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HR function	This replaces the version dated 19 April 2021	Internal

## **POLICY FOR REMUNERATION, SUITABILITY ASSESSMENT AND COMPETENCY REQUIREMENTS AT STADSHYPOTEK**

adopted by Stadshypotek's Board on 25 April 2022

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### **1. Purpose**

This policy, which is based on the Handelsbanken Group's policies in the same area, establishes rules for matters concerning remuneration, suitability assessment and competency requirements at Stadshypotek.

### **2. Scope of application**

The policy must be applied throughout Stadshypotek. If there is an obstacle to applying this policy due to legally binding regulations in the country where Stadshypotek has operations, adapted rules must be drawn up for these operations by the Chief Executive in consultation with the HR function and presented by a separate Board member designated by the Board, for resolution by the Board.

This policy does not affect rights and obligations under collective agreements; nor does it affect obligations under applicable contract law or labour law.

### *PART 1: REMUNERATION*

### **3. Remuneration at Stadshypotek**

Stadshypotek's remuneration system must be fit-for-purpose and consistent with Stadshypotek's business objectives and business culture, which are based on sound, sustainable operations, in which employees observe high ethical standards, good administrative order, and regulatory compliance.

The system for remuneration must not be constructed in such a way that it affects Stadshypotek's obligation to observe borrowers' rights or interests. Remuneration must therefore be designed so that it does not encourage the performance of work duties or decisions regarding services or products, or favour the interests of employees or Stadshypotek, rather than the customer.

Conflicts of interest must be handled and documented in accordance with Stadshypotek's Policy for management of conflicts of interest. Remuneration must also be structured in a manner that promotes a healthy and efficient management of sustainability risks.

Remuneration at must also reflect Stadshypotek's long-term view of staff employment at Stadshypotek, and be in keeping with Stadshypotek's general low risk tolerance.

Remuneration to employees must be on market terms and be gender-equal and gender-neutral, enabling Stadshypotek to attract, recruit, retain and develop skilled staff, and ensuring good management succession.

The basis of Stadshypotek's remuneration system is fixed remuneration. Variable remuneration is only permitted in the context of the Oktogonen profit-sharing scheme. Termination benefits may also be granted in individual cases.

Remuneration at Stadshypotek is fixed when it:

- a) is based on salary-setting factors which are determined in advance in accordance with section 3.1 (*basic salary*), or
- b) constitutes a *standard benefit* or *pension* that can be offered to all employees, or to defined categories or groups of employees, or
- c) constitutes a *salary supplement* that is linked to an assignment or temporary position.

To be classified as fixed, the remuneration must also fulfil the following criteria. It must:

- a) be non-discretionary and transparent in terms of the amount granted to the employee,
- b) be maintained over a period that is linked to the employee's assignments and responsibilities,
- c) not provide an incentive for risk-taking, and
- d) not fluctuate according to the results of the unit in which the employee works.

Remuneration that is not fixed constitutes variable remuneration.

### **3.1 Fixed remuneration**

At Stadshypotek, fixed remuneration may be paid in the form of basic salary, salary supplements, standard salary benefits and occupational pension.

Basic salary must be established individually by the manager responsible when an employee takes up a new position and in local salary reviews, taking into account collective agreements or the equivalent standardised local agreements or arrangements. The salary shall be based on the following salary-setting factors:

- a) the nature and degree of difficulty of the work,
- b) competence,
- c) work performance and results achieved,
- d) leadership,
- e) the market, and
- f) being a cultural ambassador.

### ***Pension terms and occupational pension schemes***

Occupational pension plans for employees must be adapted to local market practice, legislation, collective agreements, or the equivalent local standardised contracts or agreements.

An occupational pension plan can include a retirement pension, disability pension and surviving family member protection. The pension can be defined benefit, defined contribution or a combination of the two.

Stadshypotek's pension terms and occupational pension schemes must adhere strictly to the Handelsbanken Group's Policy for remuneration.

### ***Salary supplements***

Salary supplements can be in the form of an amount established in advance, in addition to the contractual basic salary. Decisions are taken by the HR department responsible, in consultation with the manager responsible. In cases where the conditions for the supplement change, e.g. due to the employee moving to a new position, or the organisational structure – and therefore the position – changing, the supplement will be reviewed or discontinued.

There must be a reasonable balance between the basic salary and the salary supplement. The salary supplement must normally not amount to more than 25 per cent of the basic salary.

## ***3.2 Variable remuneration***

### ***The Oktogonen profit-sharing scheme***

Handelsbanken's profit-sharing scheme (Oktogonen) covers all Stadshypotek employees. In this part, rules must be applied in accordance with the Handelsbanken Group's Policy for remuneration and related guidelines.

### ***Signing-on bonus***

Guaranteed variable remuneration, retention bonuses or lump-sum remuneration when employment begins ('signing-on bonuses') cannot exist.

### ***Performance-based variable remuneration***

Performance-based variable remuneration is not permitted at Stadshypotek.

### ***Termination benefits***

Termination benefits can only be paid when an employment contract is terminated by means of mutual agreement on the remuneration, taking into account laws, collective bargaining agreements and the prevailing practices in the labour market.

The size of the termination benefit:

- must be related to performance over time,
- must not constitute a disproportionate reward, and
- must not reward failure or misconduct.

The rules for how termination benefits are to be managed, and the extent to which Stadshypotek's control functions should be involved prior to such decisions, are set out in the HR function's instructions for decisions regarding termination benefits.

Salary paid out during the period following notice of termination is not a termination benefit.

#### **4. Information**

Employees must be informed about the criteria that affect their remuneration, and how their performance is assessed. It is the responsibility of the salary-setting manager to convey this information. The relevant HR function must ensure that information regarding the assessment process and this policy are available to all employees concerned.

#### **5. Executive officers for whom the Board takes decisions regarding remuneration**

The Board shall make decisions regarding remuneration to:

- a) the Chief Executive,
- b) persons in the Stadshypotek executive management team who are employees of Stadshypotek, and
- c) the heads of Stadshypotek's control functions who are employees of Stadshypotek. Remuneration to the Head of Risk Control (HSR) at Stadshypotek must be authorised by the Head of Group Risk Control (ORK) at Handelsbanken.

Prior to the Board's decision on remuneration, the Board member appointed by the Board must comment upon the matter of reasonableness, and whether the proposal submitted is consistent with this policy.

#### **6. Analysis for identifying risk-takers at Stadshypotek**

The HR function is responsible for carrying out an annual analysis in order to identify employees who, in their professional roles, have a material impact on Stadshypotek's risk profile. This analysis must take into account all risks to which Stadshypotek may be exposed, including risks associated with this policy and the remuneration system.

In this work, the HR function must involve the Compliance function, the Risk Control function, and the appropriate business support functions. This analysis must be presented to the control functions prior to being presented to the Chief Executive and the Board.

The result of the identification process must be documented by the HR function. This documentation must describe how the staff have been identified, based on the above-mentioned qualitative and quantitative criteria.

##### ***Categories of risk-takers at Stadshypotek***

The following categories have been identified as risk-takers at Stadshypotek:

- a) Board members,
- b) the Chief Executive,
- c) the remainder of the executive management team,
- d) heads of control functions,
- e) members of the Risk Committee, the Credit Committee and the Product Committee,
- f) employees who, by virtue of their salary level, can be presumed to have contributed to and influenced the institution's risk profile; one indication of this being the case is when the employee is on the same remuneration level as a member of the executive management. If such an individual is not considered to be a risk-taker, this must be documented by the HR function. Individuals who – alone or together with others – are able to take decisions on major credit risk, market risk or liquidity risk, or who can expose Stadshypotek to reputation risk in a material way, must never be exempted.
- g) any person who is not covered by points a)-f) above, but who, alone or together with others, is considered to be able to materially affect Stadshypotek's risk profile, or who can expose Stadshypotek to reputation risk in a material way

## **7. Follow-up and reporting**

### ***Specially appointed Board member***

A Board member specially appointed by the Board of Stadshypotek to be responsible for remuneration matters is to carry out an independent assessment of this policy and the remuneration system, which is to be reported to the Board at least once a year.

Stadshypotek's Risk Control function, Compliance function and HR function must take part in this process in accordance with the following. In cases where the assessment points to deficiencies in this policy or the remuneration system, Stadshypotek's specially appointed Board member must make proposals for an action plan that will ultimately be decided upon by the Board.

The specially appointed Board member must monitor and check that the assessments in the process of identifying risk-takers are fit-for-purpose.

### ***HR function***

The HR function must annually evaluate the application of the remuneration system, and whether the remuneration system is fit-for-purpose and supports Stadshypotek's corporate goal. The results of the evaluation must be reported to the Board member responsible for remuneration matters once a year, no later than in conjunction with the adoption of the annual accounts.

### ***Risk Control***

The Risk Control function must ensure that the remuneration system and the application of it are annually evaluated in terms of risk. This evaluation must include an analysis of the impact of the remuneration system on Stadshypotek's risk, capital and liquidity

situation. The results of the evaluation must be reported to the Board member responsible for remuneration matters.

### ***Compliance function***

The Compliance function must conduct an annual examination to check that the remuneration system is in keeping with this policy and with the instructions and guidelines issued by the Chief Executive. The Compliance function must examine compliance when a new policy regarding remuneration is proposed.

The Compliance function must report the results of the examinations carried out in accordance with point one above to the person specially appointed by the Board and assigned with responsibility for remuneration matters, at the latest in conjunction with the adoption of the annual accounts. Reporting in accordance with point two must take place to the Board, prior to the Board's decision

### ***Group Audit***

Group Audit must annually examine whether Stadshypotek's remuneration system is structured and implemented in a manner that is fit-for-purpose and efficient. The tasks and responsibilities of Group Audit are determined by external and internal rules and regulations (see Stadshypotek's policy for auditing operations, etc.).

## ***PART 2 SUITABILITY ASSESSMENT***

### **8. Application**

This part is to be applied in suitability assessments prior to appointments of certain executive officers of Stadshypotek. This part also deals with matters relating to training and diversity in appointments.

The officers to whom this policy applies are:

- Board members
- the Chief Executive
- other members of executive management, regardless of whether they are ordinary or co-opted members,
- other managers who report directly to the Chief Executive,

In certain cases, the above-mentioned officers may hold more than one of the stated titles, which is to be taken into account in the suitability assessment.

## **9. When a suitability assessment is to be performed**

Suitability assessments of the officers listed in section 8 must be carried out prior to a decision to appoint the officer, and every three years thereafter, or whenever any event or circumstance requires that a new assessment be carried out. This applies, for example, when an officer who has already been the subject of a suitability assessment acquires an additional role as set out in section 8.

In order to facilitate assessments of continued suitability, the officers are obliged to inform the relevant HR function of any material changes in their work situation, or of events which may have an impact on that person's reputation, such as events relating to the criteria below.

## **10. Criteria applied in suitability assessment**

Officers must be assessed in terms of experience, reputation, and other criteria, such as the possibility they have to devote sufficient time to the assignment, and their ability to think independently. An overall assessment must be carried out, with applicable external regulations for suitability assessments also being taken into account.

The criteria which should be assigned particular emphasis are listed below. The suitability of the Board as a whole should also be considered.

### ***10.1 Criteria for good reputation***

The general rule is that all circumstances of relevance for an assessment of reputation are to be considered. The person should be considered to have a good reputation unless there are concrete indications to the contrary, or where there are reasons to believe that the good reputation is in reasonable doubt. A person should not be considered to have a good reputation if their conduct causes a significant doubt about their suitability to fulfil their work duties.

Information regarding administrative breaches and criminal history should be taken into account. Of particular relevance are breaches of regulations applying to the banking, finance, securities or insurance sectors, or which concern fraud or other fraudulent actions, financial crime, money laundering, terrorist financing, tax crime, corporate law or consumer protection.

The cumulative effects of several minor incidents should be taken into consideration.

A person's conduct in previous business relationships should also be taken into account, including contacts with public authorities, as should the stability of the person's financial situation.

### ***10.2 Criteria for experience***

All circumstances of relevance for an assessment of experience should be considered, taking into account the nature, scope and complexity, as well as the corporate culture of Stadshypotek's operations. Training and practical experience from previous positions

should be considered. The level and focus of the training should be considered in relation to the area of responsibility. Consideration should also be given to the fact that experience and knowledge accrued from previous positions is relative to the nature, scope and complexity of the operations, as well as on the person's function in this context.

Theoretical and practical experience of financial markets, applicable regulations, strategic planning and understanding of financial institutions' financial information, as well as matters of money laundering and terrorist financing, should be given particular consideration.

The person should also have sufficient experience to be able to constructively and effectively examine and question decisions and business activities.

The person should be able to demonstrate that he/she has, or will be able to accumulate, the knowledge required to understand and carry out their duties, and will be able to identify the risks which may be associated with these duties.

The person must also regularly, as and when required, receive the requisite induction training and information to be able to carry out their duties. Leadership skills and the ability to assess and develop employees must also be taken into account in the assessment.

### ***10.3 Other criteria***

In suitability assessments, the risk of potential conflicts of interest should also be considered, and this also applies to the possibility that the person will have to devote the required time to the task.

As regards Board members, the statutory limitations concerning the permitted number of board assignments must be taken into account. For Board members, it is also relevant to particularly assess their ability and opportunities to carry out their tasks in an independent manner. In this respect, the following factors (and others) should be considered:

- Current and previous positions in the Handelsbanken Group and other companies
- Personal, professional and other financial connections with Board members and executive officers of the Handelsbanken Group, as well as major shareholders
- Financial connections with natural persons and legal entities outside the Handelsbanken Group.

## **11. Introduction and training**

Officers must, wherever necessary, receive the introduction and training required to fulfil the demands of their role. Relevant training plans and programmes are to be developed for this purpose, which are to be continuously adjusted to meet arising needs.



The HR function must ensure that fit-for-purpose introduction and training plans are developed within Stadshypotek.

## **12. Diversity**

When recruiting officers to Stadshypotek in accordance with this policy, consideration must be given to the need for appropriate diversity in terms of age, gender and geographical origin, as well as educational and professional background. The HR function must evaluate, on an annual basis, whether Stadshypotek, in its appointments, has promoted a diverse group of suitable officers.

## **13. Documentation and reporting**

The results of suitability assessments must be documented and saved for as long as is deemed necessary. The HR function must submit a report of the assessments to the Chief Executive. The results of suitability assessments of Board members must be reported to the Chairman of the Board, and the results of assessments of heads of control functions must be reported to the Board.

In the event that the results of a suitability assessment demonstrate that the person is not suitable for the role, the person must not be appointed. If the assessment concerns a person who has already been appointed to the role, measures must be implemented immediately to rectify deficiencies, for example through training if it is a matter of a lack of knowledge. Should an overall assessment indicate that such measures are incapable of rectifying a deficiency, the appropriate measures must be taken.

### *PART 3 KNOWLEDGE AND COMPETENCY*

## **14. Requirements for knowledge and competency regarding mortgage credits**

Staff who compile, offer, grant or provide advice to consumers regarding Stadshypotek's mortgage credits to consumers must have sufficient knowledge and competency to carry out their work in a correct manner. The same applies to those who directly manage or have responsibility for the work in question.

The requirements for knowledge and competency must be applied throughout Stadshypotek, i.e. including within Stadshypotek's international branches, unless binding regulations in that country necessitate national adaptations.

If national adaptations are required, these must be carried out by the head of the international branch in consultation with the Chief Executive. The adaptation must be submitted to the Board for final approval.

## **15. Staff categories in Stadshypotek to which this applies**

The above-mentioned knowledge requirements apply to the following staff categories at Stadshypotek:

- Board members

- the Chief Executive
- other members of executive management, regardless of whether they are ordinary or co-opted members,
- Members of Stadshypotek’s Credit Committee
- Employees who
  - participate in the development of new or amended products, including the formulation of terms and conditions for mortgage loan products, or
  - participate in preparatory work prior to decisions regarding mortgage credits.

## **16. Implications of the knowledge requirements**

Those to whom the knowledge and competency requirements apply must have the appropriate knowledge of:

- Stadshypotek’s mortgage credits and the supplementary services offered by Stadshypotek in conjunction with mortgage credits,
- laws and other regulatory requirements relating to mortgage credit agreements for consumers, particularly in the area of consumer protection,
- the purchase process for property that is included in the definition of a mortgage credit under the Swedish Consumer Credit Act,
- the valuation of residential properties that are provided as collateral,
- the content and function of the property register,
- the housing market,
- standards of business ethics,
- the procedure for credit assessment of consumers and, where appropriate, the competency to carry out credit assessments of consumers, and
- personal finances.

## **17. Knowledge test and regular updating**

The above-mentioned knowledge must be verified through a knowledge test. The knowledge test must be set by a party that is independent of Stadshypotek and has the requisite expertise in the subject areas covered by the test, e.g. SwedSec and its mortgage licence.

The necessary training is provided through “Mortgage loan training for the SwedSec test.”

### ***Regular updating of knowledge***

Persons who are included in the competency requirements and who have passed the knowledge test must complete an annual knowledge update to ensure that their knowledge is up-to-date.

### ***Documentation***

Employees who are included in the competency requirements must submit to the HR function documentation proving that they have achieved a pass result, as well as documentation showing that their knowledge is up-to-date. It is the responsibility of the HR function to document this data and to keep an up-to-date list of the individuals at Stadshypotek to whom the competency and knowledge requirements apply.

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