



Ruth Asset Management

Principles of Shareholder engagement

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1 Background and purpose

Chapter 2. Section 17 h of the Swedish Mutual Funds Act (2004:46) ("LVF") states that Ruth Asset Management AB (the "Company") shall adopt principles for shareholder engagement and establish internal rules specifying the strategies that the Company shall follow in order to determine when and how it shall exercise voting rights linked to the financial instruments included in each UCITS fund. In addition, there are investment guidelines for each of the funds that specify how the fund's funds may be invested.

In addition, the Company has signed the voluntary initiative Principles for Responsible Investments (PRI). According to these principles, fund management companies must, among other things, integrate the environment, social responsibility and governance in their engagement.

Other regulations that govern the Company's work with shareholder engagement are the Swedish Investment Fund Association's guidelines, primarily the Guidelines for Fund Management Companies' Shareholder Engagement.

This document has been adopted by the Company's Board of Directors to ensure that Ruth Asset Management complies with applicable statutory requirements regarding shareholder engagement.

These principles for shareholder engagement apply to shares in the funds managed by the Company.

The Company is part of the Max Matthiessen Group and is 100% owned by MM Holding AB. Sustainability is a fundamental and guiding principle for all operations within Max Matthiessen. Max Matthiessen's overall sustainability strategy, objectives and sustainability policy govern the sustainability work of all subsidiaries within the group.

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. The company represents the unitholders in ownership matters with the aim of creating a good return for the unitholders and at the same time working for sustainable development. The company works for sustainable development in asset management primarily through the integration of sustainability risks and factors in investment and decision-making processes, as well as by using tools for corporate governance and influence.

The company's principles for shareholder engagement provide guidelines for how the company shall contribute to good development in portfolio companies and add value as an owner, within the framework of commitments regarding responsible investments and responsible ownership.

The company exercises ownership rights with the aim of maximizing the value of its holdings in the long term. The objective of the management is to achieve the highest possible return, taking into account the fund's investment orientation and risk.

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 regulations and in the best interest of the unitholders.

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 creating internal procedures and processes to implement the decided framework and allocate the necessary resources. 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 Chief Sustainability Officer

The company's Chief Sustainability Officer (CSO) is the document owner and 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 reporting the results to the board.

3.5 CIO

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

4 General Principles

4.1 Scope

The Company's principles for shareholder engagement apply to all investments in which the Company is directly or indirectly invested. For investments through shares, this also includes shares that are not trading on a regulated market and shares that are trading on a market outside the EEA. Furthermore, fixed income securities issued by the state, companies or municipalities are also covered.

The company shall work for dialogue with representatives of the portfolio companies on such issues that the company deems to be prioritized. Engagement is exercised through the exercise of voting rights and dialogue with the Board of Directors, management and representatives of the portfolio companies. The company also strives to work to communicate with relevant stakeholders in the portfolio companies when deemed necessary based on the interests of the unitholders. Reasons for initiating engagement dialogue may be in the event of a violation of the fund management company's exclusion policy, violation of applicable limits or violation of applicable guidelines. The process for deciding to initiate engagement dialogue is described in more detail in section 6.2. The company also applies the policy to indirect holdings, such as fund investments, or to outsourced management where the external managers are responsible for the management. Below is a brief description of how the dialogue can differ between different investments and assets.

- Shares - Direct company dialogue with management in meetings, letters, emails and at general meetings.
- Interest rates - Direct company dialogue with management in meetings, letters and emails.
- External funds/delegated management – Direct dialogue with the fund's management team or the fund management company.

The company has the opportunity to engage in dialogue with all portfolio companies, but the focus is on the investments where the company is a significant owner in order to be able to influence as much as possible.

Company dialogue and voting at general meetings is an effective way to influence companies to improve their processes, their operations and their behavior in general. As an active owner, the company sees the following advantages in a long-term and constructive dialogue with the companies, bilaterally or together with other investors:

- It creates an exchange of information between managers and the companies, which provides a deeper knowledge of them.
- A joint dialogue with the companies and several investors can create a deeper knowledge of individual themes. It also generates a greater impact as several investors join forces.

Active ownership is thus an important part of the company's management that contributes to better company selection, while a long-term and clear dialogue is an effective way to minimize the company-specific risk. The Company's principles for shareholder engagement are primarily exercised on holdings in shares that are trading on a regulated market within the European Economic Area (EEA). When the company exercises an active ownership role in other companies, i.e. in companies whose shares are not trading on a regulated market and, or companies whose shares are trading on a market outside the EEA, these principles are complied with as far as possible

4.2 Objective

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 investment strategy and sustainability ambition of each fund, but also generally works for responsible, efficient and more sustainable companies.

4.3 Organization and resources

The company's CIO, together with the CSO, conducts dialogues and exercises voting rights in the companies. To support this, the company uses external suppliers such as MSCI, Bloomberg and Morningstar. The companies can also use an external voting advisor to exercise their voting rights.

5 Monitoring

The fund managers continuously monitor relevant corporate actions in the companies in which the funds have direct ownership. This monitoring takes place, among other things, through relevant market channels and direct contacts with the respective companies. The day-to-day management work monitors the companies' strategy, financial and non-financial performance and risks, capital structure, social and environmental impact and corporate governance. Sustainability factors and sustainability risks are assessed in the same way as operational and financial factors in the analysis, as it is the company's view that companies that are run responsibly and sustainably in the long term will succeed better over time. The company continuously monitors and analyses the development of the portfolio companies in which the company has invested, through published financial information, external analysis, relevant market channels and direct contact with the companies. The monitoring of the companies is carried out by the fund management team and by other staff in the company who work with sustainability issues.

6 Activities

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

- **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 further developed under section **6.1. 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 further developed in section **7 Voting**

6.1 Dialogue

The company works with two types of dialogue, proactive and reactive. The proactive part is long-term and focuses on improving the companies' actions, sustainability work and reporting. The reactive part is carried out regularly to reduce sustainability-related corporate 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, set sector thresholds. Every quarter, an analysis is carried out of all underlying fund holdings, and if a breach occurs, a process is initiated. For more information about how the company works with exclusions, see the company's Exclusion Policy.

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 CSO together with the management teams steers which themes and topics are in focus as different environmental, social or governance-related events or circumstances that 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 engagement work.

6.2 Prioritization

To be able to prioritize which companies the company should initiate a dialogue with, both exposure to selected topics 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 engagement. Funds that are categorized as fundamental or elevated level of sustainability primarily apply reactive engagement 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 engagement through corporate governance activities.

6.3 Methods

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.

6.4 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. Engagement 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 any company fails in any matter, the company may call 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 last resort is exclusion. In connection with such exclusion, the company is notified of the decision.

7 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.

8 Nominating 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, diversity 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.

9 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 shareholder engagement 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 other 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.

10 Insider 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.

11 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.

12 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.

13 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 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".

14 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.

The CSO, shall report back to the Board of Directors once a year on important positions taken by the Company at individual Annual General Meetings. In 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.

15 Update and adoption

The company's CSO is responsible for ensuring that the document is kept up to date. The CSO assists the CEO in its responsibility to review and update this policy at least annually or as necessary. The CSO 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.

16 Documentation

Engagement documentation must be retained for at least 5 years.