

Responsible unit	Version
The Chief Executive Officer	This replaces the version dated 24 April 2023

POLICY FOR REMUNERATION AT STADSHYPOTEK

adopted by Stadshypotek's Board on 12 June 2024

Information class: Internal

This policy must be applied throughout Stadshypotek, including to branch operations, where applicable, unless binding regulations outside Sweden make deviations necessary. Acceptance and backing for such deviations must be gained from the Chief Executive Officer.

1. Purpose

This Policy for remuneration in Stadshypotek (hereafter referred to as the remuneration policy) sets a framework and approach for Stadshypotek's remuneration system.

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

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

2. Remuneration at Stadshypotek

Stadshypotek's remuneration system must be fit-for-purpose and consistent with Stadshypotek's business objectives and business culture, which are based on sound, sustainable operations, in which employees observe high ethical standards, good administrative order, and regulatory compliance. Remuneration must be structured so that it does not encourage the performance of work duties or decisions regarding services or products that favour the interests of employees and/or Stadshypotek at the expense of the customer.

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

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

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

Fixed remuneration must constitute the basis of Stadshypotek's remuneration system, while variable remuneration must be applied with great caution. Remuneration at Stadshypotek is fixed when it:

- a) is based on salary-setting factors which are determined in advance in accordance with section 2.1 (*basic salary*), or
- b) constitutes a *standard benefit* or *pension* that can be offered to all employees, or to defined categories or groups of employees, or
- c) constitutes a *salary supplement* that is linked to an assignment or temporary position.

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

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

Remuneration that is not fixed constitutes variable remuneration.

2.1 Fixed remuneration

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

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

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

Pension terms and occupational pension schemes

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

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

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

Salary supplements

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

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

2.2 *Variable remuneration*

Variable remuneration is only permitted in the context of Handelsbanken's profit-sharing scheme (Oktogonen). Termination benefits may also be granted in individual cases.

The Oktogonen profit-sharing scheme

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

Signing-on bonus

Guaranteed variable remuneration, retention bonuses or lump-sum remuneration when employment begins ('signing-on bonuses') are not permitted.

Performance-based variable remuneration

Performance-based variable remuneration is not permitted at Stadshypotek.

Termination benefits

Termination benefits can only be paid when an employment contract is terminated by means of mutual agreement on the remuneration, taking into account laws, collective bargaining agreements and the prevailing practices in the labour market; they must not encourage failure or negligence. The remuneration must not be pension-qualifying.

3. Information

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

4. Executive officers for whom the Board takes decisions regarding remuneration

The Board shall take decisions regarding remuneration to:

- a) the Chief Executive Officer,
- b) other members of Stadshypotek's executive management team

- c) the heads of Stadshypotek's control functions who are employees of Stadshypotek. Remuneration to the Head of Risk Control (HPSR) at Stadshypotek must be authorised by the Head of Risk Control (ORK) at Handelsbanken.

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

5. Analysis for identifying risk-takers at Stadshypotek

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

This analysis must be documented and presented to the control functions prior to being presented to the Chief Executive Officer and the Board, pending a decision by the Board regarding the Policy on remuneration.

5.1 Categories of risk-takers at Stadshypotek

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

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

6. Follow-up and reporting

6.1 Specially appointed Board member

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

Stadshypotek's Risk Control function, Compliance function and HR function must take part in this process in accordance with the following. In cases where the assessment points to deficiencies in, or gives recommendations regarding, this policy or the remuneration system, the Board member responsible for remuneration matters must make proposals for an action plan that will ultimately be decided upon by the Board. Moreover, this Board member must monitor and check that the assessments in the process of identifying risk-takers are fit for purpose.

6.2 HR function

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

6.3 Risk Control

The risk control function must ensure that the remuneration system and the application of it are annually evaluated in terms of risk. This evaluation must include an analysis of the impact of the remuneration system on Stadshypotek's risk, capital and liquidity situation. The results of the evaluation must be reported to the Board member responsible for remuneration matters.

6.4 Compliance function

The Compliance function shall examine compliance when a new remuneration policy is proposed. The results of this examination must be submitted to the Board prior to the Board's decision on a remuneration policy. In addition, the function must conduct an annual examination of the remuneration system to check that it is in keeping with this policy and with the guidelines issued by the Chief Executive Officer. The results of the examination are to be submitted to the Board member responsible for remuneration matters, at the latest in conjunction with the adoption of the annual accounts.

6.5 Group Audit

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