

Policy for management of conflicts of interest in the handelsbanken group

adopted by the Central Board on 25 March 2020

Information class: Open

1. Purpose

The purpose of this policy is to ensure that conflicts of interest in the Handelsbanken Group are managed correctly.

2. Application

That which is stated in the policy shall apply throughout the Handelsbanken Group, although this is subject to the fact that prevailing law or directives from public authorities, either within or outside Sweden, may require a different application.

All members of boards in the Group, employees, and third parties acting on behalf of the Handelsbanken Group must comply with this policy, where applicable.

3. Identification and management of conflicts of interest

3.1 General information on identification of conflicts of interest

Conflicts of interest are a natural part of a business operation, which means that these types of conflicts may arise within the Group's operations. Conflicts of interest can arise between the customers of Handelsbanken, and between Handelsbanken or Handelsbanken's customers on the one hand, and on the other hand Handelsbanken's (other) customers, shareholders, members of the Board and executive officers, as well as other personnel, important suppliers and business partners, and other closely related parties (such as companies within the Group).

A conflict of interest that can give rise to one or more customers' interests being adversely affected may arise, for example, in situations where Handelsbanken, its employees, contractors or their related parties

- are likely to make a financial gain, or avoid a financial loss, at the expense of the customer,
- may have an interest in the outcome of a service provided to the customer, or of a transaction carried out on behalf of the customer, which diverges from the customer's interest in that outcome,
- may have a financial reason or other incentive to favour the interest of another customer or group of customers over the interests of the customer,
- pursues the same type of business as the customer, or
- receives or will receive from a person other than the customer an inducement in relation to a service provided to the customer, in the form of monies, goods or services, other than the standard fee or commission or for that service or activity.

Conflicts of interest can be of different types in different parts of the Handelsbanken Group's operations. The situations mentioned above are only examples of possible conflicts of interest.

3.2 General information on management of conflicts of interest

The responsible unit head handles conflicts of interest primarily by making sure that procedures are applied and measures taken that

prevent the customers' interests being negatively affected. It is the responsibility of every head of unit within the Group to continuously identify potential conflicts of interest in the unit's operations and to draw attention to and manage conflicts of interest that may give rise to one or more customers' interests being adversely affected as a result of the Group's operations. If a conflict of interest is identified, the head of the unit responsible must first ensure that the customer's interests are not adversely affected. If this is not possible, the customer must be informed of the conflict of interest in such a manner that enables the customer to understand and save the information and thereby take a decision regarding Handelsbanken's service or product in the light of the identified conflict of interest. If an identified conflict of interest cannot be avoided, the responsible unit head must also follow up the conflict of interest regularly, with the aim of bringing it to an end.

Material conflicts of interest that have been identified must be documented and recorded by the unit. It must be made clear that this record cannot be regarded as being exhaustive. The identification and management of conflicts of interest within a unit must be adapted to the type of operation concerned. It is the responsibility of every head of unit where conflicts of interest have been identified to hold an annual review with the unit's staff, based on the current regulations regarding possible conflicts of interest.

For units where the probability of conflicts of interest is deemed to be higher, an annual summary of material conflicts of interest that have been identified must be compiled. The Group Chief Executive will determine which units are to be subject to this requirement. For these units, the head of unit is to decide on the management of these conflicts of interest.

In determining suitable procedures for forestalling and preventing a conflict of interest, Handelsbanken's regulations regarding conflicts of interest, bank confidentiality, ethical standards, operational risk, corruption, assignments outside the Bank, remuneration, secondary occupations, employees' own securities transactions, investment research, investment advisory services, marketing of financial instruments and corporate finance operations must be taken into account, where applicable.

The risk of conflicts of interest must also be taken into account in conjunction with recruitment, appointment of board members within the Group, and procurement of services.

3.3 Examples of conflicts of interest that occur at Handelsbanken, and the management of these

The list below sets out the conflicts of interest that are central to the Handelsbanken Group's operations and shows how they are managed. Note that the list does not include all conflicts of interest within the Group, and that the descriptions of how conflicts are managed are not exhaustive.

Conflicts of interest	Management
Is likely to make a financial gain, or avoid a financial loss, at the expense of the customer	
<p>Research operations – the Bank’s position Research could favour Handelsbanken’s positions/operations but put certain customers at a disadvantage.</p>	<ul style="list-style-type: none"> • The research documentation must always include information on conflicts of interest. • Internal rules regulate independence, information management, contradictory information, checks, etc.
<p>Corporate Finance assignments Conflicts of interest with other operations, for example through the customer being included in the Bank’s research coverage, or receiving investment advisory services, or its financial instruments being included in the Bank’s mutual funds, or Handelsbanken being a lender to the customer and thus having an interest in the outcome of the business.</p>	<ul style="list-style-type: none"> • Corporate Finance’s operations are surrounded by Chinese walls. • Credit decisions are taken and investment advisory services are provided in accordance with internal rules based on the customer’s interests and requirements.
<p>Advice in conjunction with investments and asset management Proposals could be made, or asset management could take place, based on what is most profitable for Handelsbanken, instead of what is best for the customer.</p>	<ul style="list-style-type: none"> • Recommendations given as part of investment advisory services, insurance distribution or asset management must always be suitable for the customer. • The advice is documented and checked. • The customer is informed about the conflict of interest.
<p>Advice in conjunction with lending Handelsbanken could make proposals based on what is most profitable for itself, instead of what is best for the customer.</p>	<ul style="list-style-type: none"> • This is managed through internal rules for credit assessments and credit decisions, where decisions are examined and assessed on a regular basis. • The credit process must take place in accordance with the principle of duality in the granting of credit. • Advice is documented and checked. • The customer is informed about the conflict of interest.

Has an interest in the outcome of a service provided to the customer, or of a transaction carried out on behalf of the customer, which is distinct from the customer’s interest in that outcome	
<p>Remuneration from the Bank to the employee Internal remuneration systems could affect how duties are carried out and could mean that the Bank’s interests are favoured, rather than the customer’s.</p>	<ul style="list-style-type: none"> • This is managed by the stipulation that recommendations in conjunction with investment advisory services and insurance distribution must always be appropriate for the customer. • The remuneration policy and remuneration system, which take account of conflicts of interest. • Advice is documented.
<p>Reimbursements from the Bank to a third party Third party reimbursements for investment advisory services, insurance distribution, etc., could mean that the advisor’s recommendations are influenced by reimbursements to Handelsbanken or the advisor.</p>	<ul style="list-style-type: none"> • Recommendations given as part of investment advisory services or insurance distribution must always be suitable for the customer. The advice is documented and checked. • The customer is informed about the conflict of interest. • The remuneration policy and remuneration system take account of conflicts of interest.
<p>Proprietary trading (i.e. trading on own account) A trader could receive reimbursement, which would mean that Handelsbanken’s interests in trading in financial instruments would be given a higher priority than the customer’s interests.</p>	<ul style="list-style-type: none"> • Rules for best order execution and rules for management of customer orders, as well as rules for proprietary trading. • The remuneration policy and remuneration system take account of conflicts of interest.

<p>The life insurance company's offering of funds in insurance The life insurance company chooses from Handelsbanken's range of mutual funds, which could put insurance customers at a disadvantage.</p>	<ul style="list-style-type: none"> • Mutual fund investments are managed by a fund selection committee that is independent of Handelsbanken.
<p>The fund management companies' choice of asset management The fund management company could select mutual funds that give good kick-backs, or favour Handelsbanken, which could put fund unit holders at a disadvantage.</p>	<ul style="list-style-type: none"> • The fund is managed in accordance with its fund regulations, and the fund manager selects the funds that they consider to be best for the unit-holders/fund • Any kick-backs are paid into the fund. • When a fund-of-fund invests in its own funds, the underlying fund's management fee is waived. • The fund management company provides information about conflicts of interest.
<p>Insider information A unit within Handelsbanken receives insider information that prevents Handelsbanken or the fund management company from acting in the best interests of the customer or the unit holders in all situations.</p>	<ul style="list-style-type: none"> • Clear regulations for Chinese walls and keeping logs.

Has a financial reason or other incentive to favour the interest of another customer or group of customers over the interests of the customer

<p>Customers with conflicting interests An employee could receive information on different customers' conflicting interests, for example in conjunction with company acquisitions. A branch or a region could need to manage customers that are competitors. There is a risk that the employee will put the interests of one customer before the interests of another.</p>	<ul style="list-style-type: none"> • In corporate finance assignments, conflicts of interest are managed with rules on Chinese walls and logs. • Duty of confidentiality applies to all customer relationships.
<p>Order management Favouring one customer over another customer in conjunction with order management, execution, or the allocation of securities in market transactions.</p>	<ul style="list-style-type: none"> • Internal rules on best execution and execution of portfolio transactions. • Front running is regulated in the rules on market manipulation.
<p>Reallocation in asset management The fund management company could favour certain customers or mutual funds in conjunction with major reallocations of funds, where the change would affect the unit value or otherwise affect the funds negatively or positively.</p>	<ul style="list-style-type: none"> • According to internal and external regulations, asset management must be run so that the fund unit holders are treated fairly, and no unit holders' interests are to be given a higher priority than others'.

Receives or will receive from a person other than the customer an inducement in relation to a service provided to the customer, in the form of monies, goods or services, other than the standard commission or fee for the service or activity in question.

<p>Gifts or other gains An employee receiving – or expecting to receive – gifts may entail a conflict of interests in, for example, the selection of a counterparty when placing orders.</p>	<ul style="list-style-type: none"> • Rules for incentives and the receiving of gifts, the policy against corruption, the policy for ethical standards, and regular evaluation of counterparties in accordance with the established criteria.
---	---

Conflicts of interest relating to intra-Group business	
<p>Outsourcing agreements When evaluating an intra-Group outsourcing agreement, the outsourcing party may need expert assistance to evaluate the agreement. If this assistance were sought from a Group function, then in practice, the outsourcing party would be seeking help from the engaged party.</p>	<ul style="list-style-type: none"> • The outsourcing company must always have the requisite competency to evaluate outsourcing agreements. • If there is a need for specialist competency, this support must be sought from an independent party, if there is a risk of a conflict of interests.
<p>Work of the board A member of an internal board could have another assignment at Handelsbanken which would mean that he/she had an interest that conflicted with their duty of loyalty to the subsidiary.</p>	<ul style="list-style-type: none"> • A suitability assessment, including an assessment of any conflicts of interest, is carried out before a new member is appointed, or when an existing member is given different operational assignments.

Conflicts of interest relating to stakeholders other than customers	
<p>Suppliers An employee receives gifts or is invited to a corporate hospitality event by a supplier, with the aim of persuading the employee to enter into an agreement that is unfavourable to Handelsbanken</p>	<ul style="list-style-type: none"> • To avoid incurring obligations to suppliers, employees must observe rules regarding receiving and giving gifts and corporate hospitality. • Ethical rules include provisions on the giving and taking of bribes. All corporate hospitality must be characterised by moderation. • Policy against corruption
<p>Additional assignments Employees and other persons who exercise ownership control, have board assignments, exercise ownership in companies with operations in competition with the Bank, etc. could have interests that conflict with those of Handelsbanken.</p>	<ul style="list-style-type: none"> • It is prohibited for employees and other relevant persons to: <ul style="list-style-type: none"> - manage matters for Handelsbanken in cases where the employee or a closely related person may have a conflict of interests with Handelsbanken - participate in other business activities on behalf of themselves or a third party without the consent of their line manager and the HR department - take on assignments outside their employment/assignment without the consent of their line manager and the HR department
<p>Credits to closely related parties Employees in senior positions, parties closely related to these persons, and companies in which these persons have a significant financial interest, could be granted credits on grounds that are not commercial, which could damage the interests of Handelsbanken.</p>	<ul style="list-style-type: none"> • Credit instructions and rules on credits to certain employees and closely related parties.
<p>Relationships of employees or closely related persons with customers, suppliers or other interested parties An employee, or a person closely related to an employee, could have, or could have recently had, financial, professional or private relationships with a customer, supplier or other employee, etc., which may entail the risk of a conflict of interest that would adversely affect the employee in his/her professional activities.</p>	<ul style="list-style-type: none"> • Employees must not process cases which concern themselves or persons closely related to them. • Rules regarding employees who are closely related to each other must be observed, including restrictions concerning, for example, whether a closely related person is permitted to work within the same organisational area or process. • Rules regarding employees' assignments outside their employment must be observed, including a requirement for consent from an employee's line manager and HR department, as well as taking into account the risk of a conflict of interest when assessing whether an assignment can be approved. • Relationships with suppliers are governed by ethical rules, including rules regarding receiving and giving gifts and corporate hospitality, the aims of which are to avoid corruption or incurring obligations to suppliers.

4. Reporting

The units where the likelihood of conflicts of interest is deemed to be higher, and which therefore compile an annual summary of material conflicts of interest and how they are managed, must submit this summary to Group Legal and Group Compliance.

Group Compliance must, at least once a year, present a report to the Central Board's risk committee providing information about the compliance function's control and follow-up activities concerning the management of identified, material conflicts of interest in the Handelsbanken Group. This report must present the material conflicts of interest that have been identified, and how these conflicts are being managed or avoided.