

## Information regarding new principles pertaining to shareholder engagement

The purpose of exercising ownership is to promote the sound development of a company. The ownership role is to be exercised in such a manner that the value of the company and, accordingly, the long-term yield of the funds develop in accordance with the funds' goals and in the common interests of the unit holders. ISEC Services AB looks favourably on the active, commercial and responsible exercise of ownership and is of the opinion that good corporate governance promotes the possibility for long-term, sustainable development of both the individual company and society at large.

ISEC bears overall responsibility for funds managed by the Company and, in such context, is responsible for ensuring that the contractors establish, follow-up and report on activities in accordance with these guidelines. Accordingly, the Company has no principles of its own regarding shareholder engagement but, rather, will follow up to ensure that outsourced portfolio management complies with the legal requirements governing shareholder engagement and, in such context, the Company's reporting and information obligations for managed funds. The Company shall regularly follow up on the contractor's activities pursuant to this regulatory document.

As a Swedish investment fund subject to a licensing requirement and an AIF manager, the Company shall principally comply with the Swedish Investment Funds Act, the Swedish Alternative Investment Funds Managers Act and Ordinance 2013/587 and the Commission's Delegated Regulation (EU) no. 231/2013 implementing Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers. The rules governing investment funds and AIFs are specified more thoroughly in Regulations 2013:9 and 2013:10 of the Swedish Financial Supervisory Authority.

Pursuant to Chapter 4, section 24 of the Swedish Investment Funds Act, a management company must provide the information necessary to understand management of the fund in terms of sustainability. The information is to be provided in a prospectus or annual report and shall describe the sustainability aspects taken into account in management, the method or methods used for the sustainability work, and follow-up on the sustainability work. This may be accomplished in standpoints based on the current principles regarding shareholder engagement as expressed in this policy. This policy does not cover sustainability work, but such issues may be advantageously addressed in the same processes.

Agreements governing portfolio management shall, directly or indirectly, entail an obligation for the contractor to establish principles, rules and routines regarding compliance with those parts of the fund rules and regulations which are relevant in the context and these principles. The Company shall regularly or, where necessary, follow up on the contractor's conduct in order to ensure compliance with these principles, and the contractor shall expeditiously assist in providing the necessary information.

According to the Guidelines of the Swedish Investment Fund Association Guidelines for Fund Management Companies' Shareholder Engagement, the principles should cover all shares included in a fund that is managed by the fund management company - including shares that are not admitted to trading on a regulated market and shares that are admitted to trading on a market outside the EEA.

### Report

Each year, the fund management company shall give report regarding the manner in which the principles for shareholder engagement have been applied. The report shall be **published on the fund management company's website**. The nature of the requirement to provide an annual account with specific content is one of "**comply and explain**". This entails a deviation from one or more of the requirements of the principles and the requirements that the report of the application must be clear, factual and well-founded.

## Strategies for establishing when and how voting rights are used

Fund legislation provides that the fund management company should establish internal rules setting out the strategies to be applied when the Company decides when and the manner in which voting rights are to be exercised. The strategies must contain information regarding the Company's measures for monitoring relevant corporate events, measures for ensuring that the voting rights are exercised in accordance with the goals and investment strategy of the relevant investment fund, and measures to prevent or manage conflicts of interest that arise when voting rights are exercised. A summary of the strategies must be available to the investors as well as information regarding measures taken based on the strategies.

## Measures

The Company has an obligation to monitor voting rights and to obtain information regarding corporate events. All managed funds have a depositary in which the assets are held in custody separate from the investment fund and managers of alternative investment funds. Given that the depositary is a participant in the investment process which, as a consequence of the fact that all corporate events must be reported to the depositary, first has access to information regarding corporate events, a company shall, in this case, enter into a special service agreement with the depositary in respect of the provision of information regarding corporate events.

## Follow-up

The Company deals exclusively in the common interests of the unit holders. The goal of management is to achieve the highest possible return taking into account the funds' investment focus and risk. The Company allows contractors, for example, to participate in nomination committees and board work and, in its ownership role, in the representing the interests of the unit holders. A strategy for exercising voting rights shall thus be included in the established principles and followed up within the context of the Company's monitoring of, and dialogue with, contractors in accordance with these guidelines.

## Conflicts of interest

It is of the utmost importance for the confidence of the unit holders in the Company that the Company addresses conflicts of interest which may arise in conjunction with the exercise of voting rights for the funds. The following shall apply for the effective handling of conflicts of interests when the Company manages the funds or delegates to a third party the management of the funds:

- The Company shall exercise voting rights in its capacity as a management company and AIF manager, and shall represent the interest of the unit holders. The aforementioned shall also apply in respect of the delegation of portfolio management and related exercise of voting rights to third parties for the investments made. The Company and persons who represent the Company by delegation shall exercise their votes as a unit holder and shall strive to achieve sound principles in corporate governance. Personnel, persons in senior positions and board members of the Company or at a portfolio manager shall not be employed by, or have an economic interest in, the companies for which they exercise voting rights.
- Where the Company or a portfolio manager discovers a conflict of interest in the exercise of voting rights, they shall not participate at the meeting or exercise of voting rights. The conflict of interest shall be reported and escalated to the Company without unnecessary delay.

## Reporting

When the Company delegates portfolio management to third parties, the Company shall be responsible in all cases for the preparation of the annual report and interim report for the funds. In order to be able to fulfil the requirements imposed in respect of the provision of information to the unit holders in the annual report in accordance with new regulations issued by the Swedish Financial Supervisory Authority (for funds with registered offices in Sweden) and from the CSSF (for funds with registered offices in Luxembourg), the Company must obtain information regarding the exercise of voting rights from the parties to whom portfolio management has been delegated.