Policy for integrating sustainability risks into the management process

Ruth Asset Management

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1 Introduction

1.1 Background

On March 10, 2021, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial sector (the "Disclosure Regulation") entered into force. The Disclosure Regulation is part of the European Commission's action plan on financing sustainable growth and aims, among other things, to ensure transparency and openness on sustainability-related issues.

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

1.2 Purpose

This policy aims to describe, at a general level, how Ruth Asset Management AB ("the Company") intends to integrate sustainability risks into the management process. The policy does not intend to describe all procedures and processes in which the Company integrates sustainability risks into its operations.

The purpose of integrating sustainability risks into the management process is to fulfill the Company's commitments in external and internal regulations, as well as to fulfill its commitments in pledges to fund unit holders and other stakeholders, thereby preventing green washing.

2 Definitions

The Disclosure Regulation includes a number of definitions, some of which are of particular relevance to the Company. The following key terms are therefore defined in relation to the Company and its activities.

Sustainability risk: an environmental, social or governance-related event or circumstance that, if it were to occur, would have an actual or potential relevant significant impact on the value of the investment.

Sustainability factor: environmental, social and personnel-relates issues, respect for human rights, anti-corruption and anti-bribery.

Sustainable investment: an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators relating to the use of energy, renewable energy, raw materials, water and land, the generation of waste and greenhouse gas emissions or relating to impacts on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular investments that contribute to combating inequalities or that promote social cohesion social inclusion and good industrial relations, or an investment in human capital or economically or socially disadvantaged groups, provided that the investments do not cause significant harm to any of those objectives and that the investees follow good governance practices, in particular with regard to sound management structures, employee relations, remuneration of the staff concerned and compliance with tax rules.

Financial market participant: an insurance undertaking providing an insurance-based investment product, an investment firm providing portfolio management, an occupational pension institution, a pension product developer, an alternative investment fund manager, a savings institution for PEPP products a manager of a qualifying venture capital fund registered in accordance with Article 14 of Regulation (EU) No 345/2013, a manager of a qualifying social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No 346/2013, a management company of undertakings for collective investment in transferable securities (UCITS), or a credit institution providing portfolio management.

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

Greenwashing: Practices where sustainability-related statements, promises or communications concerning a company, financial product, instrument or service, may be misleading to consumers, investors or society in such a way that they do not reflect the underlying sustainability-related or character.

3 The company's operations

3.1 The company

The Company is a fund company authorized to manage securities funds pursuant to 1 kap. § lagen (2004:46) om värdepappersfonder ("LVF") and to carry out discretionary portfolio management of financial instruments. The Company thus meets the definition of a financial market participant under the Disclosure Regulation.

In accordance with external requirements in Commission Delegated Regulation (EU) 2021/12551[1] and the Swedish Financial Supervisory Authority's regulations FFFS 2013:9, the company integrates sustainability risks into the management process.

3.2 The funds

The Company manages investment 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 investment as an objective according to Article 9 of the Disclosure Regulation. As a starting point, therefore, all the funds managed by the Company take sustainability risks into account.

4 Division of responsibilities

4.1 The Board of Directors

The Board of Directors is responsible for deciding on the Company's framework for managing and monitoring sustainability risks.

4.2 The CEO

The CEO is responsible for creating internal procedures and processes to implement the agreed framework and allocating the necessary resources. It is the CEO's responsibility to ensure that information in accordance with the Disclosure Regulation and the Delegated Regulation is published and updated annually in the manner required by the regulations. The information to be published is set out in the section "Publication on website" below.

4.3 The fund management

The responsible fund manager is responsible for identifying and integrating sustainability risks in accordance with the established risk framework in the ongoing management.

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[1] Commission Delegated Regulation (EU) 2021/1255 amending Delegated Regulation (EU) No 231/2013 as regards tosustainability risks and sustainability factors to be taken into account by alternative investment fund managers.

4.4 The control functions

The Risk Control function is responsible for second-line regular monitoring of sustainability risks based on the established risk framework and reporting the results to the Board. The Compliance function is responsible for regularly checking, at the second line, that the company complies with external and internal rules regarding the integration of sustainability risks into the management process.

5 Identification of sustainability risk

In the concept of sustainability risk, the Company considers risks identified and related to the environment, climate, human rights and working conditions, diversity and equality, and transparency issues. The identification of sustainability risks is integrated into the company's risk assessment processes within existing risk areas, primarily within operational and compliance risks.

As part of the management process, potential investments are analyzed to identify and manage sustainability risks. 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.

The Company has the necessary resources and expertise to integrate sustainability risks. In order to ensure sufficient resources and expertise to integrate sustainability risks into management, and to ensure that they are taken into account in investment decisions, the employees involved in management and related areas shall undergo annual education. This education is led by the Sustainability Officer. For those funds where management is delegated, the Company requests annual confirmation of the adequacy of resources and expertise.

5.1 The funds

The Company's various funds take sustainability risks into account in different processes. In general, sustainability risks are seen as an important part of the analysis prior to an investment decision. The Company's funds take sustainability risks into account in a way that is 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, but also at sustainability risks related to social factors or corporate governance. For funds with investments in other funds, sustainability risks are considered by looking at the holdings of the underlying funds and by looking at sustainability risks related to the underlying fund.

In connection with the development of new products or changes to existing processes, the Company must ensure that sustainability risks are identified and integrated.

5.2 Essential processes

Sustainability risks are identified both before an investment and on an ongoing basis after investment and are weighed into the investment decision. This review must be carried out by both the managers and the risk function in accordance with the applicable process. For funds with direct investments in individual companies, sustainability risks are considered by looking at the product or service the company delivers, but also at sustainability risks related to social factors or corporate governance. For funds with investments in other funds, sustainability risks are considered by looking at the holdings of the underlying funds and by looking at sustainability risks related to the underlying fund. Each new instrument must be approved by the risk manager according to the applicable process.

Existing and any new sustainability risks are then regularly monitored in a manner relevant to each fund. The Company uses an external supplier to regularly identify sustainability risks by screening the fund's holdings. 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 Analysis of sustainability risk

In its asset management, the Company analyzes potential investments in order to identify sustainability risks in the investment objects. As sustainability risks may vary over the life of the investment, sustainability risks are an integral part throughout the investment process. 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. The risk is then integrated into the overall risk level of the fund and forms part of the financial risk analysis that the company conducts for its funds. Sustainability risks are then continuously monitored through internal controls. The integration of sustainability risks in the funds also follows from the company's general risk framework.

7 Integration of sustainability risk

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

The Company analyzes potential investments in order to identify sustainability risks in the investment objects. The 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. The risk is then integrated into the overall risk level of the fund and forms part of the financial risk analysis that the Company performs for its funds. Sustainability risks are then continuously monitored through internal controls.

7.1 Sustainability risks as part of the general risk framework

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

It is the responsibility of the fund management to ensure before each investment and during the holding period that the investment is consistent with the company's investment decision process in terms of sustainability. In the event of a deviation, action must be taken and the risk management function informed. Verification that the holding meets the Company's requirements regarding sustainability 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 the sustainability risks.

7.2 How KRI/KPI are set for different sustainability risks

Sustainability risks shall be regularly monitored and measured, so that the Company is able to ensure at any time that the funds comply with the binding parts of the pre-buy information. The Company measures sustainability risks linked to the funds' sustainability profiles.

To monitor the funds' sustainability risks, the Company uses third-party data. The KPIs consist of the result of a regular screening based on the Company's exclusion policy and a norm-based screening based on international norms such as the UN Global Compact. For funds with available data, KPIs are also measured in the form of the Sustainability Cube™ score. The score takes into account sustainability risks in the form of, for example, turnover related to sustainability goals and the investment objects' goal to reduce sustainability risks.

Sustainability risks are part of the assessment when determining variable remuneration, see Policy for Remuneration.

7.3 Prioritization and risk-based approach

The Company works on a risk-based basis, which means that the Company prioritizes the risks where there is deemed to be the highest risk of deviations or consequences for the company. See Internal rules for risk management for a more in-depth description.

8 Publication on website

Article 3 of the Disclosure Regulation requires companies to publish information on their policy for integrating sustainability risks into the investment decision-making process on their website.

8.1 Updating and adaption

The Company's Chief Sustainability Officer is responsible for ensuring that the document is kept up to date with regard to conditions in the Company. The responsible manager assists the CEO in the responsibility to review and update this policy at least annually, or as needed. The Chief Sustainability Officer shall further review the effectiveness of the procedures resulting from this policy. The policy is adopted at least annually, or when necessary, by the Board of Directors of the Company.

The Swedish version of the policy was adopted by the Board of Directors of Ruth Asset Management AB on September 27, 2023

Ruth Asset Management. We craft and hand people the power of investment.

Ruth Asset Management

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