

## **Engagement Guidelines Implementation in 2022**

### **Information and general description of voting behavior in 2022**

Voting and engagement in 2022 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 with companies was also in line with our guidelines “Sustainability related disclosures”, which states engagement is an extension of how we integrate sustainability in the investment process.

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 voting at a specific meeting, but dialogue and consistent voting can have an impact over time. 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. Occasionally AAM initiate or join collective engagement efforts.

Many of our votes in 2022 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 2022 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 still voted in favor of the proposals to show our agreement and to support the company. In cases where our clients’ ownership is low, but we have objections to the proposals on the agenda, we might nevertheless vote against.

Items at many Annual and Extraordinary General Meetings were considered and voted on by the portfolio managers in 2022, e.g., the confirmation of new Board members, acquisition/sales, and authorizations to issue equity or buy own shares.

### **Use of proxy advisors in 2022**

We do not make use of proxy advisors.

### **Description of the most significant votes and engagements in 2022**

An IT company proposed a total of 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 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 opportunities is too high. Our

proposal is to rather address the need for larger issue authorizations in connection with specific needs, e.g., a major acquisition. 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, i.e., it would not be a 10% dilution per year, but a maximum of 2-3%. Our position is that shareholder remuneration in the form of dividends or buy backs is not natural for a growth company with negative cash flow. Buying back shares to use in an incentive program is fine to some extent, but you don't need both a 20% issue authorization and a 10% buyback authorization to implement an incentive program. We therefore voted against the authorizations to issue and to acquire own shares.

Sent an email to the Chairman of the Board of a health care company to remind him that we want them to reduce their general authority from today's 20% to 10%. The general authority of 20% was for one year and we also expressed our concern about this last year. The company reduced its authority to 10% at last year's Annual General Meeting.

Sent an email to the Chairman of the Board of a health care company to discuss whether the board is properly composed and whether the board should have gained expertise in international operations/sales. Also brought up that some of the board members don't own any shares in the company and that we regard this as lack of commitment.

In a dialogue with the CEO and CFO of a gaming and hardware company regarding an upcoming issue to give our input and highlight that we would prefer a rights issue.

We voted against election of board members in a company within paper products. 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. Had a dialogue with the leader of the election committee, investor relations and other shareholders regarding board composition prior to the election.

In line with previous communications with an IT company, we voted against the repurchase of warrants, mainly because it left no material downside for participants as company would repurchase at close to cost if warrants should lose value, giving poor alignment with the interests of shareholders. However, we voted in favor of the new incentive program which was better constructed and more aligned with shareholders' interests.

We participated in CDP's "non-disclosure" campaign, where the aim is to get companies (which last year did not respond) to report to CDP. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

During 2022 we gave input to the nomination committee regarding the composition of the board and the nomination committee for several companies. We contacted several companies where we indicated that board fees were on the high side. We also shared our view with several companies that we would like board members to own shares in the companies. On some occasions we voted against re-election of board members that did not own any shares in the company after having been on the board for several years.

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 part of ongoing discussions with company management. We find this often leads to improvements over time.