

**Instruction  
for the exercise of voting rights**

Adopted by the Board of Directors of  
SEB Fund Services S.A.  
on 19 May 2011

re-adopted 24 November 2016

This Instruction applies to SEB Fund Services S.A.  
This Instruction is effective from 1<sup>st</sup> July 2011.

Instruction No.		Security Class: 2 (internal information)
Responsible		Conducting Officer responsible for Distribution and Investment Management
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## 1. Background

- 1.1 SEB Fund Services S.A. ("SEB FS") is a fund management company within the SEB Group. SEB FS is authorised to act as a fund management company in accordance with the provisions of Chapter 15 of the Luxembourg law dated 17 December 2010 on undertakings for collective investments, as amended and Chapter 2 of the Luxembourg law dated 13 July 2013 on alternative investment fund managers, as may be amended from time to time.

SEB FS offers its services across all fund laws, forms and investment vehicles available under the Luxembourg law. Currently the following type of funds and investment vehicles are managed:

- SICAV Part I, SICAV Part II, SICAV-SIF
- FCP Part I, FCP Part II, FCP-SIF

- 1.2 The purpose of this Instruction is to outline the principles and strategies for SEB FS and to determine when and how shareholder voting rights attached to titles of companies held in the Funds (the "Portfolio Companies") are to be exercised, to the exclusive benefit of the Funds concerned.
- 1.3 Voting at assembly general meetings is a key component of the ongoing dialogue with companies in which the Funds invest on behalf of their clients and forms an integral part of SEB FS's investment process. SEB FS is committed to ensure consistent exercise of voting rights associated with shares held in Undertakings for Collective Investment of Transferable Securities (UCITS) and Alternative Investment Funds (AIF), where proxy voting has been delegated to SEB FS.
- 1.4 The first section of this document outlines our proxy voting principles. The second section describes our proxy voting process.
- 1.5 This policy applies to SEB FS and to all funds which delegates' proxy voting authority to SEB FS.
- 1.6 This policy will be reviewed and approved by the Board of Directors of SEB FS annually.

## 2. Definitions

SEB Group	Skandinaviska Enskilda Banken AB (publ) and any other company associated and/or affiliated with the SEB Group of companies engaged in the marketing, distribution and/or administration of Funds as the context requires.
Portfolio Companies	the companies in which the Funds are invested.
Funds	The collective investment schemes (UCI; AIF) of which SEB FS is appointed as Central Administration and/or Luxembourg Fund Management Company. Moreover, when a reference is made to the Funds, it shall imply that the best interest of Funds beneficial owners have been also accounted for.

### **3. Portfolio management**

- 3.1 SEB FS does not perform any portfolio management activities to the Funds, but delegates this function to various asset managers (the “Asset Managers”). SEB FS remains however fully responsible for the overall investment management function, and shall ensure that proper arrangements are in place for obtaining the best possible result for the Funds.
- 3.2 The majority of the Asset Managers are outside the SEB Group.
- 3.3 The Asset Manager shall provide SEB FS with the required information and explanation about the Fund’s investment strategy in order to assess whether the adequate policy and practice on the exercise of voting rights is implemented.
- 3.4 SEB FS’ Conducting Officers (“Senior Management”) and the Board of Directors shall ensure that sufficient information reaches the management company to allow for a proper monitoring of the voting arrangements.

### **4. Voting activity**

- 4.1 Within the SEB Group there is a clear separation between the management of assets related to the Funds (“Client Assets”) and the management of proprietary assets of the SEB Group (“Proprietary Assets”). SEB FS has implemented Chinese Walls in order to limit potential conflicts of interest. The decision on if and how to vote the rights attached to the fund shareholdings will therefore not be influenced by divergent interests within the SEB Group. As a result, different SEB Group entities may cast different votes on a single voting issue for Proprietary Assets and Client Assets.
- 4.2 SEB FS believes that promoting good corporate governance standards is an essential part of its fiduciary responsibilities. Corporate governance refers to the system by which a corporation is directed and controlled. It relates to the functioning of the managing board, supervision and control mechanisms, their inter relationships and their relations with stakeholders. Good corporate governance creates the framework ensuring that a corporation is managed in the long-term interest of shareholders. Therefore SEB FS expects all corporations in which will be invested and is invested to comply with high corporate governance standards, which are aligned with the long term economic interests of the Funds.

The overriding objective of companies should be the creation of long term shareholder value. Corporate governance practices should focus board attention on this objective and there needs to be clear strategy in place in order to achieve this by taking into account all key stakeholders.

All shareholders should be given the opportunity to vote on all decisions concerning fundamental corporate changes. Companies should ensure that the rights of all investors are protected and treated equitably, notably by respecting the principle of one share – one vote – one dividend. Capital increases should be carefully controlled to minimize dilution of existing shareholders.

- 4.3 Therefore, casting votes as often as economically and practically possible and developing a continuous dialogue with underlying companies is important to SEB FS when considering the interests of the Funds.
- 4.4 SEB FS delegates the monitoring of corporate events in the Portfolio Companies to the relevant Asset Managers which will be contractually required to report on corporate events on a quarterly basis.
- 4.5 SEB FS strives to execute its voting strategy in a responsible way towards the Funds, but does not intend to participate in the management of the Portfolio Companies. SEB FS will merely use its voice as a shareholder to promote the principles it stands for and to encourage sound corporate governance principles.
- 4.6 SEB FS employees shall not be members of the boards of the Portfolio Companies because SEB FS must be able to act independently in relation to them.
- 4.7 When voting, SEB FS shall act exclusively in the best interest of the relevant Fund and shall ensure that the voting complies with the relevant Fund's investment objectives and policies. Any voting activity will be decided on a case-by-case basis, after carefully measuring all the economic implications attached to it on the basis of the principles described below. The voting activity might therefore deviate from the principles of this Instruction from time to time.
- 4.8 SEB FS will take into account the broadest meaning of "client best interest" - this implying that there may be situations when voting would not be in the best interest of the Funds, or where voting would trigger disproportionate costs or other economic draw downs when compared to the expected benefits. Where SEB FS decides to exercise voting rights in a Portfolio Company, it seeks to vote all shares held. SEB FS will not automatically vote in favour of resolutions proposed. SEB FS might register an abstention, if permissible in the relevant market or vote against the resolution if it deems it to be in the best interests of the Funds.

For voting in the client best interest it is important that companies in which a Fund is invested or will be invested should ensure that timely and accurate disclosure is made on financial and operating results, ownership issues and performance. Annual audits of the financial statements carried out on behalf of shareholders by independent external auditors should be obtained for all companies, when possible.

## **5. SEB Group Asset Managers**

- 5.1 For all Asset Managers within the SEB Group, SEB FS shall contractually enforce the Asset Manager's responsibility to monitor corporate events at the level of the Portfolio Companies and to follow the SEB FS voting policy as set out herein.

## **6. External Asset Managers**

- 6.1 Prior to any appointment, an external Asset Manager will be required to have its own voting policy in place including the effective monitoring of corporate events at the level of the Portfolio Companies. Such policy will become part of the contractual legal framework between SEB FS and the Asset Manager as an annex to the investment management agreement between SEB FS and the Asset Manager.

- 6.2 Should an Asset Manager not dispose of an own voting policy or should SEB FS consider that the voting policy of the Asset Manager should (in full or in part) not be compliant with the SEB FS voting policy, the Asset Manager will be required to follow the SEB FS voting policy in relation to any corporate events in the Portfolio Companies of the Fund.

## **7. General principles for taking voting decisions**

The following section presents the principles that SEB FS is considering when deciding upon a voting strategy for corporate events at the level of the Portfolio Companies. SEB FS shall make sure that these principles are reflected in the own voting policy of the external Asset Manager or to be adopted by the external Asset Manager in the voting process:

### **7.1 Shareholder notices**

SEB FS requires that a notice to attend a shareholders' meeting and the information supplied in connection therewith should be delivered to the shareholders as early as permitted by law and the articles of association. All shareholders of the Portfolio Companies shall be given the time necessary to familiarize themselves with each separate item prior to the meeting itself.

### **7.2 Shareholder meetings**

At shareholders' meetings, the chairman of the board should describe the work of the board during the preceding year. In order to provide a basis for the nomination of members, a regular evaluation of both the work of the board and the contributions by individual members should be made.

### **7.3 Board of Directors**

Suggestions concerning the election of board members should be made in good time and made public together with motives for the choice. The nomination procedure should be clear, open, and arranged in a way that allows a large part of the shareholding in the company to be represented. Stock market companies should, in their annual report, provide information about the procedure concerning nomination of board members.

Each board member should work for the benefit of all shareholders. Diversity within the board with regard to experience and competence is a condition for successful board work.

The boards should be composed in a way that includes necessary variation with regard to professional experience, nationality, gender and age. It is also important that the members are able to devote enough time to their tasks. The integrity and independence of board members are also important. In this way, the possibilities for the board members to promote the development of the Portfolio Company and properly scrutinize the management will increase.

SEB FS requires that board members should hold shares in the company.

For SEB FS it is important to separate the owner position from the management of the company. For this reason, SEB FS believes that the managing director should not be a member of the board. SEB FS will pursue this issue only if there is a question of including a

newly appointed managing director in the board. Furthermore, a manager of the company, a consultant, an important customer or a supplier should not be member of the board.

The number of board members should be kept low and, normally, no deputies should be elected. Smaller boards benefit from the commitment of the members to the activities of the entire board. Apart from union representatives, employees of the Portfolio Company should not be members of the board. SEB FS also believes that it is usually unsuitable to elect a former managing director to become chairman of the board.

SEB FS shall make sure that its freedom as an investor to increase, reduce or wind up its holdings in the Portfolio Companies is not reduced.

#### 7.4 Board remuneration

SEB FS requires that board remuneration should be fixed. Deviations from this principle may take place.

SEB FS requires that the remuneration of the board chairman should be of such nature that it appropriately represents his / her larger work-load compared to that of the other board members.

Remuneration for the board shall be competitive enough to make it possible to realize the ambition to nominate the best possible board. SEB FS recommends successive adjustments of the remuneration rather than large single increases.

SEB FS requires that the compensation for the entire management is accounted for openly in a suitable way and also disclosed in the annual report.

#### 7.5 Incentive programs

SEB FS believes that an incentive program which stimulates increased commitment and good performance is constructive. Correctly designed incentives are good instruments for the adding value for shareholders.

In order for incentive programs to produce intended results, the following items should, among other things, be taken into consideration:

- The motives for the program should be well thought-out and easy to understand.
- The incentive should be part of a long-term compensation strategy running over several years.
- The program should be of reasonable proportions, have a ceiling regarding the costs of the company and be valid for a certain period of time.
- In order for an employee to participate in the program, a clear connection to a measurable performance, alternatively own investment, is required.
- The design of the program should be connected to both the profitability of the company and to the development of the share in relation to an established comparison norm. This should be clearly communicated to shareholders.
- The costs of the program both for the company and the shareholders (dilution) must be reasonable and clearly accounted for.
- The information about the program should be open, relevant and delivered in good time to enable the board to take viewpoints from shareholders into consideration before the notice to attend is published.

- Option programs should be relative, which means that the development of the company's share should be seen in relation to the stock market development, the share development in the line of business and the company or share development of selected competitors.
- An evaluation of costs and effects of previously carried out programs should be included as basis for future programs.
- The board shall not include the employees in the same incentive program as the management.

## 7.6 Auditors

When nominations of auditors take place, SEB FS believes that open information about carrying out the procurement and motives for the selection of the audit firm should be provided in good time prior to the shareholders meeting.

Auditors of stock market companies should not perform other consultancy services for the company. If this does take place, it should be mentioned in the annual report.

## 7.7 Capital structure

SEB FS believes that companies should work actively to achieve a well-balanced capital structure and recommends that the boards provide information about their opinion on a suitable capital structure and dividend policy.

When new shares are issued, the right of existing shareholders to participate in the issue always has to be protected. SEB FS recommends that the issuing of new shares is carried out as preference issues for existing shareholders. Proposals about special new issues of shares, in which there is no preference right for existing shareholders, must therefore be clearly explained. Since the activity of the Funds requires liquidity and flexibility, SEB FS does not, as a principle, give any guarantees about participation in issues of new shares.

In those cases in which the board is proposed to be authorized to decide about issues during the current year of activity, such authorization should normally not include special new issues against cash payments.

SEB FS holds a positive attitude towards purchase / redemption of own shares and extra dividends, as methods to optimize the capital structures of a company where the intention is to achieve a well-balanced capital structure.

## 7.8 Environmental and ethical issues

SEB FS believes that each stock market company should have an environmental and ethical policy adapted to its own activity. A well thought-out strategy for environmental and ethical issues forms a part in building up and maintaining the long-term competitiveness of the company and to achieve persistent good earnings.

SEB FS believes that the companies themselves are responsible for carrying out the activities in accordance with the strategy referred to above. The companies should apply openness in their environmental and ethical reporting, for instance by describing the policy in their publications and annual reports or in a separate environmental account

SEB FS is assuming that the companies in which the Funds invest follow local legislation and international conventions and agreements. It is of great importance for SEB FS that the following international principles and agreements are complied with:

- The UN declaration of Human Rights;
- the ILO core conventions (deal mostly with work conditions, child labour, equal treatment, forced labour and freedom of organisation);
- OECD's guidelines for multinational companies;
- UN's Code of Global Compact (includes labour law issues, environmental protection and human rights).

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, SEB FS will investigate the facts of 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, SEB FS will, if it is deemed to be advantageous to the unit holders of the Fund, dispose of the holdings in the Portfolio Company.

A sudden sale will however not take place if it would be detrimental to the unit holders of the Funds.