

## SWEDBANK MANAGEMENT COMPANY S.A.'s POLICY ON THE EXERCISE OF VOTING RIGHTS

<b>Adopted by</b>	The Board of Directors of Swedbank Management Company S.A.
<b>Date of adoption</b>	July 19, 2017
<b>Applies to</b>	Swedbank Management Company S.A.
<b>Framework Owner</b>	Conducting Officer - Investment Management
<b>Responsible for implementation</b>	Chief Executive Officer of Swedbank Management Company S.A.
<b>Distribution</b>	Available at Swedbank Management Company S.A.
<b>Language version</b>	English

### 1. General – Swedbank Management Company S.A.

1.1 SWEDBANK MANAGEMENT COMPANY S.A. (hereinafter the "Management Company") is a company incorporated in the form of a *société anonyme* under the laws of the Grand Duchy of Luxembourg, and registered with the RCS Luxembourg under No. B 149.317. The Management Company's purpose is to act as a Management Company/Alternative Investment Fund Manager ("AIFM") for investment funds under Chapter 15 of the amended Law of 17 December 2010 ("UCITS Law") and also under the 12 July 2013 Law on Alternative Investment Fund Managers ("AIFMD Law"). The Management Company is supervised by the Luxembourg *Commission de Surveillance du Secteur Financier* ("CSSF") or its successor in charge of the supervision of UCI in the Grand-Duchy of Luxembourg. The Management Company is as a wholly owned subsidiary of Swedbank AB (publ).

1.2 The main objective of the the Management Company is to act as fund management company / AIFM for various Undertakings for Collective Investments ("UCI"), providing such UCI with management company services and management, with the aim to serve the needs of investors seeking income, capital conservation and capital growth, as the case may be.

#### 1.3 Glossary of terms

Portfolio Companies	Shares of Portfolio Companies in which the the Management Company's funds under management have invested in at the time for a voting decision.
Swedbank Group	All legal entities consolidated in the Swedbank Group of accounts.

### 2. Policy regarding the exercise of voting rights

This policy applies to the Management Company's exercise of voting rights in Luxembourgish and foreign stock-market Portfolio Companies. The Board of Directors of the Management Company will review the policy on an annual basis.

The aim of the Management Company is generally to exercise the voting rights attached to the securities held by the UCIs. The Management Company can make exceptions from this principle, if the shareholding represents only a small part of the investing Sub-Funds' total portfolio value

and thereby the benefit of exercising the voting rights has very little impact on the overall portfolio of the UCI. Other factors, including local regulations, which may render the exercise of voting rights cumbersome and/or costly and/or restrict the Management Company's possibilities to trade in the share in question, may also affect the decision whether it is the best interest of the investors of the UCI to exercise the voting rights. When voting rights are exercised the below guidelines shall be respected.

The following are the guidelines of the Management Company for any exercise of voting rights. The guidelines are based on internationally accepted principles for good corporate governance and sustainability, chiefly the OECD Principles of Corporate Governance and the UN Global Compact. The principles cover proposals from board of directors as well as shareholders. Local codes and regulations, industry standards, listing agreements, and circumstances specific to each market can lead to divergence from principles appropriate to particular markets.

The following are items that Management Company considers significant in the exercise of corporate governance for the Portfolio Companies:

**1. Equal treatment of shareholders**

All shares in a company should carry the same rights. Accordingly, the basic premise is that all shares in a company should have the same number of votes. For Portfolio Companies with differentiated voting rights, it is important to safeguard the interests of minority shareholders. The Management Company supports the abolition of restrictions on voting rights based on the size of the holding.

No stipulations obstructing the purchase of shares should be found in the Articles of Association. In public tender offers, all shares entailing equal rights to the Portfolio Company's assets and profit shall be treated equally;

**2. General Meeting**

Shareholders shall have the right to propose their own items of business for the agenda of the General Meeting.

It is important that all shareholders, in adequate time prior to a General Meeting, receive clear and relevant information and motivation regarding the proposals to be presented at the General Meeting. Complete documentation for decisions must be available to the shareholders in adequate time prior to the General Meeting on the Portfolio Company's website, preferably already in conjunction with the publishing of the notice convening the General Meeting. When information provided is insufficient for a decision, the Management Company may abstain from voting or vote against the proposal:

**3. Board of Directors**

There shall be a formal and transparent board nomination and election process. The integrity and independence of board members are also important. The CEO and the chair of the board shall not be the same person. The board shall be elected for a period of one year;

**4. Take-over defenses**

As a rule the the Management Company votes “against the implementation of” and “for the abolition of” take-over defenses. Take-over defenses include “poison pills”, such as unlimited authorization for fundraising and “golden shares”;

#### **5. Fees and remuneration**

The Portfolio Company General Meeting shall make decisions regarding all types of fees to board members, as well as fees, if any, paid to close associates of the board members.

As a main principle board fees shall be fixed. In exceptional cases, a variable component may be accepted, if this can be specifically justified for the particular company. The design of the variable portion of the fee must be clear and such that the controlling function of the board is not side-lined or questioned. Non-executive board members shall not participate in share-related incentive programs for employees.

There must be a well balanced remuneration policy with guidelines for various compensation components for the senior executives.

Variable remuneration, including share-related incentive programs, shall reward favorable long-term performance and the remuneration shall be less if performance is not delivered.

Share-related incentive programs should be designed to create shareholder value in the long term and promote long-term share ownership.

When information provided about executive compensation and share related incentive programs to employees is insufficient on structure, evaluation and transparency; the Management Company will abstain from voting or vote against the related proposal;

#### **6. Capital structure**

Portfolio Companies must have the financial resources needed to secure and develop their business. The Portfolio Companies must clarify their reasons for their chosen capital structure and dividend policy. Surplus liquidity must be distributed to shareholders. In decisions as to whether this is to be done through a dividend, redemption procedure or share repurchase, and the Portfolio Company’s individual situation must be taken into account. In the case of a share repurchase decision, the liquidity of the share, the effect on various share types with equal financial rights in the company, and the effect of existing and resolved Incentive Programs must be given particular consideration.

Shareholders shall be entitled to vote on issues of new shares to ensure that their rights are safeguarded. New share issues shall primarily be conducted as cash issues with preferential rights for the Portfolio Company’s existing shareholders.

Deviation from existing shareholders’ preferential rights should only be authorized in special situations and the board must provide detailed motivation of such a proposal to the General Meeting. An authorization for the Portfolio Company board can be motivated for certain types of situations when it could normally be assessed as less constructive to wait with a decision until a General Meeting is held. The assessment must be restrictive; and

#### **7. Sustainability**

The Portfolio Companies must be able to demonstrate that they responsibly handle challenges and risks associated with their activities with regard to environmental, social and ethical topics such as; environmental and climate related impact, ethics issues, employee working conditions, gender balance and workforce diversity, as well as working conditions and

environmental impact relating to suppliers. The positions shall be recorded in a Code of Conduct and in policy documents adopted by the Portfolio Company board. The board shall evaluate the Portfolio Company's performance on an ongoing basis.

The Portfolio Company board shall also ensure that the shareholders receive a true and fair picture of the Portfolio Company's risks, position and active work in the area securing sustainability of the activities from an environmental and social aspect. Such efforts should take place via external communications such as annual reports and the website, where the Code of Conduct and the policy documents should also be published.

The Management Company will support proposals for adopting a Code of Conduct and relevant policy documents if they do not already exist.

The Management Company will also support proposals for compulsory reporting of political contributions if such reporting is not already implemented in a satisfactory manner.

If it is detected that a Portfolio Company may have breached the rules of good ethics or violated any of the principles referred to above, the Management Company will investigate the matter and the corrective actions planned by the Portfolio Company. If the contact with the Portfolio Company does not lead to the desired result, the Management Company will, if it is deemed to be advantageous to the unit holders of the UCI, dispose of the holdings in the Portfolio Company. Such disposal will however not take place if it would be detrimental to the unit holders of the UCIs.

### **3. Delegation of voting rights to investment managers**

Insofar as voting rights are attached to the assets held by one of the subfunds of the UCIS, the Management Company may delegate to the relevant investment manager the exercise of any such voting rights and corporate actions.

The Management Company decided to delegate to the applicable delegated investment manager of the relevant UCI, the decisions whether and how to exercise voting rights attached to the securities held by the UCI. The relevant investment manager shall report to the Board on an annual basis on its decisions and, to the extent applicable, how voting rights have been exercised. The relevant investment manager has provided the Management Company with its conflicts of interest policy and rules and shall also report to the Management Company any changes therein and any identified conflicts of interest with respect to the exercise of voting rights and how such conflicts have been managed in the best interest of the UCI and its investors.

Prior to any delegation of investment management by the Management Company, the delegated investment manager will be required to demonstrate that it has implemented its own voting policy in place including the effective monitoring of corporate events at the level of the Portfolio Companies. The investment manager shall inform the Management Company of any changes or updates to such policy.

An investment manager who has not implemented its own voting right policy is obliged to respect and follow the Management Company's voting right policy.

The investment management agreement executed with each delegate shall contain clauses that regulates the exercise of voting decision. Such clauses will also make it possible for the delegated investment manager to adopt this policy, as implemented by the Management Company from time to time, in lieu of its own policy.

**4. Summary Description**

A summary description of the strategy for the exercise of voting rights will be available to investors at the following website: [www.swedbank.lu/swedbank-management-company](http://www.swedbank.lu/swedbank-management-company).

Details of the actions taken on the basis of those strategies will be made available to the shareholders free of charge on their request.