

Engagement Guidelines Implementation in 2021

Information and general description of voting behavior in 2021

Voting and engagement in 2021 were implemented in line with our “Guidelines for engagement and exercise of voting rights”, which states that the overall goal is to engage and vote in such a way that it contributes to achieving the best possible risk-adjusted return for investors in portfolios managed by AAM. Our engagement was also in line with our “Guidelines for responsible investments” which states that investment decisions shall be consistent with sustainable activities, contribute to strong, balanced and inclusive growth and promote the UN Sustainable Development Goals, without doing significant harm to other environmental or social objectives.

Evaluation of the agenda and items on the General Meeting is an integrated and important part of our portfolio management. We evaluate the agenda independently of the clients’ ownership as % of the company. In general, it is too late to alter the outcome of the General Meeting just through our votes. In companies, in which our clients are among the largest shareholders, we have a dialogue with the Nomination Committee about Board Members. We also have a dialogue with the Board about terms of share issues.

Many of our votes in 2021 were in favor of standard agenda items at the Annual General Meeting. This includes, e.g., the election of a chairperson for the AGM, approval of the Notice of the General Meeting, election of a representative to sign the minutes, approval of fees to the auditor, etc. In 2021 we voted on most of the AGMs in companies where our clients held a large share ownership. In companies where our clients held a small or insignificant share ownership, we often did not vote on formal agenda items. In several large companies, where our clients’ ownership is insignificant, we have voted in according to the proposals in order to give our support to the company. In cases where our clients’ ownership is low, but we have objections to the approved agenda, we might nevertheless vote against.

Items at a number of Annual and Extraordinary General Meetings were considered by the portfolio managers in 2021 and voted for or against. For example, the confirmation of new Board members, votes on acquisition/sales, or in favor of capital raises.

Use of proxy advisors in 2021

We do not make use of proxy advisors.

Description of the most significant votes and engagements in 2021

An IT company proposed a 30% share issue authority to the board. We consider the board to be competent and have no reason to believe that they will abuse the power of attorney, but we generally believe that a 30% share issue authority without a basis in specific possibilities is too high. Our proposal is to rather address the need for larger issue authorizations for specific needs, e.g. in connection with major acquisitions. Communicated this to the management both by email and telephone, who signaled

they would take our input to consideration going forward. We voted against at the General Meeting, but the authority was approved.

Another IT company also proposed a 30% share issue authority to the board. Our view was that 20% for acquisitions and 10% for the incentive program combined were too high. We communicated this to the management both by email and telephone. Chairman of the board explained that the incentive program technically must cover the entire option program even if it is distributed over several years. Would not be a 10% dilution per year, communicated that dilution in connection with incentive programs will be a maximum of 2-3%. The company has a competent board and we do not think they will abuse the power of attorney, and for a fast-growing company, there may be a need for substantial incentive programs to attract and retain employees. After an overall assessment, we chose to abstain on voting on these items given the somewhat high maximum level for issue authorizations both in general and on incentive programs, moderated by the signals that the dilution on incentive programs will be significantly lower than 10%.

We had discussions with the Chairman of the Board of an industrial company about a general authority of 20% in addition to a 5% incentive program. We did not vote against the proposal. The authority was for one year. Our interpretation was that the 20% authority will be reduced next time. If not, we might conclude differently.

We voted against two shareholder proposals reported to a telecommunication company containing reverse split and routines for answering letters. We judged the reverse split to be unnecessary and the new routine for answering letters to be unrealistic.

We voted against election of board members in a company within paper products. There were several reasons for our decision. They cut the board from 7 to 3 members and the female representation went down to 33%. The nomination committee consists of two persons where one is a close colleague of the chairman of the board, which is a violation of the NUES recommendation that the majority should be independent. We had to vote on the recommendation as a whole, and not for each individual member. NUES proposes separate choices.

We had discussions with the Investor Relations in a company within paper products to urge them to increase their scope 2 CO2 emission reduction target for 2030. Current target was close to being fulfilled, in the meantime, EU has increased its ambitions.

Approached a company within defense to get an explanation on the medium score in the Transparency International's DEFENCE COMPANIES INDEX 2020 on Anti-Corruption and Corporate Transparency. Agreed to have a follow up on the matter at a later time.

Contacted the CFO of a large industrial group. Requested that they would consider integrating ESG targets into incentive programs for management.

In dialogue with the CFO and the Board of medium sized retail company about management incentive schemes. Recommended to integrate ESG targets into the program.

Sent an email to the CFO of a company within salmon farming based on mediocre score in FAIRR 2021 Protein Index. We especially encouraged the company to commit to SBTi. Received constructive

feedback where they stated that work is being done on an SBTi application and other improvement measures.

During 2021 we gave input to the nomination committee regarding the composition of the board and the nomination committee for several companies.

Engagement by portfolio managers can also be part of our running discussion/conversation with the company. For instance, if we want a company to improve its ESG disclosures, this is often a running discussion with company management. We find this often leads to improvements over time.