

Handelsbanken Fonder's guidelines for nomination committees.

These are Handelsbanken Fonder AB's guidelines and methods for professionally executing the work of the nomination committee. The nomination committee work of the Management Company's appointed committee members is based on these guidelines.



The nomination committee is the preparatory body of the annual general meeting of shareholders for decisions related to the board of directors, auditors and fees, as well as the instructions for the nomination committee. The nomination committee promotes the interests of all shareholders. The nomination committee consists of members who have been appointed by the largest shareholders in the company. One board member, typically the chairperson, may be included as a member of the nomination committee, but preferably only as a co-opted member. The board's chairperson should not serve as the chairperson of the nomination committee. The members of the nomination committee shall be suitably qualified for their assignment and be well-prepared for the meetings.

The nomination committee instructions shall be available at the company. The nomination committee members shall be appointed well in advance of the shareholders' meeting. The nomination committee should be convened as soon as it has been assembled in accordance with the nomination committee instructions. The nomination committee shall be transparent and any changes, such as the composition of the board, increases to remuneration, etc., shall be well-substantiated at the shareholders' meeting.

The nomination committee continues after the shareholders' meeting until a new nomination committee has been appointed.

Management of insider trading

It is of utmost importance for Handelsbanken Fonder that no insider information be provided to members of the nomination committee, for example in conjunction with presentations from company management. In the event insider information is essential to the work of the nomination committee, those intending to share such information must clearly state that said information is of an insider nature before the information is provided to the nomination committee. If information arises that could impact share prices, for example with a change to the chairperson, the information must be published in a press release as soon as possible. Pursuant to current legislation, the company is required to report any insider situations, draw up an insider logbook and notify the persons concerned in accordance with applicable rules.

Ownership changes during the term of office

Handelsbanken Fonder's asset managers have full discretion to increase or decrease the holdings in the companies in which the Management Company has appointed a member to the nomination committee. In the event the holdings decrease to a level whereby the Management Company's position on the nomination committee is no longer justified pursuant to applicable nomination committee instructions, the Management Company will undertake to tender the position to another shareholder if the shareholder calls for their right to the position. The Management Company will also, if requested, complete the tasks of the nomination committee for the current term of office.

In the event the funds' ownership increases to a level whereby the Management Company has the right to appoint a member to the nomination committee, the Management Company will not normally request participation during the current term of office, although the Management Company will assume the responsibility if the shareholder that no longer has the right to a position is unable to carry out their tasks.

Structure for the work of the nomination committee

The work of the nomination committee takes place using a well-structured process with a timeline that ensures the thorough completion of the work on the nomination committee. Accordingly, the nomination committee should be convened as soon as possible subsequent to the record date for the largest shareholders and the acceptance by the proposed members. Meetings should be scheduled in a timely manner and meeting minutes should normally be documented. If clear instructions for the nomination committee do not exist, these should be drawn up and presented at the shareholders' meeting. The company is expected to provide resources (the company's Head of Legal would be appropriate) to manage the practical details of meetings primarily in which the nomination committee's draft opinion will be formalized.

Inventory of skills requirement in the Board of Directors

The work includes an analysis of the skills and competencies

required for the company's board of directors as well as an inventory of the current skills. A carefully planned and implemented evaluation of the board is an important basis for the tasks of the nomination committee and external expertise should be retained at a minimum of every third year. However, for reasons of proportionality, the evaluation of the board in smaller companies can be conducted by the board. The nomination committee should interview the individual members with appropriate frequency to develop a clear picture of the state of the board and should receive a report from the CEO on an annual basis regarding his/her view of the company's strategic challenges. The inventory should also be made with regard to the board members' other assignments. Handelsbanken Fonder would like the assurance that there is relevant competence in sustainability within all boards. Handelsbanken Fonder can recommend an external party to assist in the evaluation of the board of directors.

Recruitment process

In the event new board members need to be recruited, the search process should be professional and an external search firm should be retained when appropriate. The process should be initiated as soon as possible to enable a qualitative and thorough evaluation of candidates. The nomination committee should strive to identify competent candidates through a broad-based approach with a relevant level of diversity. The recruiting process should strive to ensure that there is always a number of qualified candidates from the underrepresented gender. If the nomination committee is unable to identify candidates to attain the desired level of diversity and gender distribution, Handelsbanken Fonder will recommend the retention of an external party to identify suitable candidates.

Remuneration to the board of directors

The nomination committee recommends the remuneration levels of the board of directors. A comprehensive analysis of remuneration levels and structures should be conducted. As a rule, the remuneration should be fixed and market-based relative to a suitable cluster of similar companies. Variable remuneration may be considered as the exception primarily for smaller companies and must be specifically substantiated. Board members should not participate in employee incentive programs. Subscription warrants or similar instruments shall be acquired at market-based prices. The assessment period, which should be a minimum of three years to ensure a long-term focus, should not correspond to the incentive program for company executives. The remuneration should be reasonable in relation to the work performed. The chairperson's remuneration, relative to board members, should normally be a maximum of three times the remuneration of the other board members. Remuneration for committee work shall be in proportion to the work required. It is reasonable to base the fee on the number of meetings held and the complexity of the work. The committee chairperson should receive a higher remuneration relative to the other committee members.

The Management Company takes a positive view to board members' investment in shares of the company.

Incentive program

A long-term incentive program for senior management is not normally within the purview of the nomination committee but is nevertheless important for Handelsbanken Fonder as a major shareholder. We require transparency and clarity in the development of these programs. Handelsbanken Fonder has a specific policy with disclosure requirements for decisions made at the shareholders' meeting. The Management Company will refrain from voting or vote against a proposal if the decision-making documentation for the company management's remuneration and equity-related incentive programs is insufficient with regard to the structure, evaluation and transparency.

Working practices of the nomination committee

Clear instructions should be available in the company for the nomination committee. The nomination committee should be appointed in advance of the shareholders' meeting to allow for the professional and thorough work of the nomination committee. There should be a long-term plan to ensure continuity in the work. The responsibilities of the nomination committee are not concluded after the shareholders' meeting but continue until a new nomination committee has been appointed. It is appropriate to hold a final meeting for the departing nomination committee in August, for example, before the next nomination committee begins their work. The nomination committee shall substantiate their choices and proposals in a concrete and transparent manner, as well as ensure that these are well-documented. The nomination committee should also substantiate any changes, fees and proposals to the new board of directors at the shareholders' meeting.

The company's business operations report

The nomination committee shall include a report on the company's equal opportunities plan and gender balance in the executive management group (including all managers with responsibility for personnel) within the company's business operations report.

Further, the company shall present its materiality analysis related to sustainability, including planned measures to be taken.

Principle decisions regarding company's strategic direction
Below is a list of Handelsbanken Fonder's principle decisions regarding the direction the Management Company will take in a number of issues related to the work of the nomination committee.

Board composition

The Management Company shall set out to ensure that each company has an effective board characterized by diversity, with relevant competence for the company. Diversity should be interpreted broadly. Diversity aims to ensure that the board works with a variety of perspectives on key issues. It is the opinion of the Management Company that diversity increases value creation and reduces risks. Emphasis should be placed on an equal distribution of gender on the board in line with the Swedish Corporate Governance Code. This applies to all companies, including those that are not listed on a regulated market. Each board should collectively have the ability to take into account and address relevant sustainability issues.

This includes the following:

Gender balance

- Equal gender balance between men and women on the board
- Increased number of women in the role of board chairperson
- The recruiting process shall always include a number of qualified candidates in the gender that is underrepresented on the board.

Cultural competence shall also be taken into consideration, for example, in relation to

- Age diversity
- Socioeconomic background
- Ethnicity or international background

Continuous review of renewal and revitalization

Adequate and effective size of the board, which normally means that the number of board members should be held at a low level without impacting the business operations and the quality of the board work

Clear distribution of roles between the board and the CEO

Relevant competency in sustainability on the board shall be ensured as well as be reported.

Board members should not take on additional assignments than what is appropriate in order to devote a sufficient amount of time to each assignment.

Board appointments

Handelsbanken Fonder believes that the total board composition is more important than individual members and advocates the selection of the entire board at the shareholders' meeting in one and the same decision.