Ruth Asset Management

Policy for the integration of sustainability risks in the management process

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Version	Date of determination	Overall description of change
1	2023-09-05	Preparation of documents
2	2024-12-20	The following changes have been made: • Editorial changes. • Clarifications and additions regarding roles and responsibilities.

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1 Background and purpose

On 10 March 2021, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures to be submitted in the financial sector (the "Disclosure Regulation") entered into force. The Disclosure Regulation is part of the The European Commission's Action Plan on Financing Sustainable Growth and aims, inter alia, to ensure transparency and openness in sustainability-related issues.

The regulatory framework states that financial market participants must act in the best interests of the end investors, including but not limited to the requirement to carry out an appropriate due diligence before investments are made. Recital 12 of the Disclosure Regulation states that, in order to comply with their regulatory obligations, financial market participants should integrate into their processes not only all relevant financial risks, but also any relevant sustainability risks that could have a relevant significant adverse impact on the financial return of an investment or on the investments covered by advice and evaluate those risks on an ongoing basis.

This policy aims to, on an overall level, account for how Ruth Asset Management AB (the "Company") intends to integrate sustainability risks in the management process. The Policy does not intend to account for all procedures and processes in which the Company Integrate sustainability risks into operations.

The purpose of integrating sustainability risks into the management process is to meet the Company's commitments, external and internal, and to fulfil its commitments to unitholders and other stakeholders, thereby preventing greenwashing.

2 Organization

The company is a fund management company authorized to manage UCITS funds in accordance with Chapter 1. Section 4 of the Mutual Funds Act (2004:46) ("LVF") and perform discretionary portfolio management in respect of financial instruments. The Company thus meets the definition of a financial market participant according to the Disclosure Regulation.

The company manages UCITS funds with a sustainable profile. This means that some funds promote environmental and social characteristics according to Article 8 of the Disclosure Regulation and some have sustainable investments as their objectives according to Article 9 of the Disclosure Regulation.

All of the company's funds that promote environmental and social characteristics and have sustainable investments as their objectives take into account the principle adverse impacts for sustainability factors according to Article 7 of the Disclosure Regulation.

3 Responsibilities and roles

3.1 Board

The Board of Directors is responsible for deciding on the company's framework for managing and following up on sustainability risks.

3.2 CEO

The CEO is responsible for internal procedures and processes for implementing the decided framework and appointing the necessary resources. It is the responsibility of the CEO to ensure that information pursuant to the Disclosure Regulation and the Delegated Regulation is made public and is updated annually in the manner required by the regulations. The information to be published is set out in the section "Follow-up and reporting" below.

3.3 CIO

The CIO is responsible for identifying and integrating sustainability risks in accordance with the established risk framework in the management of funds.

3.4 The control functions

The risk control function is responsible for, in the second line, regularly monitoring sustainability risks based on the established risk framework and report the results to the Board. The Compliance Function is responsible for, in the second line, ensure that the company complies with external and internal rules regarding the integration of sustainability risks into the management process.

4 Definitions

The Disclosure Regulation: includes a number of definitions, some of which are of particular relevance to the company. In relation to the company and its operations, the following key concepts are therefore defined.

'sustainability risk' means an environmental, social or governance event or circumstance which, if it were to occur, would have an actual or potential significant adverse impact on the value of the investment;

Sustainability factor: environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.

'sustainable investment' means an investment in an economic activity that contributes to an environmental objective, as measured through, for example, by key resource efficiency indicators on energy use, renewable energy, raw materials, water, and land use, waste generation, greenhouse gas emissions, or impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices.

'financial market participant' means Any financial entity that manufactures financial products or provides portfolio management services. This includes, but is not limited to: Asset managers (AIFMs, UCITS management companies), Pension funds, Insurance companies offering investment-based insurance products (IBIPs), Credit institutions providing portfolio management, Investment firms providing portfolio management, Institutions for occupational retirement provision (IORPs). FMPs have specific obligations under SFDR, such as disclosing sustainability risks, principal adverse impacts (PAIs), and how their products align with environmental or social objectives.

Financial product: a portfolio managed under a discretionary mandate, an alternative investment fund (AIF), an insurance-based investment product, a pension product, a pension scheme, a UCITS fund, and a PEPP.

Greenwashing: Practices where sustainability-related statements, representations, or communications relating to a company, financial, product, instrument, or service may mislead consumers, investors, or society in that they do not reflect underlying sustainability characteristics or character.

5 Identification of sustainability risks

In the concept of sustainability risk, the company takes into account risks that are identified and related to the environment, climate, human rights and working conditions, diversity and equality, and transparency issues. Identification of sustainability risks is integrated into the company's processes for risk assessment within existing risk types, primarily within operational risks and regulatory compliance risks.

As part of the management, potential investments are analyzed with the aim of identifying and managing sustainability risks. Risks are assessed based on whether they are deemed to have an actual or potential significant negative impact on the value of the investment over time.

The company has the resources and expertise it needs to integrate sustainability risks. To ensure sufficient resources and expertise to integrate sustainability risks into management and ensure that they are taken into account in investment decisions, the employees involved in management and related areas shall undergo annual training. This training is led by the sustainability manager. For the funds where management is delegated, the company annually requests confirmation of that resources and expertise are sufficient.

5.1 Funds

The company's various funds weigh sustainability risks in different processes. In general, sustainability risks are seen as an important part of the analysis before an investment decision. The company's funds weigh sustainability risks in a manner relevant to the fund. For funds with direct investments in individual companies, sustainability risks are taken into account by looking at the product or service the company delivers and sustainability risks related to social factors or corporate governance. In connection with the development of new products or changes in existing processes, the company shall ensure that sustainability risks are identified and integrated. For delegated management, the company also requests documentation in the form of an ESG form in which the delegated manager describes its sustainability work.

6 Sustainability risk analysis

In asset management, the company analyses potential investments in order to identify sustainability risks in the investment objects.
As sustainability risks can vary over the life of the investment, sustainability risks are an integral part throughout the investment process.
The risks are analyzed based on whether they are deemed to have actual or potential significant negative impact on the value of the

investment over time. The risk is then integrated into the fund's overall risk level and forms part of the financial risk analysis that the company conducts for its funds. The sustainability risks are then continuously followed up through internal Controls. The integration of sustainability risks into the funds also follows from the company's general risk framework.

7 Sustainability risk integration

The company sees sustainability risk as a risk driver within existing risk types and has therefore integrated sustainability risks into the company's framework for risk management as well as within relevant processes.

The company analyzes potential investments in order to identify sustainability risks in the investment objects. Risks are analyzed based on whether they are deemed to have an actual or potential significant negative impact on the value of the investment over time. Risk is then integrated into the fund's overall risk level and forms part of the financial risk analysis that the company conducts for its funds. The sustainability risks are then followed up through internal controls.

7.1 Sustainability risks as part of the general risk framework

The following risk areas and risks are the ones that are most relevant to the funds; credit risks, market risks, operational risks, liquidity risks and sustainability risks. In the management of the funds, the company shall take into account in its investment decisions the principle adverse impacts on sustainability factors and promote investments with a sustainable business model, such as environmental or social characteristics or a combination of these in accordance with the Company's current policy.

It is the responsibility of the management team to ensure that the investment is consistent with the company's investment decision-making process with regard to sustainability prior to each investment and during the holding period. If a deviation is detected, action must be taken and the risk management function must be informed. Verification that the holding meets the company's sustainability requirements takes place during the approval process for new instruments. Holdings that do not meet the requirements shall not be approved. The risk management function checks and approves that new holdings comply with the investment restrictions including sustainability risks.

7.2 How KRI/KPI is set for different sustainability risks

Sustainability risks must be regularly monitored and measured, so that the company has the opportunity to ensure that the funds comply with binding elements of the pre-contractual disclosures. The company measures sustainability risks linked to the funds' sustainability profiles.

To follow up on the funds' sustainability risks, the company uses third-party data. The KPIs consist of the result of a regular review based on the fund management company's exclusion policy and a norm-based review based on the international norms such as the UN Global Compact. For funds with available data, KPIs are also measured in the form of Sustainability CubeTM $_{score}$. The rating takes into account sustainability risks in the form of e.g. sales related to sustainability goals, and the objective of the investment targets to reduce sustainability risks.

Sustainability risks are part of the assessment when determining variable remuneration.

7.3 Prioritization and risk-based approach

The company works on a risk-based approached, which means that the company prioritizes the risks where there is deemed to be the highest risk of deviations or consequences for the company.

8 Conflicts of interest

Conflicts of interest that may arise from the application of the policy shall be managed and documented in accordance with the company's policy for managing conflicts of interest.

9 Follow-up and reporting

The Company's CIO is responsible for ensuring that the document is continuously updated with regard to conditions within the Company. The CSO shall support the CIO in its responsibility to review and update this policy at least annually or as necessary.

The CSO shall also review the effectiveness of the procedures that follow from this policy. The policy is established at least annually and when necessary, by the company's board of directors.
Article 3 of the Disclosure Regulation states that the company shall publish information about its policy for integrating sustainability risks into the investment decision process on its website.

10 Documentation

Documentation related to the integration of sustainability risks shall be retained for at least 5 years.