

# Handelsbanken Fonder – Voting policy

Voting policy 2024

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## Background and purpose

The primary objective of a limited liability company is to generate returns for its shareholders. These returns are then frequently used for investments, either in the company directly or through distributions to additional investments in the company or other companies and business activities; all to benefit the development of society at large.

It is essential that the company be governed optimally under the prevailing conditions for a company to generate the highest returns possible over the long term and in a sustainable manner. The best mechanism available for a shareholder is to vote at general meetings.

Handelsbanken Fonder (the fund company) represents the shareholders in the funds managed by the fund company by voting at the general meetings, for example.

The fund company's vision is to create financial wealth and planetary health through sustainable investments that are in the shareholders' interest. The fund company's sustainability goals – Paris-aligned portfolios by no later than 2040 and increased contributions to Agenda 2030 – are the guiding principles for our work. The fund company is confident that good long-term returns can only be attained when a company manages its operations in a sustainable manner and is also aware of and manages the company's sustainability risks.

The purpose of this voting policy is to inform fund unit holders, as well as companies in which Handelsbanken Fonder invests in on behalf of the funds, on how the fund company conducts its shareholder engagement linked specifically to voting at general meetings. The voting policy should be viewed as a supplement to the fund company's Policy for Shareholder Engagement and Responsible Investment, which includes the fund company's overall guidelines for corporate governance and responsible investment.

The company's goals for long-term returns are essential for the fund company's voting, and we firmly believe that only companies that carry out their operations in a sustainable manner will contribute to such returns.

## Structure/Responsibility and organization

The fund company's voting is based on the Swedish Companies Act or corresponding foreign regulations, self-regulation at a national level such as the Swedish Code of Corporate Governance, stock exchange rules, what is considered as good practice in the equity market, the fund company's Policy for Shareholder Engagement and Responsible Investment, the funds' investment strategies as well as applicable fund rules. In addition, an external proxy advisor (Proxy Advisor) is appointed. It should be noted that the fund company determines how we vote in the individual issues. The Proxy Advisor's analyses comprise an important component in this context, but are not the decisive factor. Decisions on issues relating to individual general meetings are based on this voting policy. For decisions on matters of a more fundamental nature, the fund company has established a corporate governance committee consisting of the fund company's Chair of the Board, two of the fund company's independent board members, the CEO of the fund company and the Head of Corporate Governance.

## Basis for Handelsbanken Fonder's voting

As a shareholder in various companies, the fund company has a significant responsibility and opportunity to exert influence. The fund company strives to be an active owner and exercise active governance. However, the fund company is not able to vote at all general meetings and has therefore set priorities, which are listed below.

- Companies in which the fund company owns a minimum of 0.5 % of the votes
- Companies that constitute significant holdings in each actively managed fund (10 largest holdings per fund)
- Companies in which the fund company is a member of the nomination committee
- Companies that the fund company considers require special engagement efforts in accordance with the sustainability goals and commitments established by the fund company
- Companies that the fund company is in dialogue with, where the subject of the dialogue is being presented for decision at the general meeting
- General meetings where relevant sustainability issues are being presented for decision
- Companies taking part in Climate Action 100+
- Companies included in Nature Action 100
- In Nordic Swan Ecolabelled funds, the fund company votes at a minimum of 50 % of the general meetings in the portfolio companies
- The goal for Impact funds, the fund company votes in all the companies in which these funds invest
- The fund company votes in general at general meetings concerning fundamental or controversial issues
- As a general rule, the fund company recalls the shares lent so the fund company is able to vote for these shares; however, an individual assessment is made in each case.
- The fund company determines which equities may be lent. For example, equities are not lent in companies in which the fund company is a member of the nomination committee. In each individual case, an assessment is made regarding whether an equity loan will or will not be withdrawn. Revenues for the fund from securities lending will be weighed against opportunities for influence at a general meeting.

## Various forms of shareholders' meetings

In accordance with the Swedish Companies Act, as well as the regulations of foreign companies, physical general meetings where the fund company partakes in person or via proxy are customary. Under specific circumstances and when permitted by legislation, the fund company may participate in virtual general meetings, usually by voting in advance in the required manner. The fund company also endorses the use of hybrid virtual general meetings when permitted by legislation and with the appropriate security measures in place. This could provide shareholders the opportunity to vote in advance of the general meeting, to participate virtually or in person. When participating virtually, it is crucial that shareholders are provided the same rights as those participating in person, e.g., being able to ask questions of the CEO.

## Various legal systems and industry standards

The fund company adjusts its positions based on various legal systems and corporate governance regulations. As a result, the fund company's votes may differ for the same type of issue depending on the national regulations and other frameworks the company is subjected to. However, the fund company's basic principle is to seek to contribute to sound corporate governance regardless of where the company is based and/or listed for trading.

## The board and corporate governance

### General principles

The fund company should work to ensure that each company has an effective board characterised by diversity, with relevant expertise for the company. Diversity should be interpreted broadly and its aim is to ensure that the board works with a variety of perspectives on key issues. The fund company's opinion is that diversity increases value creation and reduces risk. Emphasis should be placed on an equal distribution of gender on the board. Each board ought to collectively have the ability to consider and address relevant sustainability

issues. In addition, the fund company is of the opinion that the entire board should be elected on an annual basis. As a general rule, the fund company will therefore vote against proposals to introduce provisions whereby only a portion of the board is elected each year.

### Number of assignments, etc.

Board members should not take on other assignments to the extent that the member is unable to dedicate enough time to the assignment in order to contribute to the efficiency of the work of the board. In general, the Swedish Code of Corporate Governance or a corresponding framework should be applied. However, an individual assessment will be made in each case and the fund company may, with valid, documented reasons, permit a board member to undertake assignments in addition to those dictated by the Code or corresponding framework. In the event a board member has participated in fewer than 75 % of all board meetings during the year since the previous general meeting, the fund company will normally vote against re-election if the voting so permits, unless special circumstances apply.

The number of board members should be as few as possible, without impacting the board's quality or effectiveness.

### The board's independence

The fund company considers it essential for the work of the board to be carried out in a way in which all shareholders are treated equally. A board should therefore be characterised by independence. Consequently, the fund company will vote against board proposals where the level of independence is too low. It should be noted that best practice as related to the level of independence varies substantially in different countries.

#### Criteria for companies listed in Sweden

- A maximum of one board member elected at the shareholders' meeting may work in the company management or in the management of a subsidiary of the company.
- The majority of the board members elected at the shareholders' meeting shall be independent in relation to the company and the company management.
- A minimum of two of the board members that are independent in relation to the company and the company management shall also be independent in relation to the company's larger shareholders.
- Further, the fund company does not support proposals in which the Chair of the Board and the CEO are one and the same person.

The criteria above do not apply if the company provides an acceptable explanation for deviating from these requirements. It may be more difficult for smaller companies outside of a regulated market, particularly newly listed companies on smaller exchanges, to attain the required level of independence and, in these cases, the fund company has a higher tolerance for deviations so long as the company provides an explanation for the deviation. However, the fund company will vote against a proposal for a board or board member if the company does not disclose whether or not the proposed board members are independent, or when the fund company does not believe that the company is developing in the right direction regarding independence. In the fund company's view, even smaller companies that are not formally required to comply with the Code should gradually adapt to meet the Code's requirements for independence.

#### Criteria for companies listed outside of Sweden

The fund company believes that the principles set out for companies listed in Sweden provide for an appropriate level of independence in the board. The fund company views its role as seeking to promote similar models over the long term even for foreign companies, although adapted to the national framework and to what is viewed as best practice in each country.

In certain markets, it is common and fully permitted for a person to be both the Chair of the Board and CEO of the company. In principle, the fund company will not vote against such a board at the general meeting. However, the fund company usually supports proposals to change this system for the future, as it is our view that a separation of these positions ensures a more sound corporate governance.

### Board diversity

The fund company believes that a board characterised by equality and diversity increases the potential for positive growth for the companies we invest in. Equality is also a stated goal of Agenda 2030, which the fund company supports. The fund company therefore strives to contribute to boards with an equal gender distribution and boards characterised by diversity through its voting at general meetings, signifying that diverse backgrounds and experiences can contribute to the development of the company.

The fund company supports proposals to complement the board with expertise within certain areas that the board requires. However, the fund company will not vote in favour of proposals for board members who are experts exclusively within a certain area and are not deemed as being able to contribute to the work of the board in general.

The fund company always evaluates the board's composition and can vote against proposals for the board or proposals for a specific board member, in addition to the reasons stated above, if:

- No woman is proposed to a position on a board that lacks female representation. The corresponding principle will be applied to boards that lack male representation.
- The company has committed to comply with this policy but has not taken sufficient measures to achieve this.

### Board remuneration

#### Criteria for companies listed in Sweden

The fund company's principle position on board remuneration is as follows:

- As a general rule, board remuneration shall be paid as a fixed fee, although exceptions may be made for smaller companies and in specific cases.
- The remuneration should be reasonable in relation to the work performed.
- In the event that variable remuneration is applied, board members should not receive the same variable compensation as company management and other employees.
- The variable remuneration to the board shall be evaluated during a different period than that of company management and employees, and the assessment period should be a minimum of three years.
- Financial instruments shall be acquired at market prices.
- The selection of variable remuneration shall be duly justified.

#### Criteria for companies listed outside of Sweden

The fund company believes that the principles related to board remuneration for companies listed in Sweden contribute to a sound and transparent compensation structure. The remuneration proposals for foreign companies are evaluated on a case-by-case basis, based on applicable national frameworks and guidelines as well as the fund company's principles in this area.

### Incentives

In the view of the Management Company, a company should apply the Swedish Code of Corporate Governance as well as the principles of remuneration of the Institutional Owners Association (Institutionella Ägares Förening – IÄF) or corresponding national frameworks and principles, where such are deemed to be reasonable. Essentially, this means that decisions on any equity and share-price-related incentive

programmes for company management are to be made at a general meeting. The decisions taken at the general meeting should encompass the key conditions of the programme. Ahead of a general meeting, the board must explain and justify the purpose of the programme and how it fits into the company's compensation structure. Variable remuneration must be linked to pre-determined and measurable criteria, designed to foster the company's long-term value creation. Limits to the maximum payment must be set for variable remuneration that consists of cash payments. Equity and share-price-related incentive programmes should be constructed to align the interests of participating senior executives and the company's shareholders more closely.

The board should also describe how the programme contributes to the company's business model, strategic focus and the company's financial and non-financial goals, such as sustainability goals. The remuneration must be fair and market competitive in order to secure the skills the company needs at a reasonable cost to the company. Remuneration must additionally be substantiated and justifiable. The board should seek support for the proposal from major shareholders well in time before the general meeting. Via an appointed expert in the field, the fund company reviews and engages in dialogue with the companies regarding proposals for incentive programmes. If the description of the incentive programme is insufficient in terms of structure, evaluation and transparency, or if the programme does not otherwise meet the requirements outlined above, the fund company will vote against or, alternatively, abstain from voting. A company's remuneration structure should steer towards its established targets and strategies, while simultaneously ensuring that the company can attract and maintain an appropriate level of competence. A balance between economic, environmental and social values is an essential part of the basis for long-term value creation. Sustainability issues that are vital to the company's long-term financial growth should therefore be reflected in the companies' remuneration programmes. This means that sustainability goals that are relevant, quantifiable, transparent and monitorable, as well as create value for the company, should be part of an incentive programme. These goals can be advantageously implemented in short-term programmes as well.

Specific parameters and key figures should be developed by the company as regards to sustainability goals within the scope of the incentive programmes.

Ahead of the 2024 general meeting season, the fund company will request sustainability goals in the incentive programmes that will be subject to general meeting proceedings. In the absence of sustainability goals, the fund company will consider rejecting long-term incentive programmes that do not include sustainability goals that are relevant, quantifiable, transparent and monitorable, as well as create value for the company's business operations. In the event a company has reasonable grounds, e.g., they have sustainability goals in their short-term incentive programme, the fund company may accept a long-term programme that lacks sustainability goals. The fund company will follow best practice for foreign companies but will work to ensure that sustainability goals are integrated into incentive programmes even outside of Sweden.

Regarding proposals for reporting of remuneration and the subsequent advisory vote, the fund company will vote in favour of proposals for "say-on-pay" if the reporting is insufficient.

### Delegation to the board to issue shares

A general delegation to the board for Swedish companies should not exceed ten percent of the company's capital. A larger delegation may be accepted in specific cases by way of exception, provided that the need for delegation is justified. For example, in certain types of companies, such as acquisition-intensive companies, a larger delegation may be accepted. The fund company applies best practice in each country for foreign companies.

### Sustainability issues

In general, the fund company casts votes for social and environmental proposals that aim to foster corporate sustainability, while simultaneously improving the long-term value for shareholders. The fund company is committed to increasing its contributions to Agenda 2030, and thus it is necessary for the fund company to be at the forefront in its engagement efforts. This means that the engagement work should push the portfolio companies to perform beyond the regulatory requirements. Since many of the sustainability issues at general meetings are unique, the fund company takes the following into consideration before taking a position in voting:

- The company's involvement in controversies related to the matter
- Reasonableness and quality of the suggestions in the proposal
- Whether or not the company has previously addressed the issue
- The company's performance within the area relative to its competitors
- Whether the issue could be better handled by management in the operational work of the company
- An assessment of whether a decision is required at the general meeting to achieve a change on the issue
- Whether or not the issue has previously been addressed in the fund company's direct dialogue with the company.

### Company goals

Handelsbanken Fonder's view is that an integrated approach to sustainability in the company's business model is a prerequisite to generate shareholder value and create long-term value for other stakeholders. The fund company will, however, not support shareholder proposals where the company's objective is something other than to generate returns to the shareholders. Instead, the fund company believes that an integrated approach to sustainability is a necessary means to generate long-term shareholder value.

### Sustainability expertise in the board or of an individual board member

When the election concerns the entire board, the fund company will make an overall assessment of whether there is a sufficient level of expertise concerning sustainability in the board. If the fund company finds that there is a lack of sustainability expertise based on the information available, the fund company will normally vote against the proposed board. When the election concerns an individual board member, the fund company will evaluate the proposed board member in relation to the pre-existing sustainability expertise on the board, once again based on the information available. If the board is considered to lack the necessary sustainability expertise, the fund company will only vote for a proposed board member that will contribute to increased sustainability expertise.

In the event that the fund company determines that a company is not conducting its business in a sustainable manner, the fund company may vote against individual board members or entire boards, in addition to undertaking engagement efforts with the company.

### Shareholder proposals

Shareholder proposals are a meaningful tool for shareholders to demand accountability and to push for positive development in companies. When formulated in the right way, shareholder proposals can be an important instrument for encouraging a more responsible and sustainable enterprise. The fund company believes that it is essential that each proposal be evaluated based on its content, the formulation of the proposal and the individual company's operations and performance.

### Transparency and reporting

Many shareholder proposals are aimed at and concern requirements regarding increased reporting on companies' sustainability performance within areas such as equality, human rights, climate



impact and greenhouse gas emissions. In these types of issues, the fund company takes the following positions:

- The fund company votes in favour of reporting requirements that are in line with regulations, international agreements supported by the fund company and that we believe the company should abide by, as well as when the requested reporting represents some form of industry standard.

- The fund company encourages reporting in line with the TCFD's recommendations as well as reporting carbon dioxide emissions data to CDP.
- The fund company may also support proposals that exceed these requirements if we consider the proposals to be reasonable and if they contribute to the attainment of Agenda 2030. For example, the implementation of internationally recognised sustainability reporting standards such as GRI Standards and SASB is supported.
- The fund company may also support requests for increased transparency related to companies' indirect exposure through the products and services they offer to customers, such as banks' funding of controversial sectors, as the fund company considers this to be essential information that a bank should disclose.
- The fund company does not support requests for reports or audits that exceed the regulations and standards referred to above if these requirements are deemed to burden the work of the company's board/management and have limited benefits or have an adverse impact on the basis of competition.
- However, the fund company may support requests for reporting if specific problems exist or if the company has undertaken to meet certain targets for its operations but there are insufficient means to determine how the company is working to meet these targets.
- If a company has undertaken to meet ambitious goals, for example climate goals, the fund company supports relevant requirements for interim reports in order to assess the company's efforts to meet the long-term objectives.

### Climate

In general, the fund company supports shareholder proposals that promote greater transparency in reporting on climate issues. The fund company wants companies to have a climate strategy and for them to strive to meet the Paris Agreement and become carbon neutral by no later than 2050, which includes interim targets regarding reduction of carbon emissions and other measures. The fund company will vote in favour of the implementation of an annual vote regarding the company's climate work, the so-called "Say on Climate", if it is relevant to the company, i.e., if there are material climate-related risks in the company's operations.

### Equal opportunity/diversity

Handelsbanken Fonder works actively for equal opportunity and diversity believes that this results in better decision-making, which benefits companies' future development. Diversity and equal opportunity refers both to employees as well as aspects of equality associated with the products and services the company offers to customers. The fund company supports greater transparency and reporting to make it possible to better assess the company's efforts in these areas. Transparency can refer to salary gaps between the genders, minorities in management positions or how the company's products and services prevent or lead to discrimination.

The publication of EEO-1 detailed diversity report: The fund company will vote in favour of this type of report or similar reports regarding equality if there are regulatory requirements, international agreements or industry standards that support this. In the event that a company already reports on parts of this data, the fund company will still vote for the report being produced until the entire format has been adopted by the company.

### Human rights

In general, the fund company supports shareholder proposals that promote greater transparency regarding risks related to human rights. Transparency should also encompass risks in the supply chain as well the personnel the company does not have direct control over. The fund company supports proposals that promote the company's responsibility of complying with international conventions related to human rights and the UN's Guiding Principles on Business & Human Rights.

### Incentives linked to ESG factors

The fund company concludes that sustainability issues which are important for the company's long-term financial growth should be reflected in the remuneration programmes, refer to the Incentives section above.

Regarding proposals for reporting of remuneration and the subsequent advisory vote, the fund company will vote in favour of proposals for "say-on-pay" if the reporting is insufficient.

### Specific parameters and key performance indicators should be suggested by the company itself.

Ahead of the 2023 voting season, the fund company will call for sustainability goals to be included in the incentive programmes that are to be addressed in meetings. From the 2024 voting season and onwards, the fund company will, as a general rule, vote against long-term incentive programmes that do not include relevant, quantifiable, transparent, monitorable and value-creating sustainability goals. If a company can provide adequate justification, for example if the company has sustainability goals included in their short-term incentive programme, the fund company may accept long-term programmes without sustainability goals. Regarding proposals for reporting remuneration with a subsequent advisory vote, the fund company will vote in favour of proposals for "Say-on-Pay" if the reporting is insufficient.

### Donations and lobbying

If corporate governance regulations require reporting on donations and lobbying fees and to who these are paid, the fund company will vote in favour of proposals calling for such reporting. This also applies if the requirements stated above do not exist, as this is important information for shareholders to be able to ensure that the company's lobbying is consistent with its stated policy, particularly when there is information suggesting the contrary. Additionally, greater transparency in this area is not deemed to require burdensome efforts from the company. The fund company also supports increased reporting regarding donations when a company is suspected of making donations to causes that violate the company's stated commitments or reasonable ESG requirements that can be expected of the company.