
<b>Customers</b>				
Income after deduction for loan losses and before fees to Stability fund, Deposit guarantee, etc.	30.4	29.5	28.4	
<b>Value created by serving customers</b>	<b>30.4</b>	<b>29.5</b>	<b>28.4</b>	
<b>ALLOCATED ECONOMIC VALUE</b>				
<b>Employees</b>				
Salaries	6.4	6.7	6.1	
Provision to profit-sharing foundation	0.8	0.7	0.0	
Payroll charges and other staff costs	2.3	2.6	2.1	
<b>Cost for employees</b>	<b>9.5</b>	<b>10.0</b>	<b>8.2</b>	
<b>Public authorities and society at large</b>				
Suppliers*	5.5	5.2	5.1	
Tax costs**	4.0	3.5	3.4	
Fees to Stability fund, Deposit guarantee, etc.	0.6	0.6	0.1	
Government bank support received	-	-	-	
Participation in government guarantee programmes	-	-	-	
<b>To society</b>	<b>10.1</b>	<b>9.3</b>	<b>8.6</b>	
<b>Shareholders</b>				
Dividends (refers to the year dividends were paid)	5.0	4.4	8.4	
New share issue	-	-	-	
<b>Transactions with the shareholders</b>	<b>5.0</b>	<b>4.4</b>	<b>8.4</b>	
<b>Reinvested economic value ("remaining in the Bank")</b>	<b>5.8</b>	<b>5.8</b>	<b>3.3</b>	

\* Refers to Other administrative expenses and depreciation.

\*\* Refers to Tax costs according to the income statement

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 date comes from the Group's income statement and balance sheet.

## DIRECT ECONOMIC VALUE

Handelsbanken's higher profitability benefits society at large, as well as the Bank's shareholders. During the most recent economic cycle, the Bank has paid dividends to its shareholders every year, while remaining one of the largest payers of corporation tax in Sweden.

## INDIRECT ECONOMIC EFFECTS

### Opportunities...

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 corporation tax, but perhaps even more to the more indirect economic effects. For example, these can be when the Bank finances growth and increased employment in companies or, by granting a mortgage, enables a family to move to a new town where the employment situation is better.

Handelsbanken is the largest financier of companies in Sweden, and one in four Swedish houses or apartments is financed by the Handelsbanken Group.

### ... and risks

Banks and the financial system are vital to the economy as a whole. If there is a crisis in the financial system, there is a risk of widespread negative social and economic effects. On several occasions in the past few decades, the State in Sweden and in many other countries have been compelled to intervene and support individual banks financially, in order to avoid bankruptcy and untold consequences for customers, investors and employees, as well as tax-payers and society at large.

Even if the situation is not as serious as a bank having to receive state financial aid, banks' actions are vitally important to the stability of the financial system. A fundamental condition for stability is that banks act in a sound, responsible manner, so that confidence in them is maintained.

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

# Responsible lending

Financial advice in conjunction with lending must always be based on the customer's needs and financial position.

When credit is granted, great importance is attached to the customer's ability to fulfil his commitments. Responsible lending means that the Bank does not grant credit to customers who do not have the basis to repay their loans. Such responsibility benefits both the individual customer and society at large. Deficiencies in a customer's repayment capacity can never be ignored on the grounds that the Bank is being offered good collateral or high margins.

## ETHICAL MATTERS RELATED TO LENDING

An important matter in terms of ethics and principle is the extent to which the Bank should bear the responsibility for what its customers do. This could, for example, apply to a borrower that manufactures products that are dangerous to health, has a manufacturing process that affects the environment adversely, or refuses to allow its employees to exercise their union rights. Handelsbanken's view on the appropriate balance between high ethical standards and its interest in generating income is based on the principle that it is the customer that is fully responsible for its operation and how it is run, but that a fundamental condition for lending is that the operation is lawful and fulfils all requirements from public authorities. The Bank's additional responsibility in these examples is limited to an assessment of the credit risk – i.e. the risk that the customer's product cannot be sold, or that more stringent environmental requirements for the customer's manufacturing process will cause the company's repayment capacity to deteriorate.

This principle is normally applicable in the Bank's home markets, which are countries with advanced legislation regarding health protection, the environment and union rights, and public authorities that monitor compliance with laws and directives.

In countries where legislation and supervision by public authorities are less developed, the principle should be applied with caution. Although the Bank runs its own operations only to a small extent in such countries, international companies on the Bank's home markets may do so. In this respect, international agreements and standards (e.g. the UN Universal Declaration of Human Rights, the UN Global Compact and the OECD guidelines for multinational companies) may play an important part in guiding the ethical assessment. If a company claims to apply these international agreements, this would tend to indicate that the Bank's principle can also be maintained in these cases.

This is manifested, among other things, in the Bank's credit policy, according to which the Bank shall respect human rights and fundamental principles of working conditions and environmental considerations, regardless of where in the world its operations are run. These matters are to be taken into account both for new credit decisions and for annual monitoring of credits and customer relations.

## PROJECT FINANCE

Infrastructure projects are sometimes associated with environmental risks, for example. The Bank is only involved in project finance to a limited extent. When this does occur, they are projects with clear links to Handelsbanken's home markets. As with other credit assessments, decisions regarding participation in project finance are subject to Handelsbanken's ethical guidelines and restrictive approach to risk.

## ENVIRONMENTAL ASSESSMENTS WHEN LENDING

For many years, credit assessments carried out by Handelsbanken have taken into account how environmental risks affect the customer's repayment capacity. This is particularly important in the case of customers engaged in environmentally hazardous activities or selling products that involve environmental or health risks. For property-related lending, it is important to take into account whether environmentally-harmful activities are or have been conducted in the property or whether the property itself has a harmful effect on the environment. Environmental factors in the vicinity of the property are also taken into consideration as much as possible.

In the Bank's decentralised structure, the branch that is responsible for the customer carries out the credit risk assessment. Thus the branch also carries out the assessment of how environmental risks affect the customer's repayment capacity. The credit risk assessment is part of the business evaluation, which is the Bank's method of assessing a customer, and the business relationship with the said customer. A business evaluation is always drawn up for new credit decisions and also for annual monitoring of credits and customer relations. The structure and methodology of the business evaluation are a good aid for the branches when it comes to identifying and assessing risks. The business evaluation is also the documentation basis for evaluation of the credit risk at higher levels in the Bank, and for the branches' follow-up of environmental issues in the credit risk assessment.

For a long time, the Bank has taken a restrictive approach to risk in its lending – including environmental risk. This culture and expertise on the part of the staff is best maintained and developed in day-to-day work at the branches. In addition, there are special business assessment training programmes at regional level.

## FINANCING OF ENVIRONMENTALLY RELATED INVESTMENTS

Based on a long-term personal relationship with the customer, the Bank aims to offer financial services adapted to the customer's requirements. Customers that require financing of environmentally related investments will be granted this within the framework of the standard customer relationship. The Bank takes a positive view of financing such investments. For example, the Bank has produced internal information material for the branches concerning financing of wind power.

# Responsible investments

Handelsbanken aims to provide a good return on the capital that our customers have entrusted us to manage. At the same time, there are now greater requirements that investment operations should contribute to sustainable development. Handelsbanken Asset Management has signed the UN Principles of Responsible Investment (UN PRI), which means that we have undertaken to integrate sustainability issues into our investment decisions and to practice active ownership.

Handelsbanken's view is that a responsible attitude is essential to long-term value creation in a company. Investing our customers' assets in a responsible manner is therefore a vital prerequisite for achieving the company's goal of generating a strong long-term return on customers' investments. Interest in sustainability issues is increasing among institutional and private investors alike, as is the wish that these issues be integrated into the Bank's asset management. On the Bank's home and international markets, the UN Principles of Responsible Investment (UN PRI) have acted as guidance for how asset managers and capital owners work with sustainability issues. Handelsbanken became a signatory to these principles in 2009.

In addition to a commitment to integrate sustainability issues into investment analyses and investment decisions, signing these principles means that we will also aim for more transparency relating to environmental, social and corporate governance matters in the companies we invest in and for increased co-operation between, for example, investors and asset managers concerning these issues.

## CORPORATE GOVERNANCE

Handelsbanken Fonder's ownership role as a fund management company, on behalf of the unit-holders and the mutual funds, is based on its corporate governance policy. The ownership role must be exercised in such a manner that the value of the companies and thus the value of the funds has optimal performance in the long term. This is managed in matters concerning the composition of the companies' boards and the procedure prior to and at shareholders' meetings. The fund management company also regularly follows the performance of the companies in the funds' portfolios, including direct contact with the company in question.

## POLICY FOR RESPONSIBLE INVESTMENT

Handelsbanken's policy for responsible investment is an integral part of the corporate governance policy. Handelsbanken's policy for responsible investments is based on international standards for the environment, human rights and working conditions, and against corruption and controversial weapons. This policy covers investments in actively managed mutual funds and portfolios, as opposed to index-based management. Actively managed mutual funds and portfolios make up some 60 per cent of the assets managed by Handelsbanken Asset Management, which at the end of 2010 amounted to SEK 254 billion.

Actively managed funds and portfolios are analysed regularly, with the aim of identifying companies whose operations are not in keeping with these fundamental values. This work is carried out with the assistance of an independent consultant. Thus, the Bank as an asset manager is able to act regarding deviations from international standards and conventions, for example by entering into a dialogue with the company. Depending on how this dialogue evolves, Handelsbanken Asset Management will decide on possible future action. This work may also involve collaborating with other owners or voting at AGMs. If the Bank's assessment is that this type of action does not affect the company's behaviour in the right direction, it is possible to exit the investment by selling the holding of shares or bonds.

In 2009 and 2010, Handelsbanken Asset Management started discussions with a number of companies whose operations in some respect contravene international standards and conventions.

## HANDELSBANKEN PARTICIPATES IN SUSTAINABLE VALUE CREATION

In 2009 and 2010, Handelsbanken Asset Management, together with other major Swedish investors took part in the Sustainable Value Creation project. For the participants, the aim of the project was to highlight the importance of Swedish companies working with sustainability issues in a structured manner, since this is regarded as a condition for long-term value creation in a company, and therefore also a condition for long-term financial returns. In 2009, Sustainable Value Creation carried out a survey of how the largest 100 Swedish listed companies work with these matters. In 2010, the project worked with following up the survey.

## SAVINGS PRODUCTS WITH A SPECIAL INVESTMENT FOCUS

The Bank's customers sometimes demand investment options where special consideration is taken of the investment focus. Handelsbanken offers two funds – one Swedish, one global – that invest in companies that have been approved in a review based on specific ethical selection criteria. The funds do not invest in companies whose production or sales mainly derive from munitions, tobacco and tobacco products, alcohol, betting or pornography. Handelsbanken also offers a fund that invests in companies whose operations are based on using technologies and methods to limit global warming. At year-end 2010, the total value of these three funds amounted to SEK 6.3 billion.





### INVESTMENTS IN COMMODITIES

Our customers are increasingly wanting to invest in commodities (raw materials). Investments in financial instruments based on raw material prices are mainly a method for companies that are dependent on the prices of raw materials to reduce their risk, for example by price hedging.

More recently, interest in commodities as a financial investment has increased. There are several advantages to investing in raw materials as a complement to traditional investments in shares and interest-bearing instruments. Handelsbanken offers many invest-

ment options based on forward contracts on various commodities and not the actual commodities. This means that the Bank does not offer trading in actual raw materials, only the opportunity to trade in the price of various commodities.

In pace with the increase in investor demand for investments in commodities, questions arise as to how far these investments can be considered to be responsible. For commodities, the principles to guide investors are not as well developed as for equity investments, for example. We plan to be active participants in future discussions and development of a similar approach concerning this class of asset.

# Good environmental activities generate dual benefits

The Bank aims to minimise its negative impact on the environment. Consistent and long-term improvements will often generate dual benefits: not just environmental gains but also cost savings.

As far as it is technically and financially compatible with the Bank's undertakings, Handelsbanken aims to promote long-term sustainable development. Handelsbanken has signed and complies with a number of voluntary agreements, such as the ICC Business Charter for Sustainable Development and the UN Environment Programme – Banks and the Environment. In 2009, Handelsbanken joined the UN's Global Compact voluntary initiative.

## DECENTRALISED ENVIRONMENTAL ACTIVITIES

In practice, environmental work often involves taking many small steps which, together, contribute to a better environment. Thriftiness, renewal, sorting and recycling are key to Handelsbanken's internal environmental activities. The Bank endeavours to include environmental considerations in decisions on investments and purchases.

As with other areas of responsibility at Handelsbanken, responsibility for the practical side of environmental activities is decentralised. All managers have ultimate responsibility for environmental matters at their units.

At each regional bank and subsidiary, as well as at the central head office, there are designated environmental co-ordinators.

## HANDELSBANKEN'S DIRECT ENVIRONMENTAL IMPACT

Handelsbanken's direct environmental impact largely concerns its consumption of energy, materials, equipment, travel and transport.

For several years, the Bank has measured and reported the carbon dioxide emissions generated by its own operations in Sweden as the result of travel, electricity and heat energy. In 2010, these emissions went down by around 20 per cent compared with 2009.

### Impact on climate

In 2010, the Bank purchased environmentally friendly electric power, which derives largely from hydroelectric sources. For 2010, the proportion of environmentally friendly electric power



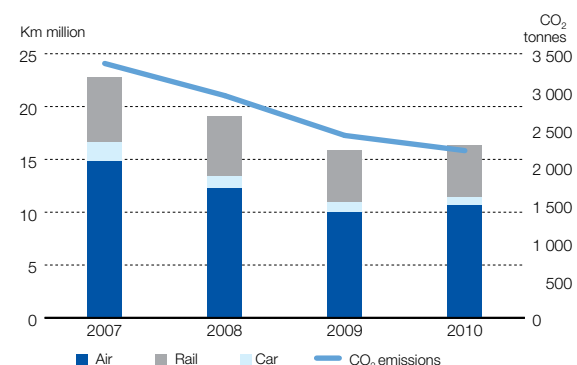
purchased for operations in Sweden was 77 per cent and for the whole of the Nordic region, 67 per cent.

Deep water source cooling is used during from December to May for the properties of the head office as a complement to the use of cooling machines and district cooling solutions. Deep water source cooling involves taking water from the Baltic Sea using heat exchangers.

The Bank's computer rooms are actively working with "green IT", which can minimise Handelsbanken's environmental impact through creative solutions. One example of this is virtual server technology. This means that several systems can share one server, which in turn means that the number of physical servers can be reduced. Every physical server generates a great deal of heat, and this means that every computer room must have powerful

Carbon dioxide emissions tonnes	2010	2009	2008	2007	2006
Electricity consumption, Nordic countries	1 464	2 482	2 585	2 131	2 373
Electricity consumption, Sweden	867	1 945	2 258	1 647	1 850
Heating, own properties, Sweden		1 181	1 344	1 266	1 284
Transport of valuables, Sweden	128	289	209		
Business travel, Sweden	2 216	2 417	2 945	3 371	2 895

Business travel, Sweden



refrigeration units. These units consume a great deal of electricity, but due to the virtual technology which reduces the number of servers, less heat needs to be cooled, which results in lower electricity consumption.

#### More efficient equipment and utilisation of resources

Electronic processing of supplier invoices is gradually being increased, which reduces the use of paper and transport.

To reduce energy consumption, old printers, fax machines and scanners are being replaced by multi-function machines including environmentally certified machines with environmentally friendly toner. A further long-term aim is to reduce paper consumption. When old equipment is to be scrapped, the Bank ensures that it is recycled in an environmentally friendly manner.

#### Travel

The distribution between car, train and air travel for business purposes was more or less unchanged in 2010 compared with the previous year. Video conferencing is increasingly used by more and more of the Bank's units to reduce the amount of business travel.

In order to encourage the selection of green cars as company vehicles, the Bank has decided to subsidise these cars. The proportion of green company cars was 35 per cent in 2010.

#### HANDELSBANKEN'S INDIRECT ENVIRONMENTAL IMPACT

In addition to the Bank's own consumption of resources, there is an environmental impact that is mainly linked to lending and asset management operations.

For more details, see page 6 and pages 17–19.

#### EMISSIONS TRADING

Handelsbanken carries out trading in emissions allowances, and the Bank's share of trading in these rights increased sharply in 2010. Many industrial companies with a surplus of emissions allowances have chosen to sell rights. This is partly because awareness and understanding of this trading has increased, and partly because the economic situation has meant that companies have had more allowances to sell.

In the long term, Handelsbanken expects increased demand for both funding and management of projects relating to renewable energy.

#### THE FUTURE

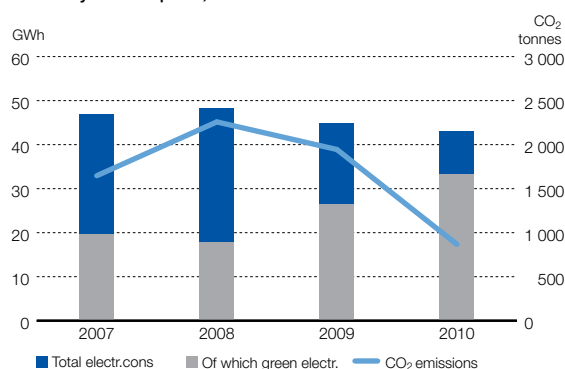
An important element in the environmental work is to raise awareness within the Bank of its direct impact on climate. 2010 saw the launch of a new piece of training material "An environmental review of your workplace," with the aim of providing inspiration and more information about climate impact, including the small measures that can be taken at your own workplace.

As an alternative to business travel, Handelsbanken will actively work to increase the number of its video installations, to create opportunities for employees to use video-conferencing.

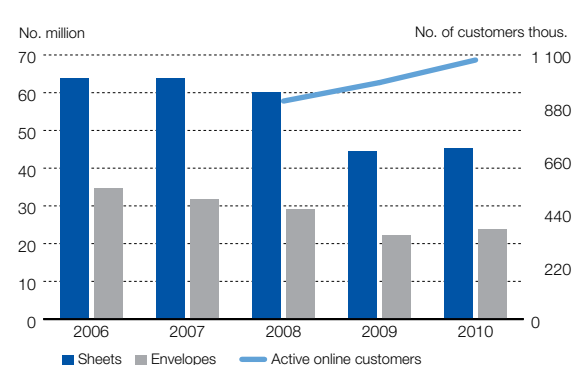
Since 2010, an overhaul of ventilation control systems has been in progress in the Bank's properties, in order to make the systems more efficient, reduce power consumption and achieve a better working environment.

The Bank is also working to increase the proportion of green electricity that it buys in 2011 and also to increase the amount of refuse which is recycled.

Electricity consumption, Sweden



Central distribution



# Initiatives and awards

Handelsbanken collaborates within and outside the financial sector in initiatives that are designed to increase awareness of sustainability and corporate social responsibility.

## INITIATIVES

### Global Compact



In 2009, Handelsbanken signed the UN's Global Compact, cementing the Bank's expressed support for universal human rights and corporate social responsibility. Global Compact is an initiative aimed at companies which advocates ten principles based on international conventions. These principles, which were established in 2000, include human rights, labour laws, the environment and anti-corruption.

### UN PRI



The UN initiative PRI (Principles for Responsible Investments) was launched in 2006 as a collaboration between UNEP FI and Global Compact, as well as corporate players. Its aim is to promote responsible ownership 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. In 2009, Handelsbanken signed the PRI, which encompasses more than 880 capital owners, asset managers and research houses around the world.

### UNEP FI



The UN Environmental Programme has a special organisation that works with how the capital markets can promote the adoption of best environmental and sustainability practice. Among other things, the almost 200 financial institutions that support the initiative contribute to research into and knowledge of how sustainability issues can be integrated into financial decisions. Handelsbanken has been a member of UNEP FI since the mid-1990s.

### ICC



The International Chamber of Commerce (ICC) has developed a Business Charter, with the aim of guiding the world's companies in their efforts to fulfil their environmental commitments. These commitments are in compliance with national and international guidelines and standards for environmentally aware governance. Handelsbanken has signed the Charter and complied with it since the 1990s.

### Ecpat



In 2009, Handelsbanken, together with the Swedish Bankers' Association, started cooperating with ECPAT. The overall objective of the cooperation is to prevent commercial sexual exploitation of children by preventing and obstructing monetary transactions made as payment for child pornography.

ECPAT Sweden is part of ECPAT International which has member organisations in more than 70 countries. ECPAT is working to prevent and stop all forms of commercial sexual exploitation of children: trafficking of children for sexual purposes, child pornography and child sex tourism.

### World Childhood Foundation



Since 2010, Handelsbanken has supported the World Childhood Foundation in its work to protect children's rights to a secure childhood. In this way, based on Handelsbanken's fundamental idea of trust and respect for the individual, the Bank aims to contribute to giving children the opportunity to develop into strong, confident, responsible people.

The aim of the World Childhood Foundation is to protect children's rights to a childhood, and particularly to work for better living conditions for children in marginalised environments all over the world. The Foundation supports projects that focus on children in institutions, homeless children, young parents and sexually abused children. The World Childhood Foundation was formed in 1999 by H.M. Queen Silvia of Sweden.

### Collaboration with Swedish Sea Rescue Society



**SJÖRÄDDNINGSSÄLLSKAPET**  
In collaboration with the Sea Rescue Society, Handelsbanken has made possible the launch of another rescue boat. The Sea Rescue Society was started more than 100 years ago and today has 1,800 volunteers and 64 rescue stations with 160 boats ready to turn out 24 hours a day, 365 days a year. Together they make up 70 per cent of all sea rescue efforts in Sweden and this is done with no state subsidies. Operations are entirely based on membership, donations, gifts and volunteer efforts.

The Sea Rescue Society saves lives at sea. Its vision is zero deaths at sea and it also works on a preventative basis and with research and development. In the past few years, the Society has focused on new, state-of-the-art boats built for sea rescue, more stations to enable quicker rescues, and increased training for volunteers.



## AWARDS

### Best corporate governance report

For the sixth year running, PwC has evaluated the corporate governance reports of Swedish listed companies. Of 261 companies' reports, Handelsbanken's corporate governance report for 2009 won the prize for the best report.

The competition aims to demonstrate good application of the Swedish Code of Corporate Governance based on four criteria: completeness, credibility, comprehensibility and value creation.

The jury especially noted how Handelsbanken has developed its description of the Bank's governance model and risk management and how sound, profitable operations are based on good corporate governance. Part of the citation said "in the Bank's 'Principles for corporate governance at Handelsbanken', goals and strategies are clarified, related to a corporate culture supported by a compensation system that contributes to loyalty and stability – factors which are of crucial importance for a financial institution with high risk entailed in its operations. The reader is invited to study quite brilliant risk information at an overarching level with the opportunity of more in-depth information."

## INDEXES AND SURVEYS

Handelsbanken is scrutinised and assessed by both customers and financial market players. The outcome, and the assessment of the Bank that results from this, show how well Handelsbanken is living up to their expectations.

### OMX GES Sustainability



Together with the GES Investment Services research company, OMX has launched a number of sustainability indexes that provide investors with a universe of companies that are fulfilling sustainability requirements. Handelsbanken

has qualified for the OMX GES Sustainability Sweden index, as well as the OMX GES Sustainability Nordic index.

Both indexes are based on a ranking of how well companies are working with environmental, social and governance (ESG) issues. The companies that receive the highest scores qualify for the indexes.

### FTSE4Good



#### FTSE4Good

Handelsbanken has been selected to be included in the international FTSE4Good Index. The research analysis is provided by EIRIS, one of the leading research houses for analysis of corporate social responsibility. Investors and owners use the FTSE4Goods index to identify companies that fulfil globally recognised standards for corporate social responsibility. The index is independent and based on analyses of companies' work with environmental matters, human rights and the other areas that come under corporate social responsibility. Handelsbanken has been included in the index since 2001.

### Ethibel Sustainability Index



The Brussels-based Ethibel provides the financial market with information on companies' CSR work. 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.

### Customer satisfaction



Handelsbanken had the most satisfied customers of the major banks in Sweden.

This applies for both private and corporate customers. The Bank tops these lists in all the Nordic countries and in Great Britain. Swedish Quality Index (SKI), is a system for compiling, analysing and distributing information about customers' expectations, perceived quality and evaluation of goods and services. Helping to run SKI is the international organisation EPSI Rating (European Performance Satisfaction Index), which conducts comparable surveys in almost 20 countries. Research and development related to the surveys is conducted regularly at SIQ (the Swedish Institute for Quality) and the Stockholm School of Economics.

### Sustainable Value Creation

Together with a number of major Swedish institutional investors, in 2009, Handelsbanken took part in the Sustainable Value Creation initiative. In a survey, the 100 largest listed Swedish companies were asked a series of questions regarding guidelines, implementation and governance of sustainability issues. The aim was to provide the companies with a better understanding of the issues that are relevant to investors, and to provide support for the development of communications and reporting. The project members will, in various ways, each use the companies' survey responses as a basis for their dialogues and investment decisions as owners.

In its capacity as one of the 100 largest listed Swedish companies, Handelsbanken has itself responded to the survey on its work. Handelsbanken received particularly positive comments regarding the board's responsibility for sustainability issues.

### Index for corporate social responsibility

In the 2009 edition of the insurance company Folksam's index for corporate social responsibility, Handelsbanken achieved a high position in its sector. The assessments are based on companies' information on how they manage environmental and social issues, and communicate their results. Overall, Handelsbanken is assessed as being among the best-performing financial sector performers in terms of environmental matters and human rights. Among the financial players Handelsbanken is in second place, and overall it is number 30 out of the 251 Swedish stock market companies that were surveyed.

# Contents and restrictions in this report

For greater transparency, Handelsbanken has pooled information on the Bank’s sustainability activities in a separate sustainability report, in accordance with guidelines from the Global Reporting Initiative, GRI. For many years, in annual reports and on the Bank’s website, we have reported relationships with our main stakeholders – customers, employees, investors and the community at large – and how the Bank’s operations affect the environment.

**THE WORK OF PRODUCING THE REPORT**

An internal Committee for Corporate Social Responsibility has worked with defining Handelsbanken’s sustainability activities more clearly, from a broader stakeholder perspective. By “stakeholders,” the Bank is referring to groups that are affected to a large extent by the Bank’s actions and/or groups that affect the Bank. Following a continuous dialogue with various stakeholders, the most important aspects of sustainability have been identified. Ahead of this report, the special dialogues conducted were mainly with internal stakeholders.

**RELEVANCE FOR A BANK IN THE NORDIC REGION AND GREAT BRITAIN**

Relevance and materiality are key GRI concepts. The sustainability issues have been analysed based on their relevance to our stakeholders and to the Bank’s ability as regards long-term value creation. We have prioritised the information that has been deemed to be particularly relevant to the operations, which means that indicators from GRI’s Financial Services Sector Supplement have been included. Banking operations have a limited direct environmental impact, and therefore, based on internal research, a number of GRI environmental indicators have been deemed to have less relevance for our sector. Handelsbanken’s providers are located in the regions where Handelsbanken operates, e.g. real estate owners that provide premises for bank branches, or suppliers of office material. In these cases, the risks relating to social issues and working conditions among providers are deemed to be limited.

In some cases, we have reported about indicators that are not prioritised, and in some cases we have compiled these in a separate appendix available at [www.handelsbanken.se/csreng](http://www.handelsbanken.se/csreng).

**WHAT IS THE GLOBAL REPORTING INITIATIVE – GRI?**

Some 1,800 companies worldwide report according to the GRI guidelines for sustainability reporting, and in the past few years the figure has grown steadily. The aim of GRI is to create conditions for comparing companies’ sustainability activities to a greater extent, within the same sector or region.

The main components of the reporting framework are standard details of the company’s operations – a ‘profile’ – as well as reporting of governance and results indicators in three areas of responsibility: economic (the EC indicators in the GRI table), environmental responsibility (the EN indicators in the GRI table) and social performance (the LA, HR, SO and PR indicators in the GRI table). These indicators reflect issues that are broadly established in international principles and initiatives for corporate social responsibility.

A company can choose the extent to which it reports, according to the application levels A, B and C. In this first report, Handelsbanken has opted to apply level C. The Bank has focused on the most important indicators, and reports to a greater extent than the C level necessarily demands.

Profile: Company information		
Indicators: ECONOMIC (EC)	Indicators: ENVIRONMENTAL PERFORMANCE (EN)	Indicators: SOCIAL PERFORMANCE (LA, HR, SO, PR)
Sector supplement: FINANCIAL SERVICE SECTOR SUPPLEMENT (FSSS)		

To complement the general framework, GRI has developed sector supplements (e.g. the Financial Services Sector Supplement, FSSS), which focus on particularly relevant sustainability issues in specific sectors. The Financial Services Sector Supplement applies to banks, insurance companies, asset management companies and other investment houses.

Handelsbanken has opted to complement the general framework and report on a number of indicators from the FSSS (the FS indicators in the GRI table).

**DATA COLLECTION AND LIMITATIONS**

At present, Handelsbanken has joint group data in the personnel area (LA), which is fully reported. For the environmental performance area (EN), data is limited to the Nordic operations, with the focus being on Swedish operations. The information in the report covers the largest and most important parts of the operations. No corrections or amendments with reference to previous information included in annual reports have been made.

All figures reported in the sections on Employees and Environmental Performance are included in the Administration Report in Handelsbanken’s 2010 annual report, which has been examined by external auditors. The report covers events and activities during the 2009 and 2010 calendar years.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	<div>G3 Profile Disclosures</div> <div>OUTR</div>	Report on 1.1 2.1–2.10 3.1–3.8, 3.10–3.12 4.1–4.4, 4.14–4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5–4.13, 4.16–4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	<div>G3 Management Approach Disclosures</div> <div>OUTR</div>	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	<div>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</div> <div>OUTR</div>	Report on a minimum of 10 Performance Indicators, at least one from each of Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality principle.	
*Sector supplement in final version							

# Index according to the Global Reporting Initiative (GRI)

This is Handelsbanken's first separate sustainability report, produced according to the GRI guidelines for reporting sustainability activities, version 3.0. In Handelsbanken's assessment, the information in the report corresponds to GRI application level C. The table below includes all the core indicators and supplementary indicators that have been deemed relevant to Handelsbanken's operations. In addition, at the bottom of the table on page 26, we report relevant information on management approach and results indicators from the GRI Financial Service Sector Supplement (FS), RG Version 3.0/FSS Final Version. The symbols in the table show the relevance that each indicator is deemed to have in relation to Handelsbanken's operations.

## GLOBAL COMPACT COMMUNICATION ON PROGRESS

In its day-to-day work, Handelsbanken complies with Global Compact's principles for human rights, labour laws, the environment and anti-corruption. This report presents some of the activities and results achieved by Handelsbanken within these areas in 2010, and constitutes Handelsbanken's Communication on Progress (CoP), the formal reporting commitment for members of Global Compact.

PROFILE: COMPANY INFORMATION	Page	Scope
<b>1. STRATEGY AND ANALYSIS</b>		
1.1 Comments from the group chief executive	3	■
1.2 Description of key impacts, risks and opportunities	2, 16	■
<b>2. ORGANISATIONAL PROFILE</b>		
2.1 Name of the organisation	Inside cover	■
2.2 Primary brands, products, and services	Inside cover	■
2.3 Operational structure of the organisation	Inside cover, 1, AR 165–171	■
2.4 Location of organisation's headquarters	Inside cover	■
2.5 Countries where the organisation operates	Inside cover, 1, AR 165–171	■
2.6 Nature of ownership and legal form	AR 36–37, 44	■
2.7 Markets	Inside cover, 1	■
2.8 Scale of the organisation	1	■
2.9 Significant changes during the reporting period	AR 24–35	■
2.10 Awards received during the reporting period	23	■
<b>3. REPORT PARAMETERS</b>		
3.1 Reporting period	1, 24	■
3.2 Date of most recent previous report	25	■
3.3 Reporting cycle	26	■
3.4 Contact point for questions regarding the report	27	■
3.5 Process for defining report content	2, 24	■
3.6 Boundary of the report	24	■
3.7 Specific limitations on the scope or boundary of the report	24	■
3.8 Basis for reporting on joint ventures, subsidiaries, etc	24, AR 71	■
3.9 Data measurement techniques and calculation principles		■
3.10 Explanation of the effect of any re-statements of information provided in earlier reports	24	■
3.11 Significant changes from previous reporting periods regarding scope, boundaries, etc.	24	■
3.12 Table identifying the location of the Standard Disclosures in the report	25–26	■
3.13 Policy and current practice with regard to seeking external assurance for the report	24	■

### Key to symbols

- Relevant to a Nordic bank.
- Partly relevant to a Nordic bank.
- Not relevant to a Nordic bank.

- Reported.
- Partly reported.
- Not reported.

- AR Refers to the 2010 Annual Report.
- All other page references refer to the 2009/2010 Sustainability Report.
- www Refers to the GRI supplement at [www.handelsbanken.se/csreng](http://www.handelsbanken.se/csreng)

PROFILE: COMPANY INFORMATION	Page	Scope
<b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>		
4.1 Governance structure	8-9	■
4.2 The Chairman of the Board's role	8-9	■
4.3 Independent and/or non-executive board members	AR 51	■
4.4 Mechanisms for shareholders and employees to provide recommendations to the board	AR 49	■
4.5 Principles for compensation to senior executives	5	■
4.6 Processes for avoiding conflicts of interests in the board	AR 50–52	■
4.7 Processes for determining the qualifications of board members	AR 50–51	■
4.8 Mission, values, Code of Conduct, etc.	6-7	■
4.9 The board's monitoring of the sustainability work	7–9	■
4.10 Processes for evaluating the board's own performance	9	■
4.11 Explanation of whether and how the precautionary principle is applied		■
4.12 Endorsement of external voluntary codes, principles or other initiatives	22	■
4.13 Memberships in associations	22	■
4.14 List of stakeholder groups	5	■
4.15 Basis for identification and selection of stakeholders with whom to engage	5	■
4.16 Approaches to stakeholder engagement	5	■
4.17 Key topics and concerns that have been raised through stakeholder engagement	5, 7	■

INDICATORS	Page	Relevance	Scope
<b>5. ECONOMIC INDICATORS (EC)</b>			
<b>Disclosure on management approach/economic</b>	AR 9–13		■
EC1. Direct economic value generated and distributed	5, 16	●	■
EC2. Financial impact, and risks and opportunities for the organisation due to climate changes	2, 17, 20–21	●	■
EC3. Coverage of the organisation's defined benefit plan obligations	AR 97–100	●	■
EC4. Financial assistance received from government	5, 16	●	■
EC6. Policy, practices, and proportion of spending on locally-based suppliers		○	■
EC7. Local hiring and proportion of senior management hired from the local community	12	●	■
EC8. Infrastructure investments and services mainly provided for public purposes	10, 22	○	■
EC9. Significant indirect economic impacts, including the extent of impacts	2, 10, 16	●	■

<b>6. ENVIRONMENTAL PERFORMANCE INDICATORS (EN)</b>			
<b>Disclosure on management approach/Environment</b>	6–7, 14, 17, 18–20		■
EN1. Materials used by weight or volume	www	○	■
EN2. Percentage of recycled input materials		○	■
EN3. Direct energy consumption by primary source		○	■
EN4. Indirect energy consumption by primary source	20	●	■
EN5. Energy saved due to conservation and efficiency improvement	20–21	●	■
EN6. Initiatives to provide energy-efficient or renewable energy based products/services	17, 20–21	●	■
EN7. Initiatives to reduce indirect energy consumption and results	20–21	●	■
EN8. Total water withdrawal by source		○	■
EN11. Location/scope of land owned near protected areas/areas of biodiversity value		○	■
EN12. Impacts of products or operations on biodiversity		○	■
EN16. Direct and indirect greenhouse gas emissions	20–21	●	■
EN17. Other relevant indirect greenhouse gas emissions	www	○	■
EN18. Initiatives to reduce greenhouse gas emissions	20–21	●	■
EN19. Emissions of ozone-depleting substances, weight		○	■
EN20. NO, SO, and other significant air emissions, weight		○	■
EN21. Total water discharge		○	■
EN22. Total weight of waste by type and disposal method	www	○	■
EN23. Number and volume of significant spills		○	■
EN26. Initiatives to mitigate environmental impacts of products and services	20–21	●	■
EN27. Products sold and their packaging materials that are reclaimed		○	■
EN28. Fines and/or non-monetary sanctions for non-compliance with environmental laws	No significant fines in 2010	○	■
EN29. Environmental impact of transports	20–21	●	■

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INDICATORS	Page	Relevance	Scope
<b>7. SOCIAL PERFORMANCE INDICATORS (LA, HR, SO, PR)</b>			
Disclosure on management approach/Social	6–7, 11–15, 17–18		■
<b>Employment and working conditions (LA)</b>			
LA1. Total workforce by employment type, contract and region	12	●	■
LA2. Rate of employee turnover by age group, gender and region	4, 12–13, AR 42	●	■
LA3. Benefits provided to full-time employees	12–13	●	■
LA4. Percentage of employees covered by collective bargaining agreements	13	●	■
LA5. Minimum notice period(s) regarding operational changes and whether this is specified in the collective agreement	www	●	■
LA7. Rates of injury, occupational diseases, lost days, total work related fatalities per region	13	●	■
LA8. Education, training, prevention and risk-control programs in place to help employees and their families or members of society regarding serious disease	12–13, 15	●	■
LA10. Average hours of training per year per employee, split into personnel categories		●	■
LA12. Percentage of employees receiving regular performance and career development reviews	12	●	■
LA13. Composition of governance bodies and employees according to diversity indicators	12, AR 60–63	●	■
LA14. Ratio of basic salary of men to women per employee category		●	■
<b>Human rights (HR)</b>			
HR1. Proportion and number of Investment agreements that include human rights clauses, or that have been examined on the basis of human rights	14, 17, 18	●	■
HR2. Suppliers that have undergone screening on human rights, and actions taken		○	■
HR4. Total number of incidents of discrimination and actions taken	www	●	■
HR5. Operations where freedom of association and collective bargaining may be at significant risk and actions taken		○	■
HR6. Operations identified as having significant risk for incidents of child labour and actions taken		○	■
HR7. Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken		○	■
<b>Society (SO)</b>			
SO1. Programs for evaluating the operation's impacts on communities		○	■
SO2. Business units analysed for risks related to corruption	AR 59	●	■
SO3. Employees trained in the organisation's anti-corruption policies and procedures	14	●	■
SO4. Actions taken in response to incidents of corruption		○	■
SO5. Participation in public policy development and lobbying		○	■
SO8. Monetary value of fines for non-compliance with applicable laws	No significant fines in 2010	●	■
<b>Product responsibility (PR)</b>			
PR1. Life cycle stages in which health and safety impacts of products and services are assessed and the proportion of product categories evaluated		○	■
PR3. Type of products and service information required by procedures, and percentage of products subject to such information requirements		○	■
PR5. Results related to customer satisfaction, including results of surveys	11, 23	●	■
PR6. Programs for adherence to laws, standards and voluntary codes for marketing communications	11, 15	●	■
PR9. Monetary value of fines for non-compliance with regulations concerning the use of products and services	No significant fines in 2010	○	■
<b>FINANCIAL SERVICES SECTOR SUPPLEMENT</b>			
<b>FS. Product and Service Impact Section</b>			
FS1. Policies with specific environmental and social components applied to business lines	6, 17–19	●	■
FS2. Procedures for assessing and screening environmental and social risks in business lines	17–19	●	■
FS3. Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	17	●	■
FS5. Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	17–19	●	■
FS8. Monetary value of products and services designed to deliver a specific environmental benefit	18	●	■
FS9. Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	17	●	■
FS10. Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	18	●	■
FS11. Percentage of assets subject to positive and negative environmental screening	18	●	■
FS12. Voting polic(ies) applied to environmental or social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting		●	■
FS13. Access points in low-populated or economically disadvantaged areas by type	10	●	■
FS15. Policies for the fair design and sale of financial products and services	11, 15, 17	●	■
FS16. Initiative to enhance financial literacy by type of beneficiary	10	●	■

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# Contact

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## FINANCIAL INFORMATION

The following reports can be downloaded or ordered from Handelsbanken's website: [www.handelsbanken.se/ireng](http://www.handelsbanken.se/ireng).

- annual reports
- interim reports
- risk reports
- corporate governance reports
- fact books
- sustainability report

## IMPORTANT DATES 2011

9 February Highlights of annual report 2010  
27 April Interim report January – March 2011  
20 July Interim report January – June 2011  
26 October Interim report January – September 2011



