

Handelsbanken

United Kingdom

Handelsbanken Plc

2019 Remuneration Disclosure

Capital Requirements Regulation (Article 450)

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1. Remuneration Policy Overview

Handelsbanken plc (“the Bank”)s Remuneration Policy (“the policy”) outlines the Bank’s approach towards remuneration, and is approved by the Board of the Bank.

The objective of the policy is to attract, retain and motivate high quality employees, thus contributing to the achievement of the Handelsbanken Group’s corporate goal and culture.

The policy applies to all departments, units and branches of the Bank. It applies to all Handelsbanken plc employees, including directors and non-executive directors. In line with the low risk tolerance of Handelsbanken Group, all the Bank’s employees, directors and non-executive directors are only paid fixed remuneration.

Heartwood Wealth Management Ltd (Heartwood) is a wholly owned but separately regulated subsidiary of the Bank. Heartwood has its own remuneration policy, which like the Bank’s policy is closely based on the Handelsbanken Group policy. Heartwood also prepares its own disclosures. A small number of staff in Heartwood are eligible for variable pay however Heartwood’s Remuneration Policy prohibits the making of any payments relating to variable pay without ratification from the Bank’s Remuneration Committee.

2. Governance and Responsibility

2.1 Remuneration Committee (the Committee)

The Chair of the Committee has been allocated the PRA Prescribed Responsibility, 'responsibility for overseeing the development of, and implementation of the firm's remuneration policies and practices in accordance with Remuneration', for Handelsbanken plc.

The Committee comprises at least three members, the majority of whom shall be independent non-executive directors and one of whom shall be the Chairman of the Board. The Committee meets 5 times per annum and otherwise as required by the Chair of the Committee.

Following recommendations from the Committee, the Board will decide on remuneration and other terms of employment for the executive directors of the Board as well as: members of the Bank’s Executive Committee, the Chief Executive Officer of Heartwood Wealth Management, and the Bank’s Chief Audit Officer (‘senior management’).

The Committee’s recommendations on the remuneration and other terms of employment for the executive directors of the Board as well as senior management will take into account prevailing market terms and to ensure that it is consistent with the Handelsbanken plc’s culture and policy of risk tolerance and otherwise in accordance with regulatory requirements.

The Committee also reviews the on-going appropriateness and relevance of the policy, taking into account the views of the Board Risk and Compliance Committee. Any material changes to the policy shall be approved by the Board after recommendation and review by the Committee.

2.2 Executive Committee (EXCO)

The Handelsbanken plc EXCO is responsible for developing and implementing an appropriate remuneration system within Handelsbanken plc, with oversight from the Committee.

2.3 Board of Directors

Following recommendations from the Committee, the Board will decide on remuneration and other terms of employment for the executive directors of the Board as well as senior management. Any

material changes to the policy shall be approved by the Board after recommendation and review by the Committee.

2.4 Human Resource Function

The Bank's Human Resources function evaluates whether the remuneration system is fit-for-purpose and supports Handelsbanken plc's corporate goal, as well as whether the policy aligns with the Remuneration policy of Group. The results of the investigation are reported annually to the Committee for the previous financial year.

The Chief Human Resources Officer reviews the policy, taking account of feedback gathered from all relevant stakeholders, at least annually, and on an ad hoc basis, where necessary, to ensure it remains fit for purpose, appropriate and accurate.

2.5 Risk Function

The Bank's Risk Control function is responsible for the analysis of the risks associated with the remuneration system, which derives from this policy. The Risk Control function is also responsible for carrying out an annual follow-up of how the remuneration system is applied, as well as an analysis of the key business risks and reporting the results to the Committee. The follow up shall include an evaluation of whether the remuneration system promotes sound, efficient risk management, whether it counteracts excessive risk taking, and whether it is in keeping with the Bank's policy of risk tolerance.

2.6 Compliance Function

The Bank's Compliance function will examine any compliance issues when any changes to the remuneration policy are proposed. If the results of the examination identify an inability to comply with UK regulations, the results should be submitted to the Committee to consider before updating the policy. The Compliance function conducts an annual examination to check that the remuneration system is in keeping with the remuneration policy. The result of the examination is submitted to the Committee no later than in conjunction with the adoption of the Annual Report.

2.7 Heartwood

The Committee receives reports relating to the remuneration policy of Heartwood as part of its monitoring of risk management and consistency of procedures.

3. Remuneration structure

Remuneration is set individually for each employee, and is paid in the form of fixed remuneration. Salaries are reviewed annually and are set locally in accordance with the Bank's decentralised culture and are based on salary setting factors which are determined in advance, these factors include:

- The nature and degree of difficulty of the job;
- Competence and skills including performance against both technical and behavioural competencies;
- Work performance and results achieved;
- Leadership (for managers who are responsible for the career development of employees);
- The market;
- Being a cultural ambassador;

Annual changes to salaries are not guaranteed and will, in addition to the criteria set out above, take into account affordability and the assessment of risk as provided by the Board Risk and Compliance Committee. Due consideration will also be given to compliance with the relevant conduct rules for the role.

The Bank is committed to gender equal pay and reports relevant data to the Committee on at least an annual basis.

4. Fixed remuneration

Fixed remuneration for the Banks' employees is made up of various component parts, which may include: cash salary, car allowance and customary employee benefits, right to salary during a period of notice, and termination benefits. In addition to cash based fixed remuneration, employees may be eligible to receive fixed remuneration by the following mechanisms:

4.1 Employee Benefits

Employees may be eligible to participate in the employee benefits scheme where the cost of those benefits are paid for by the company. These types of benefits typically include medical cover and insurances.

4.2 Pension

Membership of a defined contribution occupational pension plan is offered to employees of the Bank and includes an employer contribution. In certain limited circumstances, employees may exchange some or all of their pension contribution for a cash allowance.

4.3 Oktogonen

Instead of a short-term bonus systems, the Bank has a long-term profit sharing incentive called Oktogonen where allocations are subject to Handelsbanken achieving its corporate goal. Awards to Oktogonen are categorised as fixed remuneration as each employee receives an equal part of the allocated amount, regardless of their position, form of employment or tasks and employees must be 60 before they are eligible for distribution. No allocation to Oktogonen was made in 2019.

5. Variable Remuneration

Employees of the Bank are not eligible for variable pay.

5.1 Historic variable remuneration payments

A small number of the Bank's employees have entitlements to deferred variable pay amounts from previous years. These amounts will vest at their normal deferral dates and a decision on pay out at vesting date will be taken by the Committee considering the appropriate malus and claw back rules.

5.2 Heartwood Variable Remuneration

Heartwood has a low risk tolerance in general with the majority of Heartwood's employees on fixed only remuneration. Variable remuneration is applied with great caution so to maintain Heartwood's risk profile.

Variable remuneration is to be allocated and apportioned within Heartwood, taking into account a number of different financial and non-financial criteria. These criteria are reviewed at the beginning

of each measurement period to ensure they remain relevant and appropriate. The measurement ranges within these criteria along with the weighting for each criterion will be established annually at the beginning of the measurement period by the Head of the relevant department and ratified by the Heartwood Remuneration Committee. Each employee who is eligible for variable remuneration will be aware of the measurement criteria. Non-financial performance metrics form a significant part of the performance assessment process and include adherence to effective risk management and compliance with the regulatory system and with relevant UK, EU and Swedish regulatory requirements to the extent required

In the total remuneration for an individual employee who is eligible for variable remuneration in Heartwood, there must be a balance between fixed and variable remuneration, this can be no higher than 100% of the basic salary.

At least 50% of allocated variable remuneration must be deferred by three years, regardless of the position held or the financial year that the variable remuneration relates to. For variable remuneration of more than 3,000,000 SEK, 60% of the remuneration is to be deferred for four years. 100% of deferred variable remuneration is to be invested in to Heartwood Multi Asset Funds. Heartwood operates a malus and clawback system and the variable remuneration contracts issued to eligible employees state that, at the time of the future disbursement, the amount may be reduced in size or may be zero, if specific circumstances occur.

Guaranteed variable remuneration or lump-sum remuneration when employment begins is not applied within Heartwood.

Heartwood's Remuneration Policy prohibits the making of any payments relating to variable pay without ratification from the Bank's Remuneration Committee.

Further detail is contained in Heartwood's own disclosures.

6. Material Risk Takers (MRT)

The Bank carries out an annual review of Material Risk Takers.

Employees are assessed against the qualitative and quantitative criteria set out in the EBA regulations. This process is managed by the Human Resources function with support from the Compliance and Risk functions. The assessment also identifies employees who carry out activities which enable them to expose the Bank to a material level of risk and therefore should be identified as Material Risk Takers, even where these staff members do not fall within any of the mandatory criteria outlined by the EBA. This assessment and analysis is documented in a report which is presented to the Committee annually.

6.1 Material Risk Taker Remuneration

Table 1: Total remuneration paid to risk takers

	Number of Beneficiaries	Fixed ('000)	Variable ('000)
Handelsbanken PLC			
Senior Management inc Mgmt. Body	30	8,039	-
Other MRT	307	37,685	178
Total MRT	337	45,724	178

Table 2: Total remuneration paid to risk takers broken down by Business Unit

Business Area	Number of Beneficiaries	Fixed ('000)	Variable
PLC Corporate Functions			
Senior Management	13	3,599	-
Other MRT	47	7,248	-
PLC Internal Control Functions			
Senior Management	5	999	-
Other MRT	28	3,277	-
All Other PLC Business Areas			
Senior Management	5	1,565	-
Other MRT	228	26,034	-
Heartwood Wealth Management			
Senior Management	7	1,876	-
Other MRT	4	1,127	178
Total MRT	337	45,724	178

6.2 Exemptions from being a material risk-taker

Persons who have only been identified by virtue of the level of their remuneration, may be exempt from being identified as risk-takers, unless they are assessed as being able to materially affect the Banks risk profile by other means in their professional roles. In order to be regarded as having a material impact on the Banks risk profile, the person – alone or together with others – must have the right to decide for the Bank on either major credit risk, market risk or liquidity risk.

7. Conflicts of Interest

In line with the Bank's Conflicts of Interest policy all actual or potential conflicts of interest are required to be identified and, as appropriate, avoided, managed or mitigated. That policy applies equally to any conflicts of interest that may arise regarding remuneration.

The Committee will consider any actual or potential conflicts of interest when exercising oversight of the remuneration structures when making recommendations on remuneration levels.

The Committee is responsible for making recommendations to ensure all actual or potential conflicts of interest arising in relation to remuneration are appropriately and effectively managed and/or mitigated if, at any time, they are not considered to be appropriately managed by the existing mitigants set out below:

- the use of appropriate market data for comparative purposes;
- the salary setting factors; and
- Handelsbanken plc's policy not to pay variable remuneration to any of its employees, subject to historic payments, and that there is no component of such remuneration which is based on companywide performance criteria.

Handelsbanken Group determines the remuneration of Non-Executive Directors including the Chairman thereby mitigating any conflicts of interest for members of the committee.

8. Control Function Remuneration

To ensure that they are truly independent in the exercise of their responsibilities and to avoid any conflicts of interest, the Committee will also make recommendations to the Board on remuneration and other terms of employment for the Chief Audit Officer, Chief Compliance Officer and Chief Risk Officer.

The Prescribed Responsibility for safeguarding the independence of the Chief Audit Officer, is assigned to the Chair of the Audit Committee and the Prescribed Responsibility for safeguarding the independence of the Chief Compliance Officer and the Chief Risk Officer is assigned to the Chair of the Board Risk & Compliance Committee who, in each case, also maintain oversight of the performance and remuneration of those control functions and the employees performing those roles.

The Committee will ensure that the levels of remuneration for heads of control functions are appropriate and adequate to attract and retain suitably qualified staff and will use appropriate market data on remuneration to assist with this process.