

Corporate Governance and Sustainability 2014



Swedbank Robur is Sweden's largest fund manager and one of the leading asset managers in the Nordics. We are a wholly-owned subsidiary of Swedbank with more than four million customers in Sweden and the Baltics. Our primary strategy as responsible asset manager and owner is to influence companies towards good corporate governance and increased sustainability. We may also refrain from investing due to sustainability issues. For savers who want sustainability to be critical to the selection of companies in their funds, we have our special sustainability funds.

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2014 in brief, Contacts			 <ul style="list-style-type: none"> • SEK 43 million was allocated • Approximately SEK 960 million since the start <p>Savers in our Humanfond contribute to NGOs, including Amnesty International and Rätts Barnen (Save the Children)</p>

Responsible asset manager

As an owner, Swedbank Robur¹, wants to influence companies towards good corporate governance and sustainability practices. We also want to integrate sustainability aspects into our operations. In 2014, we refrained from investing in companies that produce cluster bombs, anti-personnel mines, chemical and biological weapons, and several manufacturers of nuclear weapons². We offer our savers sustainability funds with specific sustainability criteria. Swedbank Robur was top rated in this year's report from Söderberg & Partner on how pension funds work with sustainability issues in their asset management

The Swedbank Group

Swedbank is an essential part of the financial system in our home markets and is able to influence people, the environment and society. Sustainability activities and our local social commitments are therefore important components of our purpose, our values and our way of working. We promote a sound and sustainable financial situation for the many households and businesses. Swedbank has committed to follow the UN Global Compact and has a group-wide sustainability framework with regards to human rights, the environment and anti-corruption. The Swedish operations are certified under ISO 14001. Swedbank strives to integrate sustainability into our central business processes Savings, Lending, Payments and Procurement.

Responsibility in the funds

As a major shareholder in many listed companies, mainly in Sweden, Swedbank Robur actively strives for good corporate governance in these companies. We have a responsibility to act in sustainability and corporate governance issues on behalf of our unit holders and to live by our own and by societal values. (By sustainability we mean environment and climate, human rights, labour rights and business ethics.) We also regard sustainability and corporate governance risks as potential financial risks that can impact a company's performance. Our Ownership Policy (published at our website) describes how we exercise our active ownership and the expectations we have on companies our funds invest in.

In 2009 Swedbank Robur signed the UN Principles for Responsible Investment (PRI, unpri.org), an open global initiative for institutional investors and asset owners. Among other things, this means we have a commitment to report on our corporate governance and sustainability activities to PRI. Our PRI reports are available on our website.

For customers who want sustainability to have a larger impact on the selection of companies for a fund, we have special sustainability funds that are described further on page 13. These funds include only those companies that have the best sustainability practises in each industry.



“As an owner in many listed companies, we have monitored their development

for a long time. We have seen their sustainability work improving significantly compared with ten years ago. Still, there is more to be done in terms of transitioning from words to action.”

Tomas Hedberg, CEO Swedbank Robur

¹ Swedbank Robur is used to mean Swedbank Robur Fonder AB throughout this document.

² Does not include index funds or fund-of-funds products. Fund-of-funds products may include external funds that are not under Swedbank Robur's management.

Sustainability in our investment philosophy

Our active management is based on fundamental analysis, thorough monitoring and risk management. Our analysis of a company includes evaluating sustainability risks. In certain cases we decide to refrain from investing in a company due to sustainability. During the past year, we did not invest in companies that produced cluster bombs, anti-personnel mines, chemical and biological weapons, as well as several companies that manufactured nuclear weapons².

We maintain special monitoring of companies reported to be associated with violations of international norms for environment or human rights, as well as companies with significant sustainability risks. Based on information related to a company and the allegations against it, as well as how our funds are invested, we prioritise companies for engagement.

Resources for corporate governance and sustainability

Many people are involved in the ownership and sustainability activities at Swedbank Robur. The work is coordinated within our Corporate Governance and Sustainability unit, although employees from both management and asset management actively contribute to these efforts, along with the independent members of the Swedbank Robur board of directors. We also appoint persons from outside of our own organisation to serve as nomination committee members and as experts in our Council for Sustainability Analysis.

Our Council for Sustainability Analysis includes external experts in sustainability related areas such as environment and climate, labour rights, human rights and business ethics.

The council is responsible for the analysis and selection criteria for our sustainability funds and have an advisory function to the sustainability funds.

On the last page of this report, our employees working in the Corporate Governance and Sustainability unit are presented. Information about our nomination committee members and members of Council for Sustainability Analysis is available on our website.

Membership and networks

Swedbank Robur actively participates in various organisations and networks to promote good self-regulation and business ethics practices, as well as to remain well informed about important issues in our industry and in society at large. The most important ones are listed below and more detailed descriptions are published on our website.

- The Swedish Investment Fund Association (a member in EFAMA)
- The Association for Generally Accepted Principles in the Securities Market (the principle of the Swedish Securities Council, The Swedish Corporate Governance Board, and the Swedish Financial Reporting Board)
- Sustainable Value Creation
- Institutionella ägares förening för regleringsfrågor på aktiemarknaden (IÄF, a Swedish association of institutional owners)
- International Corporate Governance Network (ICGN)
- PRI- Principles for Responsible Investment
- The Swedish Society of Financial Analysts (SFF)
- Swedish Sustainable Investments Forum (SWESIF). SWESIF is a member of Eurosif.



Sustainability analysts in an analysis meeting.

² Does not include index funds or fund-of-funds products. Fund-of-funds products may include external funds that are not under Swedbank Robur's management.

Active owner

Being an active owner is part of the management's responsibility towards Swedbank Robur's savers. We influence companies towards good practice in corporate governance and sustainability in order to strengthen their long-term competitiveness. In 2014, we voted in over 240 general meetings, participated in over 60 nomination committees and contacted over 300 companies on sustainability issues.

The customers' representative at the general meeting

Swedbank Robur exercises its ownership rights primarily in relation to general meetings, and through ongoing dialogue with boards and management. We also collaborate with other owners. In Sweden, we normally attend general meetings in person and in foreign companies we participate through proxy voting. In the past year, we participated in a total of 243 general meetings.

Our starting position is to vote for management and shareholder proposals that we believe provide a sustainable and positive long-term development in companies and thereby provide good returns for our savers. The analyses are based on our Ownership Policy and guidelines for voting in foreign companies, available on our website. The website also contains continually updated information on the general meetings and nomination committees we participate in, how we voted and our position on specific issues.

The Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance, 'The Code', is part of industry self-regulation for good corporate governance. The code has a higher level of ambition than laws and regulations require. The target group for the Code is companies listed on a regulated market in Sweden under the 'comply or explain principle'. The Code is managed by the Swedish Corporate Governance Board, one of the self-regulatory bodies active on the Swedish stockmarket.

Our focus areas are:

- Election of boards and auditors (with participation in nomination committees in Swedish listed companies)
- Remuneration

- Capital structure
- Sustainability
- Transparency and disclosure
- Public tender offers.

To a certain extent, these areas are regulated through current laws or codes for good corporate governance, for example the Swedish Code of Corporate Governance and the Swedish Investment Fund Association's Guidelines for investment fund managers as shareholders. To create added value for our savers we sometimes have additional requirements.



“A clear division of roles, taking into account all ownership interests and with a trans-

parent process for election of board of directors and auditors as well as other general meeting matters, provides the necessary prerequisites for good long-term performance”

Marianne Nilsson, Head of Corporate Governance and Sustainability

Nomination committees

As one of the largest owners on the NASDAQ OMX Stockholm Stock Exchange, Swedbank Robur funds are among the largest shareholders in many Swedish listed companies. For this reason, we participate

in the nomination committee process in many companies. We appointed members in 61 nomination committees during the year. The nomination committee is a working committee established to make proposals to the AGM, including election to the board of directors and of auditors and for their fees. Through our work in nomination committees, we contribute to structured work processes where the current board's performance is assessed, requirements profiles for new directors are established and candidates are interviewed.

Board Elections

Diversity in the boards

Based on the specific operations and complexity of the company, the board should have the correct competencies and experience. A good board must be able to challenge, and to support and advise senior management. We believe boards of directors should be diverse and strive for an equal distribution of gender. The board shall have a good balance of independent and dependent directors.

For several years we have worked actively to increase diversity and the share of women in boards. In the 61 companies where Swedbank Robur participated in the nomination process in preparation for the 2014 general meetings, 14% of board members were newly elected. Of these, women represented 52%, which contributed to increasing the share of women from 28% to 31%, including the chief executive, where they were a board member elected at a general meeting. Excluding the chief executive, the share of women increased from 29 to 33%. This is higher than the average for listed companies, which according to SIS Ownership Service AB, was 25.8% (including chief executives, where they were a board member elected at a general meeting).

At board elections in companies listed in the US and France, we have not voted for board members that are both board chair and CEO of the company. We

believe this does not conform to good corporate governance and have therefore also voted in favour of shareholder proposals aimed at separating these two functions. We also supported shareholder proposals regarding shareholders' rights to suggest new board members.

Remuneration

Fixed board director's fees

In most cases, fixed director's fees are preferable over variable fees. Fee levels should be reasonable and provide the opportunity to nominate the best board possible based on conditions in the specific company. In general, we prefer smaller, more regular raises over larger and wider-spaced raises in some years. We believe that board members should be shareholders in the company.

Board member fees

Board fee increases were generally moderate for the year in the companies in which we participated in the nomination process. Higher percentage fees were generally proposed in certain smaller companies where fee levels were previously low but in terms of real value, the raises were moderate.

The AGMs' for Volvo and SCA approved significant increases to board member fees. At Volvo's AGM, a group of institutional owners, including Swedbank Robur, came with a counter-proposal to the nomination committee proposal for board member fees. We believe the institutional owner's proposal, which included a 5% raise for board member and board chair fees, was more reasonable and in line with Volvo as a Swedish listed company that has international operations and a board that reflects this. At the SCA AGM, Swedbank Robur voted against the nomination committee's proposal and joined with a counter-proposal to keep fees unchanged. The nomination committee in SCA, which had not explained its proposal to raise board member fees, also proposed an unchanged board.



General Meeting

Share-related remuneration

Share-related incentive programmes should be long-term and lead to individual share-holdings

Share-related incentive programmes should be long-term and lead to private shareholdings. They should be reasonable and not challenging to current shareholders. Allotments should be based on clear performance-based criteria in the form of personal investments and/or meeting well-defined preset targets. The general meeting should determine such programmes and the board must be able to explain and justify their proposal. The board should also provide an assessment of previous programmes and account for how these have contributed to long-term performance for shareholders. Shareholders should receive detailed information regarding the design, dilution effects, and costs for both expected and maximum outcomes.

Swedbank Robur has analysed approximately 40 share-based incentive programmes, mainly in Swedish listed companies, and in many cases held discussions with their boards prior to the general meeting decisions. These discussions have often led to improved information, clearer performance requirements and more reasonable programmes. But in some cases, the programmes had such shortcomings that we could not vote in their favour.

At the Swedish Orphan Biovitrum's AGM, Swedbank Robur voted against the board proposal for a long-term incentive programme. Allotments were not based on any real performance, but rather on a rise in share price, which may result from external factors. However, the AGM voted in favour of the board proposal.

Lundin Petroleum's AGM resolved to adopt the board proposal of a new share-based incentive programme for senior management and key personnel. We believed the target levels of the performance requirement, total returns in relation to a comparison group, were too low. In combination with the relatively high allotments, no individual risk-taking and the possibility of allotments being issued even when total returns were negative, we voted against the proposal.

For the Norwegian company TGS-NOPEC Geophysical, we informed the board before the AGM that we would vote against the proposed share-related incentive programme. We believed that the performance requirements for senior management were too low and not present at all for the

remaining participants. The board of directors withdrew the proposal since it would not receive a sufficient majority at the AGM.

Advisory voting on remuneration

In several companies based and listed primarily in Great Britain, the US and Switzerland, we voted against approving the remuneration reports in advisory votes at the AGMs. In our opinion the variable components were not sufficiently linked to performance and that these contributed to remunerations we considered unreasonable. France has now added similar advisory votes and Great Britain now requires AGMs to also, in addition to the advisory vote on the remuneration report, decide on the policy for remuneration to senior executives. The trend is towards more transparency on the performance requirements for variable remuneration and share-related incentive programmes.

New share Issues

The capital structure should ensure company growth

Companies should have an efficient capital structure with the financial resources necessary to ensure they can conduct and grow its business. The chosen capital structure and dividend policy should be clearly explained. To prevent unfair treatment of current shareholders, all new share issues should preferably be for cash with pre-emptive rights for current shareholders. When the board proposes authorisation for a directed new share issue at a general meeting, we require that they clearly identify the purpose and justification for this based on the company's current circumstances. Authorisation for directed cash issues should only be granted in exceptional cases and then only at market prices.

At Aspiro's extraordinary general meeting (EGM) in March, we voted against the board proposal to authorise a new share issue that included directed cash issues. We believed it was too broad, while information was lacking in regard to how proceeds would be used. At the AGM in June, however, we voted in favour of the preferential rights issues that we also participated in. At the SSAB AGM in April, we voted in favour of a non-cash issue in conjunction with the acquisition of Rautaruukki. In regard to Meda's acquisition of Rottapharm, we voted in favour of the preferential rights issue that we also participated in. During the year, we also voted in favour of and participated in preferential rights issues in BE Group and CDON Group.

At the Sagax AGM, a new share issue was authorised to finance property acquisitions in accordance with board's proposals. Swedbank Robur voted against the proposal as the authorisation in our opinion was too broad. The authorisation is limited to 10% of voting rights instead of equity and may therefore cause a significantly greater dilution of equity for existing shareholders than is customary.

The Klöver EGM in October resolved to introduce common shares through bonus issues. Swedbank Robur voted against the proposal. Our position was that the introduction of additional share classes with lower voting rights that carried equal financial rights to the company would be detrimental to both liquidity and share value in the long term. In our opinion therefore such a measure should not be introduced in a listed company.

As in previous years, we voted against proposals in several companies in Great Britain for new share issues authorised, with preferential rights for the companies' shareholders, that we believed were too broad.

At an EGM in November for Subsea7, a Norwegian listed company that is registered in Luxembourg, we voted against the board proposal for a five-year authorisation for new share issues. In our opinion this type of authorisation should generally only be for the period to the next AGM. The authorisation, which would cause significant dilution, also included issues with up to 25% discounts. However, the AGM voted against this proposal.

Transparency and disclosure

Transparency and disclosure

Information to shareholders and other stakeholders shall be correct, relevant, reliable, and transparent, and it shall enable well-founded assessment of future performance in the company. Fair and complete information shall be provided in relation to transactions and relationships that can cause conflicts of interest.

Similar to previous years, we have voted against proposals to reduce the notice period for EGMs in companies in Great Britain. We believe this would limit shareholder opportunities to prepare for and participate in these meetings.

In US companies, we have voted in favour of shareholder proposals to improve transparency regarding lobbying and political contributions.

Sustainability

Sustainability

Sustainability risks are part of a company's financial risks. The companies must therefore be able to handle relevant risks and opportunities relating to sustainability to remain competitive in the long term. Company responsibilities should comply with the UN Global Compact. Companies that are at a higher risk should have more developed activities. The board should ensure that the company has a code of conduct and policy documents and ensure that these are monitored using appropriate control and management systems. Shareholders should be able to gain a fair understanding of the risks and activities regarding sustainability issues from company annual reports and the company website.

We invest in a large number of companies, both in Sweden and abroad. We exclude some companies for sustainability reasons, but our primary strategy is to remain as an owner, while attempting to influence the company in a positive direction. By the end of the year, approximately 25 companies were excluded from our funds. These were companies that produced cluster bombs, anti-personnel mines, chemical or biological weapons, as well as several producers of nuclear weapons³.

Contacted companies – a summary

We particularly review companies in industries and geographic regions that have high sustainability risks. In most cases, we have a greater ability to influence companies where we are larger owners.

In the year, we contacted over 330 companies regarding sustainability issues, approximately 130 of them were listed on the Swedish stock exchange and 200 in other countries. Of these, 131 companies were contacted via collaborations with PRI or Ethix SRI Advisors. Some of the most important issues raised were climate change, energy and material efficiency, land rights, environmental and safety issues in the extractive industry, responsibility in the supply chain, anti-corruption, and human rights in complex markets. Companies' responsibility to pay taxes has received greater attention this year.

Our sustainability analysts conducted field visits to Bangladesh, Pakistan, Uzbekistan, Kazakhstan, and Myanmar (Burma).

³ Does not include index funds or fund-of-funds products. Fund-of-funds products may include external funds that are not under Swedbank Robur's management.

Sustainability at general meetings

At general meetings, we have voted in favour of shareholder proposals regarding environmental measures in the chemical company Monsanto and in the oil companies Marathon Oil, Anadarko Petroleum, Exxon Mobile and Chevron.

At TeliaSonera's AGM, Swedbank Robur voted against granting discharge from liability for one of the previous chief executive officers, which also became the meeting's final decision. The auditors could neither approve of nor oppose discharge from liability in light of the ongoing reviews and investigations concerning transactions in Eurasia. They were unable to assess whether any damage to the company may have been caused as a result of malicious or negligent management.



Forced relocation at Thilawa Special Economic Zone outside Yangon, Burma

Burma – transitioning out of a dictatorship?

Burma has previously been considered one of the world's harshest dictatorships, but after years of sanctions, the country has now started to open up. Many international companies see large business opportunities in the country, but significant risks remain in terms of human rights violations and corruption. We visited Burma in order to form an opinion of what is required to carry out business in a responsible manner in the country. Our position is that, despite significant difficulties, it is possible for international companies to contribute to a sound development in the country if they act according to 'best practise' and with great caution.

Mining companies in complex markets

In the year, we conducted dialogue with a number of international mining companies, including African Barrick Gold, Freeport-McMoRan, Glencore, Norilsk Nickel, Rio Tinto and Vedanta Resources. We discussed their efforts to reduce environmentally hazardous emissions, improve health and safety, minimize the risk of corruption and ensure

respect for human rights. Several companies operate in countries where laws and regulations, and compliance on these issues are limited.

Growth in the mining industry will largely come in regions in Africa, Asia and Latin America where the risk of corruption, political instability, human rights violations and accidents is significant.



Mining operations

Telecommunication operators – human rights, and business ethics

In recent years, we have placed increased focus on telecommunication operators in our dialogues. These companies are often reliant on state issued licenses, which may increase the risk of corruption. Communication services enable freedom of speech and democratisation while they may also act as a tool for surveillance of dissidents and for counteracting human rights. In the year, we met with a handful of foreign telecommunications operators and companies within the framework of the organised industry dialogues carried out within the 'Telecommunications Industry Dialogue' and have discussed freedom of speech and democracy in difficult markets. During the autumn we visited TeliaSonera in Kazakhstan and Uzbekistan to form an opinion of the market and the sustainability work in the region. We also regularly met with the three Swedish listed operators – TeliaSonera, Tele2 and Millicom. Our overall view is that these companies have improved their sustainability activities. Despite this, these companies still face challenges in terms of risk for corruption and violations against human rights in e.g. Eurasia.

Oil companies

In the year, we were also in contact with 20 oil and gas companies regarding their sustainability work. This concerned preventive actions to reduce oil spills, measures to minimise environmental impact during shale gas extraction and extracting oil from oil sands, clean up of polluted land, safety activities in deep sea drilling, human rights consid-

erations in operations in socially sensitive areas and business ethics issues such as corruption and tax practises. It is our opinion that several oil and gas companies have become more transparent with regards to their sustainability challenges, which we welcome as it enables external review and makes it easier for us to get a correct picture of the challenges that the companies face.



Melting glaciers

Climate change – a critical issue for the future

In the year, we have engaged with several energy producers and energy intensive companies such as SSAB. Our opinion is that all companies should work to reduce their climate emissions and invest in energy efficient solutions. This position is based largely on our position papers – the Position paper on climate impact and energy use and the Position paper on the production of fossil fuels, which we have published on our website.

In 2014, we calculated the carbon footprint of our sustainability funds with the purpose of reducing their climate impact and in 2015, we will calculate and report on the carbon footprint of around 50 of our equity and mixed funds.



Seminarium med bolag kring barns rättigheter

Unique study of Swedish companies' activities related to children's rights

In collaboration with Swedish Save the Children and Accenture, Swedbank Robur conducted a

study of Swedish listed companies' activities regarding children's rights. 163 Swedish companies were approached and 100 chose to participate in the study, which corresponds to 84% of the total Swedish equities market capitalization. The main findings in the study were that the majority of these companies underestimate their risk of violating children's rights. Many companies are therefore reactive in relation to children's rights issues rather than proactive. To further discuss the results of the study we arranged a seminar in October at which representatives from ICA, Stora Enso, SCA and Ericsson participated in the panel.

Taxation

Taxation has increasingly been discussed from a sustainability perspective. The OECD has launched an action plan that amongst other things highlights the need for greater transparency in multi-national companies and the necessity of changed international taxation standards due to greater globalisation and digitalisation. Together with other Swedish investors, we have engaged with a number of international companies regarding their tax risks and how these risks can be mitigated by increased transparency. Subsequent to these engagements, Atlas Copco, Tele2 and others published summaries of their tax policies. We have also issued a position paper regarding taxation, where we describe Swedbank Robur's view on companies' tax management and related risks and our recommendations for greater transparency in this field.

Chemicals in products

During the autumn, Swedbank Robur conducted a survey of companies on the Stockholm stock exchange regarding how they manage issues related to chemicals in the products they manufacture and sell. Our position paper on chemicals in products served as a basis for the study.

The purpose of the survey was to determine companies' understanding of chemicals in products as well as their activities and phasing out strategies for restricted substances in their products. A majority of the companies stated that chemicals are an important sustainability issue and that they invest more time today on chemical related issues in order to develop their product than they did ten years ago. Despite this, only one fifth of the companies require chemical and material declarations for the contents of the products from their suppliers.

Dialogue with tobacco companies regarding responsibility and health

In the year, we met with tobacco companies Philip Morris, Imperial Tobacco and Swedish Match to discuss how they can improve their activities related to the health risks and responsible marketing of their products, anti-corruption and environmental and working conditions in their supply chains (e.g. plantations).

Sustainable Value Creation

We are active in the joint industry initiative, Sustainable Value Creation. A seminar was arranged in September regarding the difficulties companies face in the practical implementation of sustainability activities in their operations. The seminar was based on a survey carried out by the initiative approaching the 100 largest listed Swedish companies. The companies highlighted the commitment from senior management and the link to their businesses as the most important success factor for sustainability work and emphasized the importance of clear goals and strategies.

Collaborations within PRI – corruption, palm oil, oil sands and fracking

We continued our involvement in the cooperative initiatives within PRI regarding corruption, palm oil, oil sands and fracking (a method of extracting natural gas from shale where water and chemicals are injected under high pressure into the wells). The activities of the PRI working group on palm oil were primarily directed at palm oil growers in Malaysia and Indonesia. Through the initiatives, we aimed to have companies establish objectives within several critical areas and to increase transparency in their external communication.



Palm oil fruits from Malaysia

Regarding palm oil, we have also engaged on our own with European and US companies that use palm oil in production as well as with Swedish companies in the Food products and Retail-consumer staples sectors. The objective was to encourage buyers to demand sustainably produced palm oil and to encourage producers to increase supply in order to avoid deforestation and land conflicts. Our assessment is that US and European companies have improved their work by demanding sustainably produced palm oil in their supply chains, while companies originating in emerging markets still do not make such demands.

Public tender offers

Swedbank Robur accepted the Volkswagen bid on Scania of SEK 200 per share. In our analysis, we carefully considered the assumptions and conclusions provided by the independent committee of the Scania board of directors regarding the company's long-term fundamental value. However, Swedbank Robur found the offer reasonable against the background of the uncertainty related to the long-term perspective for realising this value, in particular considering the limited room to manoeuvre that the small minority has in relation to the single dominating principle owner.

In July, we accepted the Acando share bid for Connecta. This bid was recommended by the Connecta board. In our opinion, the bid was financially reasonable and industrially correct. The shares of Readsoft were disposed entirely to the US-based Lexmark which won the bidding against British Hyland Software. The final bid of SEK 57 in cash per share involved a premium of 210% compared to the share price the day before the original bid was made public in early May.

At the end of October, Nets Holding offered SEK 82.50 cash per share to shareholders of DIBS Payment Services. The offer involved a premium of 45%. We saw this bid as financially reasonable and in November our entire holding was sold to Nets Holding with the possibility of further compensation if they were to dispose these shares, offer them in a public tender or buy more shares at a higher price.

Examples of sustainability dialogues in 2014

Bridgestone – dialogue on child labour

Bridgestone is the world's largest tyre and rubber company. In 2005, they were accused of using child labour at rubber plantations in Liberia. We have, on our own and in collaboration with other investors, been in contact with the company in order to ensure that they take responsibility for the situation. Currently, the company has integrated processes to ensure that no harmful child labour occurs at the rubber plantations. As a basis for this, new policies and procedures for human rights have been developed and introduced into their operations. Our assessment is that Bridgestone has taken necessary steps to ensure that child labour is prevented in future.

Stora Enso – showing progress in preventing child labour in Pakistan

Some of Stora Enso's suppliers in Pakistan have used child labour to collect waste paper. We therefore travelled to Pakistan to study how Stora Enso works on the ground to reduce child labour in the supply chain. Stora Enso has now ended the collaboration with the suppliers who hired child labour to collect recyclable material at landfills, and has committed to ensure that the children receive education. Child labour is common in Pakistan and we consider it necessary for companies aiming to operate in the country to work systemically to address child labour. We are positive towards companies collaborating with local or international initiatives aimed at improving children's situation. Countering child labour and ensuring that children receive education is vital to fighting poverty. It is especially challenging in countries where the educational system is lacking and child labour is common. We have also continued the dialogue with Stora Enso regarding responsibility in joint ventures and ensuring fair remuneration for land purchased in South America and in China.



Stora Enso's operations in Pakistan

TeliaSonera – ongoing dialogue on corruption and freedom of speech

Telia Sonera has been accused of corruption and lack of consideration for human rights in its operations in Eurasia. It is our opinion that the company should have tools for identifying and mechanisms for controlling the risks. The company shall work actively to promote freedom of speech and integrity on the markets where they have operations. During the year we had



Telekom, in Uzbekistan

several meetings with TeliaSonera and visited their operations in Kazakhstan and Uzbekistan in order to assess their work. Our assessment is that TeliaSonera currently have a clear commitment to sustainability. The company has introduced new policies and procedures and has increased the focus on these issues in high risk markets. At the same time we believe that it is still too early for us to assess whether the company's sustainability activities will last in the long term.

Glencore – controversies concerning human rights, corruption and fatalities

Glencore is one of the world's largest mining companies and operates in several markets with high sustainability risks. The company has been involved in several controversies regarding human rights and corruption as well as safety issues resulting in a high number of fatalities. For long Glencore was perceived as a non-transparent company. We want the company to increase their disclosure and be able to present a concrete plan for how to handle and prevent incidents connected to human rights, environment, safety and corruption. Glencore has become more transparent in their external communications, but are still weighted by sustainability challenges.

Norilsk Nickel – significant improvement projects but actual results await

The Russian mining company, Norilsk Nickel, emits large amounts of sulphur and heavy metals and the company has also had problems with employee injuries and accidents. We want Norilsk Nickel to reduce their emissions significantly and to work preventive to improve safety. The company has launched a large project aimed at reducing emissions and has also started a long-term project to improve the safety culture among its employees. It will, however, be some time before these projects will show actual results.

Freeport-McMoRan – challenges regarding environment and safety in Indonesia

The mining company Freeport-McMoRan has, for several years, been criticised for its mining operation in Grasberg, Indonesia. The rough terrain in combination with high seismic activity makes it unsuitable to construct regular tailing ponds. Therefore wastewater is released into the river system instead. In addition there are severe safety issues at the mine. We want the company to present a concrete plan on how environmental impact will be reduced and safety improved at Grasberg. We also want the company to commit to not use the method where mining waste is disposed into rivers at new mining projects.

Sustainability funds

Since the sustainability funds only invest in the companies in each sector that manage sustainability issues the best, our sustainability assessments are determinative. In 2014, we reviewed approximately 130 companies listed on the Swedish stock exchange and 1,800 foreign companies to establish our assessments for the sustainability funds.

These reviews consist of a comprehensive analysis as well as follow up on specific issues. During the past year we also calculated the carbon footprint of our sustainability funds for the purpose of reducing the funds' climate impact.

Swedbank Robur offer sustainability funds within the Ethica and Talenten fund families. Moreover, we have a charity fund, Swedbank Robur Humanfond, and customised fund management commissions. For our sustainability funds, sustainability issues are critical in selecting the companies these funds invest in. We have stricter requirements on the industries with large sustainability risks and lower requirements on those facing smaller risks. In addition, we want to promote companies working actively with sustainable business development.

The previous section contains information on and examples of our efforts to influence companies, including efforts on behalf of our sustainability funds. Our website describes the criteria, process descriptions and lists of companies approved for the sustainability funds.

This year's focus areas

In the year, we took further steps in our assessment of companies' work to mitigate climate change and our stricter assessment has led to a number of companies not receiving approval any longer.

The industries on the Swedish stock exchanges that we have prioritised for analysis during the year were Retail-Consumer staples, Consumer Staples, Retail-Technology, Media and Technical consultants. In addition, we updated the analysis of selected companies from other industries by contacting nearly one hundred Swedish companies. We also assessed external analyses of approximately 1,800 foreign companies from all industries. This year's Swedish industry analyses are described below.

Supply chain management in the textiles industry in Bangladesh

We visited Bangladesh this year in order to study how companies in the industry "Retail-Clothing and textile" control and collaborate with their suppliers. We met with Swedish H&M and several British and US companies. Our conclusion is that most companies we met with actively work to ensure that their suppliers live up to the social and environmental requirements and that H&M has the most developed sustainability work. Still, Bangladesh is one of the poorest countries in the world with high levels of corruption and significant health and safety risks for workers. Textile workers are often women from highly impoverished areas. The audits carried out by international companies have resulted in improvements, but many workers, especially women, work long days for low wages. Companies on the forefront invest in raising professional competencies by introducing sewing schools or training workers in fire safety, for example. eller utbildningar i brandssäkerhet.



Stricter requirements on climate

Emissions of green house gases from human activities affect our climate and must be reduced. During the year, we calculated the carbon footprint of our sustainability funds with the aim of reducing these funds' environmental impact. This resulted in one Swedish listed company and six foreign companies being rejected for investment by our sustainability funds in addition to companies already rejected. For several years we have refrained from investing in companies that extract oil from oil sands and we also place strict requirements on safety efforts for companies involved in deep sea drilling and oil and gas extraction in sensitive or conflict areas.

This year's Swedish industry analyses

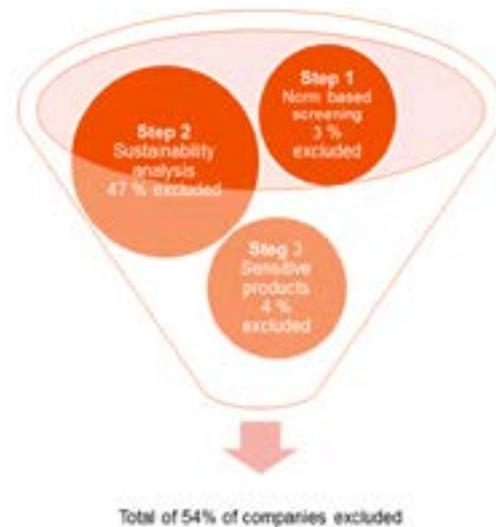
The full industry analyses of companies on the Swedish stock exchange prioritised for the year were Retail-Consumer staples, Consumer Staples, Retail-Technology, Media and Technical consultants. The summary below outlines the requirements for approval in each industry. In our report for 2013 we described our requirements for approval in the industries Forestry, Capital goods and Telecom operators.

Retail-Consumer staples and Consumer Staples

This the year we analysed two Swedish sectors related to food products - Retail-Consumer staples and Consumer Staples. All companies included in the analyses face challenges in their supply chains and our assessment is that the companies should improve their efforts to ensure that their suppliers meet environmental and social requirements. We have noticed a positive development regarding sustainably produced palm oil, where companies now place stricter requirements on their suppliers. Especially AAK stands out. Companies in Retail-Consumer staples - ICA and Axfood - distinguish themselves by having a well developed environmental work, which they highlight to their customers. In order to be approved for our sustainability funds, companies in these industries are required to work systematically with environmental issues, health & safety, anti-corruption, and ensure that their suppliers meet basic sustainability requirements. We also want the companies to ensure that vital raw materials, such as palm oil and cocoa, are produced in a sustainable way.

Retail - Technology

At the end of last year, we analysed Swedish companies from the Retail - Technology industry. This sector's greatest sustainability challenges are linked to the fact that much of their produc-



Approximately half the companies analysed for the sustainability funds were approved for investment. These companies must pass a three-step analysis including assessment of violations of international sustainability norms, proactive sustainability analysis and sensitive products. (The illustration shows the analysis of a global sustainability fund according to the MSCI World Index which includes approximately 1,600 companies). Per cent of all companies in the index.)

Criteria and selection

Sustainability issues are critical for our sustainability funds with regards to selecting companies in which the funds will invest. We place strict requirements on the industries that have significant sustainability risks and lower requirements of those with lower risks. We also want to invest in companies that work with sustainable business development and develop products and services that have environmental and social utility.

The sustainability analysis covers the critical issues in each industry and company for each of the four areas Environment & climate, Human rights, Employee's rights and Business ethics. All the companies we analyse ourselves are provided with our findings including customised proposals for improvement.

The sustainability analysis also includes reviewing those companies that can be associated with violations of international sustainability related norms. These companies are excluded for our sustainability funds. The sustainability funds also do not invest in companies with more than limited production and sales of arms and military equipment, tobacco, alcohol, gambling or pornography.

Companies with sustainable business concepts

We try to find companies who not only manage their sustainability risks but who also have sustainable business concepts. Here are a few examples:

Cubist Pharmaceuticals – fighting multi-resistant bacteria

Our global sustainability fund invested in the US pharmaceuticals company Cubist Pharmaceuticals in the year. The company is a research firm concentrating on antibiotics for multi-resistant bacteria. Few pharmaceuticals invest in this field, and we have a positive view of developments regarding new treatments for resistant bacteria.

Hain Celestial - A Healthier Way of Life™

Hain Celestial is a US-based company that sells natural and ecological foods and hygiene products. An environmental and health perspective permeates the company in regard to products that are healthy in combination with sustainable production. Hain Celestial has increased sales by 120% in the previous five years and in 2014 the company was ranked as one of the fastest growing companies in the USA by Fortune.

tion takes place in supply chains originating in low cost countries and that the products have environmental impact. Clas Ohlson excelled as the company in the sector with the most developed sustainability work among the 15 companies we analysed. We approved five of these companies for investment in our sustainability funds. To be approved, the companies must have a code of conduct for their suppliers, have a risk assessed supply chain and have audited the greater share of their high risk suppliers. All companies should have established environmental objectives and those with in-house production or workshops shall also have an environmental management system. The companies should also have a systematic environmental management program for the products they market and have in place active staff development activities and activities to reduce risks related to business ethics. Companies with centralized organisational structures have a more developed sustainability work than the more decentralized companies. Compared to our previous analysis, we see that many companies have initiated efforts to monitor their suppliers. However, the Retail-Technology sector as a whole still trails the Retail-Clothing and textile and the Retail-Consumer staples sectors with regards to sustainability efforts.

Technical consultants

Early in the year, we analysed five Swedish listed technical consultants for our sustainability funds. ÅF and Sweco were found to have the highest sustainability risks of these five, linked to their staff size, geography and risks in their projects, but they also showed the most advanced sustainability programs. All five analysed companies highlight environmental aspects in their offering as a way to raise their profile towards potential customers. We notice a positive development and a greater awareness in the consulting firms re-

garding their responsibility to integrate sustainability issues in their assignments, primarily within the larger technical consultants. However, further efforts in relation to these issues are needed, for example regarding anti-corruption activities. To receive approval for our sustainability funds, the companies must demonstrate an active and systematic approach in their environmental, health & safety and anti-corruption efforts. The companies should also consider sustainability issues in their offering and have a method for assessing sustainability risks in their assignments.

Media

At the end of last year, we analysed three Swedish media companies. The trend within this industry in recent years is that companies have been showing greater attention to sustainability issues where the emphasis has been on anti-corruption and climate related activities. Our assessment is that MTG has the most advanced sustainability program in the industry, while it also has the greatest sustainability risks since it is a global media company with operations in emerging markets. To be approved for our sustainability funds, the companies must have active human relations work, train their staff in anti-corruption, have clear structures to promote responsible sales of their products and minimize the energy consumption of the company.

Charity saving

Savers in the Swedbank Robur Humanfond annually donate two percent of the fund value to non-profit organisations. These savers choose one organisation among some 70 affiliates that they want to donate to. In 2014, the savers contributed to SEK 43 million being donated to these organisations on Hjärtedagen in February 2015.

Swedbank Robur's criteria for sustainability analysis with examples from 2014

Employee's rights and working conditions

We analyse whether the company has:

- identified their risks for unhealthy work environment and violations of employee rights.
- taken an active position for trade union rights.
- a systematic process for occupational health and safety.
- processes for employee rights and acceptable working conditions throughout their supply chain.
- work preventing discrimination.

Example: In order for Retail-Technology companies like Clas Ohlson to be approved for our sustainability funds, they must have a code of conduct for suppliers, have conducted risk assessments for their supply chain and audited most of their high risk suppliers.

Human rights

We analyse whether the company has:

- operations in conflict areas and how the company ensures that the rights of local populations are not disregarded.
- identified risks for violating children's rights along the value chain and their activities to prevent this.
- worked to prevent forced relocation of populations when the company has direct or indirect links to operations that require larger land areas.

Example: Several companies in the consumer staples sector now demand sustainably produced palm oil from their supply chains. Several companies in the Retail-Clothing and textiles sector ensure that the cotton purchased for their products does not come from Uzbekistan where there is a risk for child and forced labour.

Environment and climate

We analyse whether the company has:

- control of environmental and climate impact from operations and is attempting to reduce it.
- a climate policy regarding transports and distribution of products.
- has an environmental and climate policy with regards to product development.

Example: We want companies with significant climate emissions to have a clear strategy for reducing their emissions and show actual results. We therefore rejected several companies in the Steel, Concrete and Utility industries for both Ethica Sverige and Ethica Global during the past year.

Business ethics

We analyse whether the company has:

- identified their risks in relation to business ethics.
- taken active policy position against bribery and corruption.
- implemented measures necessary to prevent risks related to business ethics.

Example: In the year, we began analysing whether companies include sustainability aspects and social responsibility in their tax planning and how transparent they are with regards to taxation.

Corporate governance and sustainability, 2014 in brief

	2014	2013	2012
Participation in nomination committees	61	61	64
Participation in general meetings in companies listed in Sweden	135	137	140
of which were extra general meetings	13	18	19
Participation in general meetings in companies listed outside Sweden	108	47	47
of which were extra general meetings	7	5	4
Companies excluded for sustainability reasons from all Swedbank Robur funds except for index funds and fund-of-funds (number of companies)	25	20	11
Companies contacted with regards to sustainability issues for all funds (number of companies)	332	189	150
of which Swedish companies	132	69	71
of which non-Swedish companies	200	120	79
Sustainability reviews of non-Swedish companies (approx. number of companies)	Ca 1800	Ca 1800	Ca 1800
Sustainability reviews of Swedish companies (number of companies) ⁴	Ca 130	Ca 70	Ca 70
of which analyses of Swedish companies through full industry analyses ⁴	36	58	71
Allocation to not-for-profit organisations from charity funds (MSEK)	43	42	37

⁴ We review companies through comprehensive analyses and by reviewing individual issues in order to ensure that the Ethica sustainability funds invest in those companies in each industry with the best sustainability work. In 2014, we quality assured the Ethica filter by increasing the number of separate follow-ups and reduced the number of complete full industry analyses compared to 2013. We have generally increased the number of companies contacted regarding sustainability issues.

On our website, the report "Vote Summary General Meetings 2014" is published with information concerning our participation in nomination committees and AGMs and the votes cast by Swedbank Robur. The website also includes lists of the companies excluded from all Swedbank Robur funds, lists of companies contacted regarding sustainability issues and lists of approved companies for our sustainability funds. In addition the selection criteria, position papers and process descriptions are to be found.

Contact for Corporate Governance and Sustainability

You are welcome to subscribe to our newsletter 'Responsibility and impact' ('Ansvar och påverkan' in Swedish) to stay up-to-date on what we do. You sign up on our website.

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