

APPENDIX 14: PRINCIPLES FOR SHAREHOLDER ENGAGEMENT

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Appendix 14 – Principles for shareholder engagement

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1. Background and purpose

The Board of Tundra Fonder AB (the "Company") has established the principles for shareholder engagement ("Principles") for how the Company should act as an owner in the companies it invests in through managed funds. The principles have been adapted to the legislation on shareholder engagement that was entered into force on 10 June 2019, and which implements Directive (EU) 2017/828 of the European Parliament and of the Council amending Directive 2007/36/EC with regard to the encouragement of shareholders' long-term commitment and Act (2004:46) on mutual funds and Act (2013:561) on alternative investment funds. The ownership policy applies to all funds under the Company's management.

2. The purpose of the Company's principles for owner engagement

The Company must act exclusively in the mutual interest of the fund's unitholders. The goal of management is to achieve the highest possible return, taking into account the funds' investment orientation and risk, as well as taking into account the sustainability aspects the Company follows in its management. The purpose of the Company's shareholder commitment is to take advantage of the shareholders' common interest in ownership matters and contribute to a long-term healthy development of the financial markets.

Corporate governance is about the distribution of roles and responsibilities between owners, boards, and Company management. Good corporate governance means that companies must be managed sustainably and responsibly. Shareholder engagement primarily concerns the relationship between a Company's owners and its board and can be defined as the owners' way of exercising influence and control. Guidelines and principles for shareholder engagement are limited to the Company's role and responsibility as owner representatives for the fund's unitholders.

3. Exercise of shareholder commitment

The Company strives to ensure that the portfolio companies in which it invests are managed sustainably and responsibly and have well-composed boards of directors with appropriate competence, diversity, and gender balance. In matters of corporate governance in international markets, the Company bases its approach on internationally accepted principles of good governance—primarily the Principles for Responsible Investment (PRI), the UN Global Compact, and the OECD Principles of Corporate Governance and the OECD Guidelines for Multinational Enterprises. The Company has also signed and incorporates the seven Women's Empowerment Principles (WEPs), developed by the United Nations to reflect and accelerate gender-equality objectives.

Dialogues and monitoring

The Company maintains an ongoing dialogue with portfolio companies where it is a shareholder. These dialogues primarily occur in meetings between the companies' representatives and the capital markets, as well as with the Company's portfolio managers and those responsible for ownership matters within the Company. The goal of these dialogues is to exercise active ownership engagement

in areas such as strategy, risk, sustainability, financial and non-financial performance, capital structure, board composition, and corporate governance.

The Company also engages in proactive dialogues with portfolio companies to ensure they are actively working on sustainability initiatives and/or taking preventative measures to address identified sustainability risks highlighted through portfolio analyses or by external parties. The Company monitors all relevant issues concerning portfolio companies primarily through analysis, relationship-building activities, and meetings with company representatives or other stakeholders.

Participation in the board and the election committee

In order to be able to act independently and to avoid insider situations, the Company's employees do not take on board assignments in the companies they invest in. This allows the Company to be independent and objective in the investment decisions that the Company may need to make to safeguard the interests of the shareholders. The Company may from time to time participate in election committees.

Exercise the right to vote at general meetings

The Company exercises ownership control by utilizing the voting rights that belong to the Company's holdings. The Company's ambition is to participate in general meetings in cases where there are deemed to be important issues to be decided on or where the Company through its funds holds a larger ownership stake. The Company works to ensure that principles for the nomination committee's work are reported openly and that this work functions efficiently. The Company's chief investment officer, together with the CEO, assesses whether the Company should exercise its right to vote at general meetings or participate in election committees. The Company must continuously evaluate the outcome and effect of the influence work that has been carried out.

In the following matters, in particular, the Company must normally use the voting rights that follow from share ownership:

- Business strategy and execution,
- risk management,
- Environmental and social issues (e.g. violations of human rights, serious environmental crimes),
- Corporate governance issues such as the composition of the board and the presence of independent members,
- Remuneration to senior executives,
- Compliance and ethics issues, as well
- Results and capital structure.

In the event that the desired effect is not achieved through the Company's advocacy work and commitment as a shareholder, the Company must in special cases divest the holding if it is considered to be in the common interest of the shareholders.

Cooperation with other owners

The Company acts independently in its ownership governance. However, it may collaborate with other shareholders to achieve greater impact on specific issues. For instance, the Company has signed the UN Global Compact and is committed to adhering to its ten principles for sustainable development in the areas of human rights, labor conditions, environment, and anti-corruption. Additionally, the Company has signed and is implementing the six international Principles for Responsible Investment (PRI). Relevant aspects of the 17 global goals outlined in the Agenda 2030 framework are also integrated into the Company's practices.

The Company also supports the international investor initiatives Investor Commitment to Support a Just Transition and Climate Action 100+, aiming to drive and influence long-term sustainable solutions with a focus on social responsibility and climate. The Company is a member of SWESIF, Sweden's forum for sustainable investments.

Management of conflicts of interest and inside information

The Company shall actively work to identify potential conflicts of interest. Exercising shareholder engagement exclusively in the collective interest of unit holders means that any other interests of the Company or related entities must always take a subordinate position in the event of potential conflicts. Voting rights derived from the Company's holdings shall only be exercised in the collective interest of unit holders. A potential conflict of interest could arise if the Company were to use its voting rights to benefit its own financial interests (those of the Company or individual employees involved in management or representing a fund at a general meeting), thereby disregarding the interests of unit holders. This potential conflict of interest is also addressed by limiting the proportion of a single issuer's outstanding financial instruments that the Company's funds may hold. This limit, specified in the fund rules and required by law, aims, among other things, to minimize the risk of the funds gaining significant influence over the issuer. Any conflicts of interest that may arise in connection with the use of voting rights on behalf of the funds are managed in accordance with the Company's internal policies for handling conflicts of interest.

As part of the management of the Company's funds and in order to be able to follow up on corporate governance issues, the Company needs to have access to information relating to the companies in which the Company invests or is considering investing. Rules regarding insider information and market abuse also apply to information that the Company receives in the exercise of shareholder commitment. Although it is incumbent on the market participant to inform about the existence of insider information, the Company as the recipient must in each individual case make an independent assessment of whether the received information constitutes insider information. This assessment must include the market operator's assessment of the information, as well as information from other sources. The recipient must also make an assessment regarding when the information can no longer be seen as insider information. How the Company should handle any insider information is also apparent from the Company's guidelines regarding the detection and prevention of market abuse.

Exception

In individual exceptional cases, the Company may decide to deviate from the basic principles stated above, provided that the Company considers it to be in the interests of the shareholders. Any deviations are published in an annual report for monitoring the Company's shareholder commitment.

4. ESG (Environment, Social and Corporate Governance)

Responsible investment has, from the outset, been a central component of the Company's operations. All three pillars of ESG (Environmental, Social and Corporate Governance) are important to the Company's work and investment decisions. Environmental, social and business-ethics considerations are also incorporated into the Company's investment process.

The Company believes that portfolio companies managed responsibly and with a long-term sustainability perspective will perform better over time. Accordingly, the Company seeks to ensure that the portfolio companies in which it has invested are managed sustainably and responsibly; that they act in accordance with national and international laws and conventions, relevant codes and guidelines, and, more generally, good practice on the stock market.

The foundation for how the Company's work with responsible investments is conducted is based on its commitment to the UN-initiated Principles for Responsible Investment (PRI). This is a voluntary framework consisting of six principles aimed at integrating environmental, social, and governance (ESG) considerations into the investment process and ownership practices:

1. Integrate sustainability factors into investment analyzes and decision-making processes
2. Be an active owner
3. Encourage companies to be transparent and report on how they work with sustainability issues
4. Work for the principles to be accepted and implemented in the financial industry
5. Collaborate with investors and other stakeholders to implement the principles
6. Publicly report how PRI's principles are applied and how the work develops

Furthermore, the Company's commitment to the UN Global Compact principles broadly defines its approach to responsible business practices, including in the context of ownership governance and management. The ten principles of the Global Compact cover the areas of human rights, labor rights, the environment, and anti-corruption. Companies in which the Company invests, either directly or indirectly, are expected to proactively address these areas and take action when violations or incidents are identified.

More information about the Company's sustainability work is available on the Company's website, <https://www.tundrafonder.se/en/sustainability/>.

Methodology

Sustainability is fully integrated into the investment process, meaning that all portfolio managers and analysts actively engage in analysis and dialogue with companies regarding sustainability. These analyses and dialogues lead to decisions on which companies should be included in the portfolios managed by the Company. The investment team consists of three members in Stockholm, one in Singapore, three analysts in Karachi, and one analyst based in Ho Chi Minh City. Additionally, the Company collaborates with Morningstar and Worldfavor for external sustainability analysis.

The Company conducts structured meetings with senior management at selected portfolio companies to discuss the companies' sustainability efforts. These meetings provide the Company with additional input for investment analysis and also add value for the companies by clarifying what the Company, as an owner, expects of them.

If a company in which the Company has invested acts questionably in any sustainability area, a dialogue is initiated with the company in question. The goal of the dialogue is to clarify the company's stance on the issue and, if necessary, encourage corrective actions. If the dialogue does not achieve the desired outcome, or if it is deemed unlikely that improvements can be made, the Company may choose to divest its holdings in the company.

5. Publication of the Company's principles for shareholder engagement

A summary of the Company's principles for shareholder engagement must be available on the Company's website, www.tundrafonder.se/shareholderengagement, and can also be sent free of charge by post upon request.

A report on the work with responsible investments is published annually on the Company's website, <https://www.tundrafonder.se/en/sustainability/>.

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