Ruth Asset Management

Due Diligence Policy

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Version history

Version	Date of determination	Overall description of change
1 3	2023-09-05	Preparation of documents.
2	2024-09-27	Clarifications on greenwashing, conflicts of interest, follow-up/reporting.
3	2024-02-09	The following changes have been made: • Editorial changes • Clarifications of methodology and selection process.
4	2024-12-28	The following changes have been made: • Editorial changes. • Clarifications and additions regarding roles and responsibilities.

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1 Background and scope

On 10 March 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 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 appropriate due diligence before making investments. As a result, Ruth Asset Management AB (the "Company") has chosen to consider the principle adverse impacts on sustainability factors that the funds' investments may contribute to, both at the company level and in the management of funds.

This policy aims to, on an overall level, account for how the company intends to take into account the principle adverse impacts of its investments on sustainability factors in the management process.

2 Organization

The company is a fund management company authorized to manage UCITS funds in accordance with Chapter 1. Section 4 of the Securities Funds Act (2004:46) ("LVF") and provide 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 has decided to consider principal adverse impacts on sustainability factors at unit level in accordance with Article 4 of the Disclosure Regulation.

The company manages UCITS funds with a sustainable profile. This means that some funds promote environmental and social characteristics in accordance with Article 8 of the Disclosure Regulation and some have sustainable investments as their objectives in accordance with 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 principal 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 investment strategy of each fund and shall therefore be provided with information on how principal adverse impacts on sustainability factors is considered as part of the funds' investment strategy.

3.2 CEO

The CEO is responsible for internal procedures and processes to integrate the work of considering principle adverse impacts in the fund management and allocating the necessary resources. The CEO is also responsible for ensuring that sufficient knowledge and expertise are held by the relevant personnel, including the funds' managers.

3.3 Compliance function

The Compliance function is responsible for, in the second line, regularly monitoring the management of the Company's funds, which includes verifying whether the Company considers principle adverse impacts on sustainability factors and complies with the requirements of this Policy.

3.4 CIO

The CIO is responsible for identifying and integrating principal adverse impacts on sustainability factors in day-to-day management. The CIO is also responsible for the company publishing an annual report on how all funds have taken into account the indicators of principal adverse impacts in accordance with the template set out in Appendix 1 to the delegated regulation.

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 empoyee 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 principle adverse impacts on sustainability factors

The company has an obligation to identify and prioritize between the various principle adverse impacts that exist in relation to the environment, social issues, human rights, anti-corruption, and anti-bribery before an investment decision.

The company identifies the principle adverse impacts on sustainability factors in potential investees by analyzing the sustainability indicators decided by the Commission related to climate and environment, social and human resources, human rights, anti-corruption and anti-bribery. These are set out in Appendix 1 to the delegated regulation and are also referred to as "PAI indicators". The analysis of the identified sustainability indicators is part of the company's overall sustainability analysis.

6 Sustainable development indicators

Below are described the categories of indicators that aim to measure the main negative impacts on sustainability factors in relation to asset classes that are relevant to the Company. See Annex 1 to the Delegated Regulation (EU) 2022/1288 for a further summary of the principle adverse impacts on sustainability factors.

6.1 Investments in companies

Investments in companies include the categories: greenhouse gas emissions, biodiversity, water, waste, and social and human resources.

- Greenhouse gas emissions include the data points: GHG emissions, carbon footprint, GHG intensity of investee companies, exposure to companies in the fossil fuel sector, share of non-renewable energy consumption and production, and Energy consumption intensity per high impact climate sector.
- Biodiversity includes activities negatively affecting biodiversity-sensitive areas
- Water includes emissions to water.
- Waste includes hazardous waste and radioactive waste ratio
- Social and human resources issues include: the proportion of invested capital involved in violations of the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights (UNGP), and the OECD, compliance control deficiencies by the UNGC, UNGP and OECD, gender pay gaps, gender-diverse boards, and controversial weapons.

6.2 Investments in sovereigns and supranationals

Government securities cover the categories of environmental and social issues.

- Environment includes greenhouse gas intensity within investing states.
- Social issues include social violations based on international norms.

6.3 Additional indicators for sustainable development

The Company has selected "Carbon Emission Reduction Lacking Policy" from Table 2 and "Lack of a supplier code of conduct" from Table 3 from Annex 1 to Commission Delegated Regulation (EU) 2022/1288.

6.4 Method and process

The company's Due Diligence process for new investments considers the principle adverse impacts (PAI) for sustainability factors within the framework of the funds' respective investment strategies.

Thereafter, the company continuously follows up the holdings and their compliance with the company's sustainability-related policies and frameworks. The screening is carried out using data from a third-party supplier where the holders' compliance with international norms and conventions is monitored.

This evaluation process is continuously progressing to ensure that portfolios and underlying holdings' work with principle adverse impacts (PAIs) comply with the company's guidelines and objectives.

6.5 Prioritization of principle adverse impacts on sustainability factors

The company will prioritize negative consequences associated with greenhouse gas emissions as well as social and personnel issues. Specifically, it refers to greenhouse gas emissions, carbon footprint, the greenhouse gas intensity of invested companies and exposure to fossil fuels. With social and human resources issues, the company prioritizes the proportion of invested capital involved in violations of the UNGC, UNGP and OECD respectively, as well as the proportion of controversial weapons.

Prioritization is partly made in the light of the availability and quality of data. During the continuous screening of the portfolios, a prioritization is made against the indicators where the data coverage is good. This prioritization will be developed as data coverage develops.

6.6 Action model

The company conducts at least quarterly screening of all holdings to which each fund is exposed. When the funds invest in other funds, the managers have regular dialogues with the fund managers. When the funds are direct owners of shares, a sustainability analysis is also carried out on the company to which the fund is exposed. In addition, engagement carried out in relation to the funds' holdings in order to minimize the holdings' principle adverse impacts on sustainability factors.

The company has adopted an engagement policy in which the company specifies in more detail how the engagement is conducted.

6.7 Impact on investment decisions

In the company's funds managed in accordance with Article 8 of the Disclosure Regulation, the principle adverse impacts are considered through the exclusion of companies in accordance with the company's exclusion policy and through dialogue with companies and/or underlying managers.

In the company's funds managed in accordance with Article 9 of the Disclosure Regulation, the consideration of principal adverse impacts means that the funds' investments exclude companies in accordance with the company's exclusion policy and include companies that do not cause significant harm.

In cases where the company makes the assessment that holdings with proven deficiencies will not correct these, the holding shall be divested with the best interests of the unitholders in mind.

7 About the company's other commitments

7.1 Principles of shareholder engagement

The company believes that companies that take ownership steering, ethics, environmental and social responsibility into account in their operations have better conditions for good value growth. It is therefore in the interest of unitholders that the companies in which the funds invest adequately manage relevant environmental, social and governance factors and risks. The company monitors the companies in which the funds are shareholders or otherwise invested in and can engage in dialogue with representatives of the companies if necessary.

The company's process for shareholder engagement looks different for different funds depending on whether they are managed within the company or if the management is delegated, and whether the fund invests directly in the companies or via other funds. Further information can be found in the company's Principles for Shareholder Engagement.

7.2 Codes of Conduct and International Standards

The company has signed and adheres to the UN-supported initiative Principles for Responsible Investment (PRI). The six principles focus on integrating sustainability factors into investment analysis and decision-making processes, as well as being an active owner. The companies in which the funds invest must also live up to the fundamental principles incorporated in the UN Global Compact, the OECD's guidelines for multinational enterprises in the areas of the environment, human rights, labour law, corruption, the UN Guiding Principles on Business and Human Rights and the guiding principles that follow the UNGP.

The company has signed the Net Zero Asset Managers Initiative, the Montreal Carbon Pledge, and signed the Tobacco Free Finance Pledge.

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.

The company has identified conflicts of interest linked to commitments regarding sustainable management and the investment decisions made on behalf of the funds. The conflicts of interest are described in detail in the company's register for conflicts of interest. The conflicts of interest consist partly of risks linked to greenwashing and partly of conflicts of interest between the ambition to invest sustainably and the ambition to deliver good returns.

For more information on the identification and management of conflicts of interest related to sustainable investment commitments, please see the Conflict of Interest Management Policy.

9 Follow-up and reporting

The company's CIO is responsible for ensuring that the document is kept up to date on an ongoing basis with regard to conditions within the company. The CIO assists the CEO in the responsibility to review and update this policy at least annually, or as necessary. The sustainability manager shall assist the CIO in reviewing the effectiveness of the procedures that follow from this policy. The policy is adopted at least annually, or more often as necessary, by the company's Board of Directors.

The information set out in this policy shall be reported for all the company's funds on the website of a statement of the main negative consequences for sustainability factors

10 Documentation

Documentation regarding due diligence must be retained for at least 5 years.