



# Principles for Shareholder Engagement

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Responsible: Head of Governance

**LANNEBO**

# Principles for Shareholder Engagement

## **1. Background and Purpose**

Lannebo Fonder AB (Lannebo or the fund company) is an independent fund company engaged in active management within selected focus areas. Lannebo's primary objective is to generate as high a risk-adjusted return as possible for unit holders taking into account the funds' investment policy and risk profile together with, where appropriate, specific criteria established for a fund.

The fund company shall, in all activities relating to the management of the funds, act exclusively in the interest of unit holders, which includes the funds' representation on ownership issues. An important element of Lannebo's fund management on behalf of unit holders is the responsible exercise of the role of owner including the evaluation of sustainability-related risks and opportunities, which is integrated in the fund management.

The Lannebo principles for shareholder engagement shall be in accordance with fund regulations and the Swedish Code of Conduct for fund management companies, as well as the guidelines of the Swedish Investment Fund Association. A fund management company should also maintain internal policies that specify procedures to determine when and how voting rights should be exercised.

The Lannebo Board of Directors has adopted these Shareholder Engagement principles with regard to the above.

## **2. Principles for Shareholder Engagement and the Foundation for Lannebo's Policies**

The Lannebo principles for shareholder engagement stipulate how the fund company should take action as owners for the companies it has invested in through its managed funds. The principles apply to all funds under the fund company's management. Shareholder engagement pertaining to discretionary management assignments are regulated through an agreement.

The Board regularly reviews the principles and the management organization is responsible for its implementation.

The purpose of Lannebo's shareholder engagement is to promote the sound development of the companies in which Lannebo's funds invest. The ownership role will be exercised in such a way that the companies' value, and consequently the funds long-term returns, develop in the best possible way for the mutual interest of unit holders. Lannebo believes that exercising active, business-like and responsible ownership is an important aspect of the assignment on behalf of unit holders, and that good corporate governance promotes the possibility of long-term sustainable development of the companies.

In addition, Lannebo ensures that the companies the fund company invests in act in accordance with national and international laws and conventions, relevant codes, guidelines and otherwise according to good praxis in the stock market.

Further, Lannebo aims to ensure that the public's confidence in share-ownership and the stock market is sound and that the regulated markets in the Nordic countries have favorable prospects for remaining attractive and effective marketplaces.

In September 2013, Lannebo signed the UN Principles for Responsible Investments, PRI. PRI is a voluntary framework that consists of six principles that include environmental, social and governance aspects to be incorporated in the investment process and in the exercise of ownership. This work is regulated in more detail in the policy for Responsible Investments adopted by the Lannebo Board.

### **3. Shareholder Engagement**

#### **a. Monitoring, dialogue and escalation**

Lannebo is a long-term investor and investment decisions are based on the fund managers' company analyzes, where factors such as the company's business model, market position and development opportunities are evaluated. In the day-to-day work, the managers monitor, for example, the companies' strategy, financial and non-financial results and risks, capital structure and corporate governance.

Sustainability factors - such as environmental and social impacts - are assessed as part of the company analysis in the same way as operational and financial factors. Lannebo is of the opinion that companies that are managed responsibly, and in the long-term sustainably, will succeed better over time.

Lannebo continuously monitors and analyzes developments in the companies in which the fund company invests through published financial information, external analysis, relevant market channels and direct contact with the companies; this is carried out by the management organization, the Head of Corporate Governance and the sustainability manager.

As an owner, Lannebo has the opportunity to exert influence on the companies, both proactively and reactively, through continuous dialogue with companies in which the fund company's funds have holdings. Shareholder engagement is determined on the basis of a risk and materiality assessment. In addition, Lannebo conducts structured sustainability meetings with the management of specific companies to discuss their sustainability efforts.

In cases where Lannebo is not satisfied with a portfolio company's development or management, the fund company must consider intensifying its shareholder engagement - a so-called escalation procedure. This is achieved predominantly by Lannebo conveying its point of view via a direct contact with the portfolio company. Lannebo is an independent fund company but considers cooperating with other shareholders in cases where this is deemed appropriate and in the common interest of unit holders. The fund company will then evaluate the effects of the escalation procedures. The divestment of the shares is an alternative should Lannebo not see the opportunity to influence through an escalation procedure or by exercising its voting rights.

#### **b. The General Meeting**

The Annual General Meeting is the company's highest decision-making body, where shareholders have the right to exert their influence by exercising their voting rights.

A key principle for Lannebo is to attend general meetings where the fund company has shareholdings - with the exception where the size of the holding is small in relation to other shareholders. Lannebo normally participates with its own representatives at general meetings in the Nordic countries, while participation in other countries normally takes place through proxy voting in accordance with voting instructions provided by Lannebo. Voting rights shall only be used for the benefit of the fund and shall be used in the manner deemed to be in the common interests of unit holders. Lannebo does not use proxy advisors in connection with general meetings.

When participating in a general meeting, Lannebo will recall shares on loan well in advance of the meeting.

### **c. Board of Directors**

Lannebo exercises its ownership role without requirement for board representation, given a board assignment would make it difficult to effectively manage the fund.

### **d. Nomination Committee**

Lannebo participates in nomination committee work where the fund company is one of the largest owners - provided that the design of the nomination committee takes place in such a way that the fund company's freedom of action is unrestricted. The nomination committee should consist of the largest shareholders in the company. Lannebo ensures that the work of the nomination committee is efficient and reported openly. Lannebo nomination committee representatives are preferably appointed from within the management organization.

The tasks of the nomination committee include evaluating the existing Board, submitting proposals to the Chairman and other members of the Board, as well as proposals for the remuneration of Board members, Chairman of the Board, committee members and committee chairs. The Nomination Committee shall also submit proposals for the election and remuneration of the auditor.

Lannebo considers it to be of the utmost importance when appointing a board that the fund company take into account diversity, competence, experience and even gender balance. The Board of Directors shall also otherwise fulfill the requirements stated by the Swedish Code of Corporate Governance. A board member shall not have other assignments to such an extent that the member cannot devote sufficient time and care to the board assignment and actively contribute to effective board work.

## **4. Conflicts of Interest**

Lannebo is an independent fund management company that does not have ownership-related links with the companies in which the managed funds invest. Any conflicts of interest that may arise in connection with shareholder engagement on behalf of the funds are handled in accordance with the fund company's internal policies on managing conflicts of interest.

Lannebo's share-ownership work shall be conducted in such a way that the fund company generally does not receive insider information as this makes the fund management difficult. If, despite this, Lannebo would have access to insider information as a result of its shareholder engagement, the fund company must comply with applicable regulations regarding market abuse and internal rules pertaining to this area.

## **5. Share-related Incentive Schemes**

Lannebo is positive to well-balanced employee share-based incentive schemes. Incentive schemes shall be designed to promote the long-term ownership of shares. The award shall normally be based on a clearly defined remuneration in the form of an own investment in the company's shares together with goal fulfillment. Lannebo believes that those who participate in incentive schemes should take some form of financial risk, which means that fully subsidized programs or free allocation of warrants, shares or similar instruments are normally not appropriate. Lannebo also believes that the Board of Directors must, in due time prior to the Annual General Meeting, ensure major owners support incentive schemes proposal.

## **6. Communication**

Lannebo's principles for shareholder engagement shall be published on the fund company's website.

Lannebo will publish an annual report on the application of shareholder engagement principles. The report shall contain a general description of how the fund company voted, an explanation of the most important votes and which issues the fund company may have engaged the advice and voting recommendations from proxy advisors. The report shall also provide information on how Lannebo has voted at general meetings. However, votes that are immaterial due to the topic or the size of the shareholding are not necessarily reported. The report will also provide a list of the nomination committees the fund company participated in and at which general meetings the fund company was present. The report will be available free of charge on the fund company's website.

In addition to the above, Lannebo subsequently reports to unit holders its position and rationale on significant individual share-ownership issues. Unit holders can free of charge also request information regarding all share-ownership positions taken by the fund company.

## **7. Responsible**

Head of Governance is appointed by Lannebo's CEO. Head of Governance shall report annually to the board on how Lannebo's principles for shareholder engagement have been applied.