

Nordeas fonder

**Internationella riktlinjer –
International Corporate
Governance Principles**

International Corporate Governance Principles

The following principles are based on those adopted by the International Corporate Governance Network¹, which in its turn bases its principles on OECD's Principles of Corporate Governance. These principles should be seen as overall guidelines for corporate governance to be applied by Nordea investment fund companies² on a pragmatic basis, as they may in individual cases have to be adapted to local laws and regulations.

Nordea's investment fund companies are parts of the Nordea group, a financial services group in the Nordic and Baltic region. The investment fund companies apply country specific corporate governance guidelines for investment in Swedish stock market companies.

Corporate Governance Principles

Nordea's investment fund companies believe that good corporate governance contributes to share holder value and adds value to our equity investments. Corporate governance is essential for a transparent relationship between companies and shareholders, in which shareholders have a vital role to play in encouraging a higher level of corporate performance.

1. Corporate Objective – Shareholder Returns

The overriding objective of the corporation should be to optimize over time the returns to its shareholders. Corporate governance practices should focus board attention on this objective.

2. Disclosure and Transparency

Corporations should disclose relevant and material information concerning the corporation on a timely basis. In addition

to financial and operating results, company objectives, risk factors, stakeholder issues and governance structures, the information should include a description of the relationship of the company to other companies in the corporate group, data on major shareholders and others that control or may control the company, including information on special voting rights, shareholder agreements, the beneficial ownership of controlling or large blocks of shares, significant cross-shareholding relationships and cross-guarantees as well as information on differential voting rights and related party transactions.

3. Audit

Annual audits of the financial statements carried out on behalf of shareholders should be required for all corporations. The audit should be carried out by independent, external auditors who should be proposed by or with the assistance of, the audit committee of the board for approval by the shareholders. The corporation's interaction with the external auditor should be overseen by the audit committee on behalf of the shareholders. To limit the risk of possible conflicts of interest, non-audit services and fees paid to auditors for non-audit services should be both approved in advance by the audit committee and disclosed in the annual report. The annual audit should provide an external and objective opinion that the financial statements fairly represent the financial position and performance of the company in all material respects, give a true and fair view of the affairs of the company and are in compliance with applicable law and regulations as appropriate.

¹ International Corporate Governance Network is a group representing the interest of major institutional investors, corporates, financial intermediaries and other parties interested in the development of global corporate governance practices.

² These Principles will be applied by Nordea Investment Funds AB and Nordea Investment Funds Company I S.A.

The scope of the audit will be as prescribed by applicable law, provided that shareholders should have the right to expand the scope of the audit.

The board of directors, and where required, the appropriate officers of the corporation should affirm on a regular basis, the accuracy of the company's financial statements or financial accounts, as appropriate, and the adequacy of its internal controls.

4. Shareholders' Ownership, Responsibilities and Voting Rights and Remedies

The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders reasonable notice of all matters in respect of which shareholders are required to or may take action in the exercise of voting rights.

Boards should treat all the corporation's shareholders equitably and should ensure that the rights of all investors, including minority and foreign shareholders, are protected.

Unequal Voting. Corporations' ordinary shares should feature one vote for each share. Corporations should act to ensure the owners' rights to vote. Divergence from a 'one-share, one-vote' standard which gives certain shareholders power disproportionate to their equity ownership should be both disclosed and justified.

Access to the Vote. The right and opportunity to vote at shareholder meetings hinges in part on the adequacy of the voting system. Companies should explore initiatives to expand voting options to include the secure

use of telecommunication and other electronic channels.

Shareholder Participation in Governance. Shareholders should have the right to participate in key corporate governance decisions, including the right to nominate, appoint and remove directors as well as the external auditor and the right to approve major decisions.

Companies incorporated in jurisdictions which do not have laws enabling the appointment and removal of a director or an external auditor by shareholders holding a majority of votes should nevertheless strive to provide such rights to shareholders.

Shareholders' Right to Call a Meeting of Shareholders. Every corporation should provide holders of a specified portion of the outstanding shares of a corporation, not greater than ten percent (10%), with the right to call a meeting of shareholders for the purpose of transacting the legitimate business of the corporation.

Shareholder Questions. Shareholders should be provided with the right to ask questions of the board, management and the external auditor at meetings of shareholders.

Major Decisions. Major changes to the core businesses of a corporation and other major corporate changes which may in substance or effect materially dilute the equity or erode the economic interests or share ownership rights of existing shareholders, including major acquisitions and major dispositions and closures of businesses, should not be made without prior shareholder approval of the proposed change.

The equity component of compensation schemes for board members and employees should be subject to shareholder approval. Further, corporations should not implement shareholder rights plans or so called “poison pills” without shareholder approval. In addition, changes to the articles or by-laws of the corporation should not be made without prior shareholder approval. Shareholders should be given sufficient information about any such corporate changes, in sufficient time to allow them to make an informed judgment and exercise their voting rights.

Disclosing Voting Results. Equal effect should be given to votes whether cast in person or absentia and meeting procedures should ensure that votes are properly counted and recorded. Corporations should make a timely announcement of the outcome of a vote.

5. Corporate Boards

These Principles do not advocate any particular board structure and the term “board” as used in this document is meant to embrace the different national models of board structures. In the typical two-tier system, “board” as used in the Principles refers to the “supervisory board” while “key executives” refers to the “management board”. Although not totally appropriate terminology for a supervisory board in the context of a two-tier board, the term “director” is used to be interchangeable with the term “board member”.

Duties of the Board. The board’s duties and responsibilities and key functions, for which they are accountable, include those set out below:

1. Reviewing, approving and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
2. Monitoring the effectiveness of the company’s governance practices and making changes as needed to ensure the alignment of the corporation’s governance system with current best practices.
3. Selecting, compensating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
4. Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.
5. Ensuring a formal and transparent board nomination and election process.
6. Monitoring and managing potential conflicts of interest of management, board members, shareholders, external advisors and other service providers, including misuse of corporate assets and abuse in related party transactions.
7. Ensuring the integrity of the corporation’s accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
8. Overseeing the process of disclosure and communications.

Director Competencies. It should be ensured that it is made up of directors with the requisite range of skills, knowledge and experience to enable it to discharge its duties and responsibilities.

Directors are Fiduciaries. Members of the boards of directors or supervisory boards are fiduciaries who must act in the best interests of all of the shareholders or in the best interests of the corporation and are accountable to the shareholder body as a whole. As fiduciaries directors owe a duty of loyalty to the corporation and must exercise reasonable care in relation to their duties as directors.

Independent Directors. One of the principal features of a well-governed corporation is the exercise by its board of directors of independent judgment. Independent judgment means judgment in the best interests of the corporation free of any external influence that may attempt to be or may be or may appear to be exerted on any individual director or the board as a whole. Each board should include a strong presence of independent non-executive directors.

Information on Board Members. Corporations should disclose upon nomination or appointment to the board and thereafter in each annual report or proxy statement information on the identities, core competencies, professional or other backgrounds, recent and current board and management mandates at any other corporations, factors affecting independence, board and committee meeting attendance and overall qualifications of board members and nominees so as to enable investors to weigh the value they add to the company. Information on

the appointment procedure should also be disclosed annually.

Board Chairs. The chair of the board should not be the CEO. The corporation should explain the reasons, if this is not the case, and in such event should adopt an appropriate alternative structure to ensure that the board responsibilities can be effectively discharged in all circumstances.

Board Committees. Where committees of the board are established, their remit, composition, accountability and working procedures should be well-defined and disclosed by the board. At least a majority and, preferably all members of the audit committee should be independent.

Related Party Transactions. Every corporation should have a process for reviewing and monitoring any related party transaction. The corporation should disclose details of all material related party transactions in the annual report of the corporation.

Director Conflicts of Interest. Corporations should have a process for identifying and managing conflicts of interest directors may have.

Board Evaluation. Every board of directors should evaluate its performance and the performance of individual directors on a regular basis and should consider engaging an outside consultant to assist in the process. Every corporation should disclose the process for such evaluation.

Non-Executive Director Meetings. Non-executive directors should meet in the absence of executives of the corporation as often as required and on a regular basis.

Share Ownership. Every corporation should disclose a policy concerning ownership of shares of the corporation by senior managers and directors.

6. Corporate Citizenship, Stakeholder Relations and the Ethical Conduct of Business

Board Responsibilities and Duties in Relation to Stakeholders. The board is accountable to shareholders and responsible for managing successful and productive relationships with the corporation's stakeholders. Corporations should adhere to all applicable laws of the jurisdictions in which they operate.

Corporate Social Responsibility. Corporations should adopt and effectively implement a code of ethics and should conduct their activities in an economically, socially and environmentally responsible manner. The board is responsible for applying relevant systems for control and follow-up of the implementation of the codes of ethics.

7. International Remuneration Principles

Remuneration to company management and incentive programmes. Nordea's investment fund companies deem that each board of directors should establish and clearly communicate a long-term policy for the company's system for remuneration and benefits.

Nordea's investment fund companies are positively disposed to incentive programmes, which in great measure align the interests of the management and the employees with the interests of shareholders. Correctly designed incentive programmes constitute useful instruments for the creation of ad-

ded value for the shareholders. This means among other things that participants in the incentive programme should be exposed to both increases and decreases in the value of the share. Incentive programmes should have a clear connection to performance on both an individual and company level, and should also aim at long-term ownership of shares. Provided that clearly operations-related goals or explicit and relevant reference measurements are achieved, the incentive programme may result in shares or options to the management and staff. Nordea's investment fund companies recommend that shares normally constitute an essential component in the incentive programme.

The matters submitted to the shareholders' meeting shall always include, not only such matters which by law shall be dealt with by the Meeting, but also other decisions concerning the incentive programme that can be considered to be of material significance to the shareholders.

The board of directors' proposal for decision should be prepared in such order that the participants in the programme do not wield pre-dominant influence over the formulation of the programme. Prior to decision at the shareholders' meeting the board of directors should in particular report on how the matter has been handled.