



Ruth Asset Management

Principles for shareholder engagement

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1 Background and purpose

The purpose of this policy is to determine how Ruth Asset Management AB (the "Company" or the "Fund Management Company") conducts responsible and effective shareholder engagement in the companies in which the managed funds have ownership interests. Through active ownership influence, the fund management company works for long-term value creation in line with the best interests of unit holders and the fund's investment orientation.

According to Chapter 2. Section 17 h of the Swedish Securities Funds Act (2004:46), fund management companies must have clear principles for shareholder engagement. These shall describe the strategies used to determine when and how voting rights linked to the funds' holdings are to be exercised. For each fund, there are also special fund rules that specify how the fund's funds may be invested.

The policy is developed in accordance with the Swedish Investment Fund Association's guidelines for shareholder engagement and taking into account relevant regulations.

The company has also joined the international initiative *Principles for Responsible Investment* (PRI). This means that we integrate environmental aspects, social responsibility, and good corporate governance (ESG) into our ownership activities.

The policy covers all funds managed by the fund management company and is applicable in all situations where the fund management company exercises ownership influence, for example through voting at general meetings, dialogue with portfolio companies or cooperation with other investors. It also applies when portfolio management is delegated to an external party, to the extent that the fund management company retains control over matters relating to corporate governance.

As a fund management company, Ruth Asset Management AB represents the unitholders in all matters relating to the managed funds, which means, among other things, that the company represents the unitholders in ownership matters. Our principles for shareholder engagement serve as guidelines for how we can contribute to the long-term good development of the portfolio companies and add value as owners, within the framework of our commitment to responsible investments and responsible ownership.

When we exercise our ownership rights, our goal is to maximize the value of our holdings in the long term. The objective of our management is to achieve the highest possible return in relation to the fund's investment orientation and risk level.

2 Organization

The fund management company is part of the Max Matthiessen Group and is 100% owned by MM Holding AB.

The management of Ruth Asset Management's funds is done both internally and externally via delegation. Common to all management is that it must be conducted in accordance with the applicable fund rules and with the best interests of the unitholders in mind.

3 Responsibilities and roles

3.1 Board

The Board of Directors is responsible for deciding on the company's shareholder engagement framework.

3.2 CEO

The CEO is responsible for ownership and is responsible for creating internal procedures and processes to implement the decided framework and allocate the necessary resources. As responsible, it is also the responsibility of the CEO to ensure that the company publishes the information about the company's policy and application of the principles for shareholder engagement.

3.3 Sustainability Analyst

The fund management company's sustainability analyst, who is the company's document owner, is responsible for the implementation of the principles in the business, as well as annual reporting to the Board of Directors and the annual report on how the principles have been applied.

3.4 Compliance function

The compliance function is responsible for, in the second line, regularly monitoring the implementation of the policy based on the established framework and external rules, as well as reporting the results to the Board.

3.5 Managers

The implementation of company dialogues is carried out by the fund managers and/or the sustainability analyst.

4 General principles

Company dialogue and voting at general meetings are key tools for influencing companies to develop their processes, operations and behaviour in a sustainable and responsible manner.

As an active owner, the fund company sees great advantages in a long-term and constructive dialogue with the portfolio companies – both in direct contact and in collaboration with other investors:

- It creates a mutual exchange of information between the manager and the company, providing a deeper understanding of the company's operations, strategy, and challenges.
- A joint dialogue where several investors collaborate on a specific theme provides both broader knowledge and greater impact, as a collective investor voice often has a greater impact than individual actors.

The fund management company works to maintain an active and constructive dialogue with representatives of the portfolio companies on issues that are deemed to be prioritized in the best interests of unitholders. Ownership is exercised primarily by exercising voting rights and through dialogue with the companies' boards, management, and other relevant representatives. If necessary, the fund management company also communicates with other stakeholders in the portfolio companies, when this is deemed to be in the interest of the unitholders.

Reasons for initiating an advocacy dialogue may be, for example, violations of the fund management company's exclusion policy, of applicable limits or of internal guidelines. The process for deciding whether to initiate such a dialogue is described in more detail in section 6 and the fund management company's internal procedures.

To the greatest extent possible, the principles are also applied to indirect holdings, such as investments in other funds, or in delegated management, where the fund management company's partners are responsible for management. The form of engagement can vary depending on the asset class:

- **Shares:** Voting, as well as direct corporate dialogue with management through meetings, letters, e-mails or at general meetings.

- **Fixed income securities:** Direct corporate dialogue with management through meetings, letters and e-mails.
- **External funds/delegated management:** Dialogue with the fund's management team or the fund management company.

The focus of shareholder engagement is on the investments where the funds have significant ownership influence, as this provides the best opportunity to influence. Active ownership is a central part of asset management and contributes both to better investment decisions and to reducing company-specific risk through long-term and clear dialogue.

The principles of shareholder engagement are primarily applied to shareholdings admitted to trading on a regulated market in the European Economic Area (EEA). When ownership involvement is exercised in companies whose shares are not admitted to trading on a regulated market, or which are admitted to trading on a market outside the EEA, the principles are followed as far as possible.

4.1 Scope

The principles of shareholder engagement apply to all investments made by the funds managed by the fund management company. Equity investments also include holdings in unlisted companies and shares admitted to trading on markets outside the EEA. The principles also apply to interest-bearing securities issued by the state, municipalities or companies.

4.2 Objectives

The company's primary objective in exercising its responsibility as an owner's representative is to safeguard the common interest of unitholders and to generate long-term and sustainable returns for unitholders. The company also communicates its position on various ESG issues that are in line with the management strategy and sustainability ambition of each fund, but also generally works for responsible, efficient and more sustainable companies.

The fund management company's work with shareholder engagement is based on internationally recognised guidelines and applicable legal requirements. As a signatory to the Principles for Responsible Investment (PRI), the fund management company is committed to integrating environmental, social and governance (ESG) factors into investment analysis, decision-making processes and ownership exercise. The PRI principles mean, among other things, that the fund management company shall:

- Actively consider ESG factors in investment decisions and owner engagement.
- Engage constructively with portfolio companies to encourage sustainable business practices.
- Collaborate with other investors when appropriate to increase the impact of ownership influence.
- Be transparent with how ESG factors are taken into account and report on activities carried out.

Through this, we work to:

- Promote long-term value creation for unitholders.
- Strengthen sustainability and good corporate governance in the portfolio companies.
- Minimize risks that may negatively impact the value of investments.

4.3 Organisation and resources

The company's fund managers, together with the sustainability analyst, conducts dialogues and exercises voting rights in the portfolio companies. To support it, the company uses external suppliers such as MSCI, Bloomberg and Morningstar. The Company may also use an external voting advisor to exercise its voting rights.

5 Monitoring

The fund management company continuously monitor the companies in which the funds have direct ownership. Monitoring is conducted through market channels, published financial information, external analysis and through direct contact with the companies.

The fund managers monitor the companies' strategy, financial and non-financial performance, risks, capital structure, impact on the environment and society, and corporate governance. Sustainability factors and risks are assessed in the same way as operational and financial factors, as the fund management company believes that responsible and long-term sustainable companies have better conditions to succeed over time.

The monitoring is carried out by the fund managers, sustainability analyst and other staff who work with sustainability issues.

6 Activities

Within shares, ownership rights are divided into two types of activities; 1) voting at general meetings, and 2) company dialogue.

- **Voting at general meetings** Exercising one's voting rights at general meetings is about exercising one's right as an owner to participate and influence the company's highest decision-making body. This is developed under paragraph **6.1. Voting**
- **Company dialogue** is any type of two-way interaction between investors and companies and stakeholders. This can be done both orally and in writing. The dialogue may concern specific or general themes within ESG issues and ESG reporting. A company dialogue can take place individually or together with other investors. This is developed in paragraph **6.2. Dialogue**

6.1 Voting

The Company intends to exercise its ownership through voting at general meetings in order to contribute to a positive return in the common interest of the unitholders and taking into account the focus and objectives of each fund in accordance with its fund rules. Voting rights are exercised in accordance with each fund's objectives and investment strategy, including the fund's stated sustainability ambition. The Company strives to vote primarily at general meetings where the Company has significant ownership, on material issues or if the matter concerns any of the Company's selected sustainability themes for corporate engagement. Exceptions to this principle may be made in cases where the company has an ownership interest that is only a negligible part of the outstanding capital.

The company may use an external voting advisor.

The Company has developed special voting guidelines as a supplement to this policy. The guidelines are based on global corporate governance guidelines such as the ICGN Global Corporate Governance Principles and the G20/OECD Principles of Corporate Governance, in addition to local regulations and legislation.

For holdings managed by external parties, voting takes place in accordance with each manager's own voting guidelines, where we have ensured that these are consistent with our own guidelines.

6.2 Dialogue

The company can engage in two types of dialogue, proactive and reactive. The proactive part will have a long-term effect and focus on improving the companies' actions, sustainability work and reporting. The reactive part can be carried out with the aim of reducing sustainability-related risk and is started after a portfolio company has violated any of the company's selected norms and conventions or if a certain part of the business is exposed to, according to the company, exposed sector boundaries. The Company conducts regular monitoring of underlying holdings to detect any violations, which may lead to divestment or in some cases dialogue. For more information about how the company works with exclusions, see the company's policy for responsible investments.

In the proactive dialogue, the company focuses on the topics that have the greatest financial impact on the holdings, and through screening of sustainability risks, signals to act. The company's sustainability analyst together with the management teams steers which themes and topics are in focus as different environmental, social or governance-related events or circumstances can have a varying impact on the portfolio companies' financial position, and by extension on the return of the fund in question.

The company shall, when deemed to be in the common interest of the unitholders, work to cooperate with other shareholders in advocacy work, for example.

6.3 Priority

In order to be able to prioritize which companies the company should initiate a dialogue with, both exposure to selected themes and the size of the holding are analyzed.

The company also manages funds with different levels of sustainability ambition. In this context, there are different levels of ambition for advocacy work. Funds that are categorized as fundamental or elevated level of sustainability primarily apply reactive advocacy via corporate governance activities (such as in the event of a detected controversy). Funds with an increased sustainability focus have the ambition to apply both proactive and reactive advocacy through corporate governance activities.

6.4 Method

The company sees all types of contact with portfolio companies, where companies have the opportunity to respond, as dialogue/engagement. This primarily involves letters, emails, meetings with representatives of the companies, company visits and general meetings.

6.5 Escalation

The company shall establish procedures for when and how, in order to protect and increase value for the unitholders, it escalates and calls for the involvement of portfolio companies in order to influence. Advocacy work varies in nature and the time frame depends on dialogue, type of incident, size of ownership and type of company (local/global). The company must have procedures for when and how to escalate.

In the event that a company fails in any matter, the fund manager may call for a meeting with the company's management and board of directors to discuss the matter. If the outcome of the dialogue does not meet the company's expectations, the holding may be divested.

7 Nomination committee

The company assesses that its own board representation may make it more difficult to conduct efficient management. Therefore, the company exercises its owner representation without the requirement of its own board representation. As a general rule, the company also does not participate in the work of the Nomination Committee. However, in portfolio companies where the funds are major shareholders or where the company for other reasons deems it essential for the funds' returns, the company may participate in the work of the Nomination Committee. In such cases, the company works to ensure that the portfolio companies have well-composed boards of directors in terms of competence, versatility and gender balance and otherwise meet the requirements laid down in the Swedish Code of Corporate Governance. The

company also works to ensure that the work of the Nomination Committee is reported openly and that this work works efficiently.

8 Conflicts of interest

The company acts independently in relation to the companies in which the funds are shareholders. The company shall be governed exclusively by what is deemed to be best in the long term for the unitholders. The fact that the ownership influence is to be exercised exclusively in the common interest of the unitholders means that other interests of the company or related companies must always give way in the event of any conflicts of interest.

Examples of conflicts of interest may include situations where the fund management company has investments in companies with which it also has commercial collaborations or other forms of relationships, such as institutions such as Goldman Sachs, Citi and SEB. In such cases, the fund management company's actions must always be guided by the best interests of the unitholders and must not be influenced by external business interests.

In order to avoid potential conflicts of interest, it has also been established that employees of the fund management company may not hold board assignments in companies where the funds have investments. Any conflicts of interest that may arise in connection with the shareholder engagement are handled in accordance with the company's policy for managing conflicts of interest. Any conflicts of interest that may arise in connection with the shareholder engagement are handled in accordance with the company's policy for managing conflicts of interest.

8.1 Inside information

The company shall avoid putting itself in situations where the company may receive inside information. Should the company nevertheless become aware of inside information, as a result of the shareholder involvement, the company shall always comply with applicable regulations against market abuse and internal rules in the area.

8.2 Share loans

The company may permit share loans, the scope and rules of which are to be taken into account are set out in the funds' fund rules. If shares are lent out, these shall, in cases where the company intends to exercise shareholder engagement, be withdrawn well in advance of voting registration so that the company can exercise the voting rights.

8.3 Holding

The company may not acquire shares for a fund with such voting rights that enable Ruth Asset Management AB to exercise a significant influence over the management of a company. Significant influence normally refers to a holding of shares with voting rights corresponding to at least ten per cent of the votes in the company, but consideration must be given to the ownership structure of the company in each case. This limitation applies to the total shareholding in the funds managed by the company.

9 Availability

The Company's principles for shareholder engagement shall be made available free of charge on the Company's website. The company shall report annually on how the principles for shareholder engagement have been applied. The report shall contain a general description of the company's voting behaviour in the portfolio companies, an explanation of the most important votes and information on which matters the company has used advice or voting recommendations from a voting advisor. The report shall also state how

the company has voted at the general meetings of the portfolio companies. Votes that are insignificant due to the subject matter or size of the shareholding do not need to be reported.

The Company may refrain from complying with one or more of the requirements if the Company clearly states the reasons for doing so on its website, in accordance with the principle of "comply or explain".

10 Follow-up and reporting

The company shall annually report on how the shareholder principles have been applied. The statement shall be available on the Company's website.

Furthermore, the company shall provide additional information on the exercise of shareholder engagement as part of the company's and the funds' sustainability work. On the one hand, information must be provided in the sustainability-related disclosures on the website of each fund that promotes environmental and social characteristics or has sustainable investments as its goal. On the one hand, information shall be provided at unit level in the annual report on principal adverse impacts on sustainability factors that the company publishes on its website.

The company shall document and preserve documentation for the use of voting rights.

Once a year, the Sustainability Analyst shall report back to the Board of Directors on important positions taken by the Company at individual Annual General Meetings. If the case company has not exercised its voting rights during the past year and has not participated in any Annual General Meeting, no report needs to be made to the Board of Directors.

11 Update and adoption

The company's sustainability analyst is responsible for ensuring that the document is kept up to date on an ongoing basis with regard to conditions within the company. The Sustainability Analyst assists the CEO in its responsibility to review and update this policy at least annually or as necessary. The Sustainability Analyst shall also review the effectiveness of the procedures that follow from this policy. The policy shall be adopted at least annually, or as necessary, by the company's board of directors.

12 Documentation

Documentation regarding shareholder engagement shall be retained for at least 5 years.