

Rhenman & Partners' position regarding shareholder engagement

Rhenman & Partners has chosen not to engage in advocacy dialogues with portfolio companies regarding ownership issues, and also not to exercise its voting rights at annual general meetings. The decision has been taken in light of the EU *Shareholder Right Directive II* (SRD II) and the owner structure of the holdings in the funds managed by Rhenman & Partners.

SRD II refers to companies within the EU area and the majority of Rhenman & Partners' assets under management are located in companies outside the EU. Furthermore, the fund portfolio in question is highly diversified and includes more than one hundred companies. It is not practically possible for Rhenman & Partners to take an active stance on ownership issues in over a hundred companies.

To make it possible for investors to better understand Rhenman & Partners' standpoint, the principal portfolio investment philosophy and an account of how the continuous monitoring of the portfolio companies is carried out, is explained below in greater detail.

The management of the fund is based on a fundamental analysis of the companies' operations, with special emphasis on the ability of new medical products to improve the treatment of diseases and their clinical status, as well as the commercial potential that these products possess. Thus, great emphasis is placed on comparing new and existing products with each other in terms of clinical effects, side effects, safety, costs and convenience. This product and market analysis is made possible through the clinical expertise that is available to Rhenman & Partners through its Scientific Council.

The Scientific Council consists of between 5–7 medical researchers and experts who shed light on the properties of products and their clinical research results. Furthermore, the Council also specifies the additional documentation which is needed or the issues which need to be covered, in order for it to have a scientific basis for a qualified judgement on how much commercial potential a new product may have. General medical trends are also discussed on a continuous basis within the framework of the Council. Thus, at no time, do Rhenman & Partners ask these experts to assess the value of shares.

With the investment philosophy described above, Rhenman & Partners has designed an organisational structure that strives to achieve an effective investment process. The investment horizon is basically long-term, but the trade is conducted on an active basis. Therefore, the managers, who oversee over one hundred companies, must be able to make quick decisions regarding portfolio companies if and when it is necessary. To engage in shareholder issues for over a hundred companies, most of which are listed outside the EU, is currently deemed to be something which would significantly risk inhibiting normal fund management activities.

Rhenman & Partners has therefore decided to have an ownership policy in which the company does not engage in advocacy dialogues with portfolio companies regarding ownership issues; does not make use of the company's voting rights at annual general meetings, and neither does it, in any other respect, have any active owner involvement in companies in which the fund owns shares.