

Skandia Fonder's Corporate Governance Policy

<i>Adopted by</i>	The Board of Directors of Skandia Fonder AB
<i>Date adopted</i>	2020-05-14
<i>Supersedes</i>	Skandia Fonder's Corporate Governance Policy adopted 2017-11-30
<i>Applies for</i>	Skandia Fonder AB
<i>Policy Owner</i>	CEO
<i>Legal or other basis</i>	FFFS 2013:9 and Commission Delegated Regulation (EU) no. 231/2013, Securities Funds Act Lag (2004:46) om värdepappersfonder, (Lag (2013:561) om förvaltare av alternativa investeringsfonder, FFFS 2013:9 and FFFS 2013:10.

The information above is not included in the Board's decision and may thereby be amended without the Board's input. Such changes may only be made by Group Compliance. However, the Policy Owner is designated by the CEO.

1 Background and purpose of ownership

Skandia Fonder AB ("Skandia Fonder" or "The Company") is a wholly owned subsidiary of the Skandia Group. Skandia Fonder manages funds and alternative investment funds. The capital in each fund is jointly owned by the fund unit holders represented by Skandia Fonder. To be responsible and active as an owner is an important part of the mandate from the unit holders, where the objective is to promote good returns and consider sustainability aspects for the unit holders. Skandia Fonder's principles for shareholder engagement are set out in this policy.

Companies that conduct operations in accordance with the Securities Funds Act *Lag (2004:46) om värdepappersfonder* ("LVF") or the Alternative Investment Funds Managers Act (*Lag (2013:561) om förvaltare av alternativa investeringsfonder*) ("LAIF") are required to adopt internal rules for shareholder engagement. Skandia Fonder AB ("Skandia Fonder") has chosen to formulate its internal rules for this by adopting this policy. Other regulations that are of importance to Skandia Fonder's corporate governance are the Swedish Code for fund companies and Guidelines for the fund companies' shareholder engagement issued by the Fund Companies Association. The guidelines also consider the principles adopted by the European Association of Funds and Investment Managers, EFAMA.

Skandia Fonder's policy on corporate governance has been adopted by the Board of Directors of Skandia Fonder, which also regularly reviews the policy. The CEO of Skandia Fonder is the contact person for matters regarding corporate governance.

2 Skandia Fonder's role as owner

In all its operations regarding the management of the funds, fund companies shall act exclusively in the mutual interest of the unit holders. This means that Skandia Fonder will act in ownership matters with the aim of achieving the best possible return for the unit holders in accordance with the Fund's investment guidelines, goals and risk profile. In other words, other interests of, for example, Skandia Fonder or related companies must give way to any conflicts of interest.

For each fund there are fund regulations that are approved by the Swedish Financial Supervisory Authority. The fund regulations specify, among other things, how the funds may be invested. Furthermore, it follows from the Securities Funds Act (2004: 46) that a fund company must not exercise significant influence over the management of a stock market company. The capital in each fund is jointly owned by the fund unit holders and they can redeem their fund shares at short notice. Thus, situations may arise where Skandia Fonder has a choice between actively promoting change in a stock market company or selling the shares. It is part of Skandia Fonder's mission to assess which option best suits the interests of the unit holders.

The funds hold shares in Swedish and foreign stock market companies. Furthermore, the funds have holdings in interest-bearing securities issued by issuers such as states, municipalities, housing institutions, companies, etc. For these assets, Skandia Fonder has an interest as an owner and holder of the issuer's debt instruments. The funds also have less indirect holdings in equities via funds and derivative instruments. In these cases, Skandia Fonder has a financial exposure but no direct ownership of the underlying instruments. However, in these situations, Skandia Fonder also tries to exercise active ownership and find products with an acceptable sustainability profile.

In the alternative investment funds, ownership is related to funds that own unlisted limited companies, direct investments in unlisted limited companies and corporate loans. For these investments, Skandia Fonder is usually a minority owner.

Regardless of the asset class or whether the funds' holdings are directly or indirectly, Skandia Fonder intends to promote sustainable value creation in all the funds' investments. However, the prerequisites for a result vary both with the size of ownership and with the degree of influence that the asset class enables.

3 Objective of Skandia Fonder's ownership influence

Skandia Fonder believes that sustainability factors can pose both opportunities and financial risks, which the Company has an ambition to consider in its investment decisions. Skandia Fonder's ambition is that the companies and other investments in which Skandia Fonder has ownership interests should be able to manage the risks and opportunities with sustainable considerations and responsible business in order to promote good returns. This includes companies and other issuers' risks and opportunities in relation to climate change.

Skandia Fonder directs the corporate governance to certain specific themes with the aim of specifically promoting some or all of the UN's 17 global sustainability goals. This also includes developing the Company's management considering the Paris Agreement¹, including risks and opportunities arising from a climate change adaptation. It is therefore important to identify and make investments that contribute to green and sustainable solutions as well as in companies that are working to change the business in a more sustainable direction, so-called transition companies.

Skandia Fonder's fund offering include funds that have extended sustainability criteria. In these funds, sustainability factors are crucial when taking investment decisions.

3.1 Skandia Fonder's expectations on portfolio companies

Skandia supports the UN Principles for Responsible Investment, UN PRI and the UN Global Compact, a UN initiative for responsible business, on which Skandia Fonder's corporate governance is based.

At Skandia Fonder, this work is conducted at two levels - at a basic level in funds that invest responsibly and at an increased level in funds with extended sustainability criteria.

3.1.1 Funds investing responsibly

The Funds' portfolio companies shall take responsibility for humans, the environment and have good corporate governance. They should also operate in accordance with a sustainability reporting standard and adhere to the principles of the following codes:

- The UN Global Compact
- The OECD's guidelines for multinational companies, including
- The UN Guiding Principles on Business and Human Rights

These frameworks and guidelines are based on international conventions, amongst these:

- The UN Convention on the Rights of the Child
- The UN's Universal Declaration of Human Rights
- The ILO Core Conventions
- Conventions for combating bribery and corruption
- International environmental conventions

¹ The Paris Agreement, <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

Skandia Fonder expects the portfolio companies to comply with these international guidelines and conventions even if they do not target states or NGOs, whether or not the countries in which the portfolio companies operate is bound by the codes and conventions and even if the countries have less extensive legislation on the subject. Skandia Fonder also wants the portfolio companies to act exemplarily on the sustainability issues.

Skandia Fonder regularly reviews the fund's holdings. If it comes to our knowledge that a company does not follow these conventions in a way that is satisfying to Skandia Fonder, an evaluation of the deviation shall be performed. Preferably Skandia Fonder will have a dialogue with such a company in the aim of encouraging it to correct the unsatisfying conditions, which will be documented by Skandia Fonder. Ultimately, in cases where a sufficient improvement is judged to be unlikely, a company may be excluded as an investment. Such decision is taken by the ESG Forum of Skandia Fonder.

More on Skandia Fonder's standpoint regarding human rights, working conditions, the environment, the climate and work ethics can be found on Skandia's website (www.skandia.se/fonder)

3.1.2 Funds with extended sustainability criteria

Skandia Fonder's criteria for extended exclusions of norm violations are based on information that establishes that a serious violation of international guidelines and conventions has occurred and that the company has not taken adequate measures to rectify the violation. In this case, the company is excluded as an investment object from funds with extended sustainability criteria. Such decision is taken by the ESG Forum of Skandia Fonder.

3.2 Skandia Fonder's standpoint on sectors with sustainability risk

In addition to the standpoints taken above, Skandia Fonder excludes investments in companies in specific sectors. At Skandia Fonder, this work is conducted at two levels - at a basic level in funds that invest responsibly and at an increased level in funds with extended sustainability criteria.

Skandia Fonder's standpoints regarding certain sectors with sustainability risks and excluded companies can be found on Skandia Fonder's website (www.skandia.se/fonder).

In cases where the Fund's holdings are indirect, exclusions in accordance with this policy cannot always be guaranteed. Skandia Fonder is however working on finding a solution for this.

3.2.1 Funds investing responsibly

- **Tobacco:** In view of the negative health effects, Skandia Fonder does not invest in companies that produce tobacco.
- **Controversial weapons:**
 - *Nuclear arms:* Skandia Fonder does not invest in companies that develop, produce, maintain or distribute components or systems specifically developed for nuclear weapons.
 - *Cluster weapons, land mines and chemical or biological weapons:* Skandia Fonder does not invest in companies that develop or produce cluster weapons, land mines, chemical weapons or biological weapons, in accordance with the respective UN convention for each product group².

² UN Convention on Cluster Munitions (Oslo, 2010),

The UN Convention on the Prohibition of the Use, Storage, Production and Transfer of Anti-personnel Mines (Troop Mines) (Ottawa, 1999), the UN banning the development, manufacture and storage of bacteriological (biological) and toxin weapons and their destruction (London, Moscow and Washington, 1975)

The Chemical Weapons Convention of 1997)

- **Coal:** Skandia Fonder does not invest in companies whose revenue to 5 percent or more come from coal mining for energy purposes. The decision is based on the fact that Skandia Fonder does not consider the company's business concept to be in line with sustainable development and responsibility for climate and health.
- **Cannabis:** Skandia Fonder does not invest in companies whose revenue to 5 percent or more come from the production or distribution of cannabis for recreational use. Furthermore, Skandia Fonder has a restrictive attitude to companies involved in cannabis for medical use. Skandia Fonder's position is based on the fact that cannabis use risks leading to abuse or addiction with negative health effects as a result.

3.2.2 Funds with extended sustainability criteria

In addition to the above sectors, investments in the sectors below are excluded in funds with extended sustainability criteria.

- **Conventional weapons:** Companies whose revenue to 5 percent or more derive from the production or development of conventional weapons and companies whose revenue to 25 percent or more derives from the production or development of products/services with military application.
- **Fossil fuels:** Companies whose revenue to 5 percent or more derive from extraction, refining or power generation of fossil fuels (defined as coal, oil, gas) and companies whose revenue to 50 percent or more derive from supporting technology and services to extract fossil fuels.

Deviation from exclusions in companies with revenues from fossil fuels can be acceptable if a company qualify as a transition company. A transition company has a distinct commitment in line with global warming of no more than 2°C, an energy mix that largely consists of renewable sources or a carbon dioxide intensity aligned with the Paris Agreement's climate scenarios.

3.3 Skandia Fonder's standpoint on governments' management of fundamental sustainability issues

Skandia Fonder excludes investments in government bonds issued by governments that do not conform with fundamental democratic principles, that systematically and seriously violate human rights, or where corruption is widespread at a central level. Skandia Fonder's exclusions are based on official sources, including the Swedish Government Offices' sanctions list.

Skandia Fonder's standpoint regarding governments' management of fundamental sustainability issues and excluded governments can be found on Skandia Fonder's website (www.skandia.se/fonder).

4 How Skandia Fonder can make an impact

Skandia Fonder's opportunities to influence a company in a sustainable direction vary based on what ownership form and influence that Skandia Fonder has towards the company otherwise. Possible measures are affected both by how much influence the ownership makes possible and by the nature of the holding and other circumstances.

If a company has deviated from Skandia Fonder's sustainability criteria and corporate responsibility as of this policy, Skandia Fonder shall conduct active ownership to encourage the company to develop its operations. This means, for example, that Skandia Fonder will closely monitor the course of events in the company, make its voice heard at general meetings, and have a dialogue with the company's management. In view of the above, Skandia Fonder may refrain from investing in companies whose operations Skandia Fonder believes will not live up to Skandia's requirements for sustainable value creation and corporate responsibility.

4.1 Skandia Fonder in dialogue

4.1.1 Equities and debt instruments

In dialogue with the companies, Skandia Fonder wants to influence them to rectify any shortcomings in the sustainability work and to improve their preventive work with the environment, social aspects, business ethics and corporate governance. The companies' boards also work actively with the sustainability issues that are relevant to the companies.

4.1.2 Indirect Holdings

In cases where Skandia Fonder has ownership interests in companies through investment funds, we address any deficiencies in the companies' and other issuers' sustainability work with the fund's managers in order to develop the manager's processes to identify and manage sustainability-related risks and opportunities in the management. Our dialogues with asset managers also aim to encourage them to adopt a proactive approach to integrating sustainability aspects into management.

4.2 Skandia Fonder's corporate governance in listed companies

Skandia Fonder believes that self-regulation of the Swedish stock market is a good foundation for developing the stock market. It is particularly important to contribute to maintaining respect for stock market companies' decision-making structures, with distinct differences between the owners', board's and management's duties and functions, and to safeguard the board's collective decision-making model.

Skandia Fonder complies with the Swedish Corporate Governance Code ("the Code"), which governs Skandia Fonder's actions in relation to stock market companies. The Code is built upon the "comply or explain" principle, which entails that a company may deviate from specific rules if it provides an explanation of the reasons for the deviation. This means that Skandia Fonder may encourage and support well-grounded deviations from the Code. Each individual company shall by itself develop and be responsible for the best operating model that works best for the company. Skandia Fonder shall contribute to the further development of the Code in a manner that is favourable for stock market companies. Furthermore, Skandia Fonder also complies with the Swedish Investment Fund Association's "Swedish Code of Conduct for Fund Management Companies" and "Guidelines for investment fund managers ownership influence".

The points below shall be seen as a complement to, or standpoint within the framework of, the Code's rules. Skandia Fonder's principles for shareholder engagement are explained in more detail on Skandia Fonder's website (www.skandia.se/fonder).

4.2.1 Nomination Committees and board nominations

A well-functioning board recruitment process is an important part of the corporate governance work and Skandia participates in the work of the Nomination Committee's in companies where the holding so justifies. Skandia Fonder recommends that the Annual General Meeting normally indicate the criteria on which the nomination committee's members are to be appointed. A Nomination Committee that reflects the actual ownership in the company is preferable over one whose members are elected at the Annual General Meeting. The chairman of the Board should not be a member of the Nomination Committee,

unless he is a representative of the owner. Instead, the chairman of the board should be adjunct to the Nomination Committee's meetings in the situations it deems appropriate. A constituted Nomination Committee shall serve until the next nomination committee has been appointed.

The Board of Director's Audit Committee shall assist the Nomination Committee largely when framing proposals for the auditor's election. Skandia Fonder is of the opinion that the process of choosing the Audit services should be approved by the Nomination Committee and that they should have the opportunity to meet the Audits.

Board members should own stock in the company. The board is elected according to the shareholders' mandate. All board matters shall be handled based on the perspective of the existing ownership structure.

If an employee of Skandia Fonder is nominated as a member of the board of a listed company, the nomination shall be approved by Skandia Fonder's Board of Directors.

4.2.2 Incentive programmes

Skandia Fonder is of the opinion that all incentive programmes shall be designed in such a manner that they are reasonable, that they steer towards clear and transparently reported targets, and that they are optimised to coincide with the shareholders' interests. Any dilution shall be compared with other forms of compensation. Incentive programmes shall be designed in such manner that the company's interest is mutual to the shareholder's.

4.2.3 Issues and issue mandates

Skandia Fonder is of the opinion that a general meeting should only in exceptional cases grant general issue mandates to the board, and to a limited extent. Offset issue mandates shall include a clear statement of purpose and recipient. It is especially important that the board ensures that use of such benefits the existing owners. For new issues in stock market companies, existing owners should have preference. Deviation from this principle should be made only in the most exceptional cases and shall then be specifically explained.

4.2.4 Bids and acquisitions

In bidding situations, the board shall act from the existing owners' perspective through the entire process. Further, the board shall gain assurances that the bidder does not pledge any commitments to the management or board before the existing owners have accepted the offer. Even if a company owns shares with different voting power, in a bid situation the principle of equal treatment shall apply, i.e., Skandia Fonder is of the opinion that no bid premium shall exist for different share classes. The principle one share, one vote is preferable.

4.3 Vote at general meetings

When Skandia Fonder exercises its voting right at a general meeting, the investors' best interest shall be put first. This means that participation in the voting may not favour any other party or individual investor to the disadvantage of other investors.

When Skandia Fonder exercises voting rights at general meetings, the person representing the funds is instructed on how to vote. After the meeting, the outcome is reported to Skandia Fonder where it is documented.

Skandia Fonder exercises voting rights in the following cases:

- a. Skandia Fonder's funds own a total of more than 1% of the portfolio company's market value.
- b. The portfolio company constitutes one of the ten largest holdings in Skandia Fonder's funds (in total).
- c. By special decision, e.g. motivated by the fact that Skandia Fonder considers that the portfolio company has violated Skandia Fonder's rules on corporate governance.

Skandia Fonder monitors relevant corporate events and general meetings of the portfolio companies through assignments to third parties (both within and outside the Skandia Group). Analysis of AGM proposals and the like is performed by both Skandia Fonder and third parties (both within and outside the Skandia Group).

4.4 Skandia Fonders ownership in debt instruments

Skandia may also have ownership interests in limited companies through investments in debt instruments. In case of changes in, for example, the companies' capital structure and major operational changes, Skandia Fonder can exercise its rights granted by the terms in the loan agreement and by working for an active ownership influence to ensure long-term values.

4.5 Collaboration with others

Skandia Fonder is a relatively small owner of the aggregate capital in Sweden and internationally. Therefore, the opportunity to influence, in most cases, will be greatest through collaboration with other owners. Skandia Fonder shall collaborate with other shareholders if Skandia Fonder believes that it benefits the Funds' unit holders and that it promotes effective exercise of ownership.

4.6 Conflicts of Interest

The rules governing corporate governance for companies operating according to LVF and LAIF are formulated differently, but the basic idea is the same - the shareholders are represented by Skandia Fonder in all matters relating to a fund managed by Skandia Fonder. In this regard, Skandia Fonder shall act exclusively in the interests of the funds and unit holders. This means that Skandia Fonder will act in ownership matters with the aim of achieving the best possible return for the unit owners in accordance with the Fund's investment orientation, goals and risk profile. In other words, other interests of, for example, Skandia Fonder or related companies must give way to any conflicts of interest.

Skandia Fonder has an ongoing process for identifying and managing conflicts of interest, which means that the Company ensures that unit holders are not disadvantaged at the expense of other stakeholders.

Skandia Foundation's Board of Directors has adopted special internal rules for handling conflicts of interest.

5 Information on the application of the policy

Skandia Fonder informs how this policy is applied and how we handle sustainability-related aspects of our management. The information is available on Skandia Fonder's website. (www.skandia.se/fonder), among other things in annual reports, annual report and impact work, including how we exercised our shareholder engagement.