

Handelsbanken

United Kingdom

Handelsbanken Plc

2020 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 were only paid fixed remuneration for 2020.

Handelsbanken Wealth and Asset Management (HWAM) is a wholly owned but separately regulated subsidiary of the Bank. HWAM has its own remuneration policy, which like the Bank's policy is closely based on the Handelsbanken Group policy. HWAM also prepares its own disclosures. A small number of staff in HWAM are eligible for variable pay however HWAM'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 at least 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 HWAM, 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 Bank'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 Bank's EXCO is responsible for developing and implementing an appropriate remuneration system within the Bank, 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 reviewed by the Committee.

2.4 Human Resources Function

The Bank's Human Resources function evaluates whether the remuneration system is fit-for-purpose and supports the Bank'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.

2.7 Handelsbanken Wealth & Asset Management

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

3. Remuneration structure

Remuneration is set individually for each employee, and for 2020 was paid in the form of fixed remuneration only. 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 and right to salary during a period of notice. 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 or contribution to a private pension scheme.

The Bank also has a historic defined benefit pension plan which has been closed to new entrants since 2006 and closed to future accrual since 2018.

5. Variable Remuneration

Employees of the Bank are not eligible for individual performance based variable pay.

5.1 Oktogonen

No allocation to Oktogonen was made in 2020, in respect of the 2019 financial year.

From 2021 onwards, in accordance with regulations issued by the European Banking Authority (EBA), any awards to Oktogonen are categorised as variable remuneration.

Instead of short-term bonus systems, the Bank has a long-term profit sharing scheme called Oktogonen where allocations are based on profitability metrics linked to Handelsbanken Group's corporate goals. The performance assessment must be risk adjusted and shall be based on a perspective over several years, to take into account the underlying business cycle and any business risks, and on long-term sustainability profits. The assessment must also take into account the cost of capital and liquidity. Any allocation for Handelsbanken plc is agreed by the Group Board and ratified by the Bank's Board, taking into account the Bank's overall performance.

In the UK, the Bank will utilise a Share Incentive Plan (SIP) model where the majority of any allocation is awarded in the form of shares and deferred for 5 years and are subject to malus and claw-back clauses where required and in line with regulatory requirements including the FCA Remuneration Code of Practice. All participating employees are allocated an equal amount (or pro-rata for part time employees and/or employees who joined part way through a performance year), regardless of work duties or managerial status. It is anticipated that an allocation to Oktogonen will be made in 2021 in respect of the 2020 financial year and that allocation will be distributed through the Bank's SIP.

5.2 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.

5.3 HWAM Variable Remuneration

HWAM has a low risk tolerance in general with the majority of HWAM's employees for 2020 being paid fixed only remuneration. Variable remuneration is applied with great caution so to maintain HWAM's risk profile.

Variable remuneration is to be allocated and apportioned within HWAM, 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 HWAM 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 HWAM, 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 HWAM Multi Asset Funds. HWAM 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 HWAM.

HWAM's Remuneration Policy prohibits the making of any payments relating to variable pay without ratification from the Bank's Remuneration Committee. The Committee will not provide its ratification to HWAM until any concerns or objections of Svenska Handelsbanken AB (publ) are addressed to Svenska Handelsbanken AB (publ)'s satisfaction.

Further detail is contained in HWAM's own disclosures.

5.4 Payments related to early termination/loss of office

Any payments to an employee of the Bank in relation to an early termination of a contract of employment for whatsoever reason, will reflect performance achieved over time and will not reward failure or misconduct. Such payments are subject to approval by the Chief Human Resources Officer of the Bank, and generally do not exceed 12 month's salary.

Generally notice periods do not exceed 3 months on either side, but may be varied for more senior roles with the agreement of the Remuneration Committee and when required, the Board. There is the contractual ability to pay in lieu of notice in the event of the termination of employment.

In the event of gross misconduct the Bank will ordinarily terminate the contract of employment without notice or pay in lieu of notice, in accordance with the Bank's Disciplinary Policy as set out in the Employee Handbook, and without making any further payment beyond the amount of any remuneration actually accrued to the date of such termination.

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 including HWAM			
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	-
HWAM			
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.

Svenska Handelsbanken AB (publ) will determine the remuneration of the non-executive directors including the Chairman within the limits set in the Articles of Association. No director or senior manager shall be involved in any decisions as to their own remuneration.

The Risk Control, Compliance and Human Resources functions are to consider any actual or potential conflicts of interest in relation to remuneration when undertaking the analysis and preparing the reports, required to be undertaken

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

- All employees in the UK who have worked for the whole performance year receive the same Oktogonen allocation, in the years when an allocation is made, which will be pro-rated for time in the performance year and for those employees who have worked part-time.

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 MLRO, Chief Audit Officer, Chief Compliance Officer, Chief Risk Officer and any deputies in control functions.

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.