Policy for Due Diligence 2024

Ruth Asset Management

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1 Background and purpose

1.1.1 On March 10, 2021, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector 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.

1.1.2 The regulatory framework requires financial market participants to act in the best interests of end-investors, including but not limited to the requirement to carry out appropriate due diligence before making investments. In this context, Ruth Asset Management AB (the "Company") has chosen to consider the principle adverse impacts for sustainability factors that the funds' investments may contribute to, both at company level and in the management of some of the Company's funds.

1.1.3 The purpose of this policy is to set out, at a high level, how the Company intends to consider the principle adverse impacts for sustainability factors in the management process.

The fund company

1.1.4 The Company is a fund company licensed to manage securities funds under 1 kap. 4 § lagen (2004:46) om värdepappersfonder ("LVF") and to perform discretionary portfolio management of financial instruments. The Company thus meets the definition of a financial market participant under the Disclosure Regulation.

1.1.5 The company has decided to consider the principle adverse impacts for sustainability factors at entity level in accordance with article 4 of the Disclosure Regulation.

The funds

1.1.6 The Company manages securities funds with a sustainable profile. This means that some funds promote environmental and social characteristics under Article 8 of the Disclosure Regulation and some have sustainable investments as an objective under Article 9 of the Disclosure Regulation. The Company has a fund that only considers sustainability risks under Article 6 of the Disclosure Regulations.

1.1.7 All of the Company's funds that promote environmental and social characteristics and have sustainable investments as an objective take into account the principle adverse impacts for sustainability factors as defined in Article 7 of the Disclosure Regulation.

2 Definitions

2.1.1 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 activities, the following key terms are therefore defined.

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

2.1.3 Sustainability factor: environmental, social and personnel-related issues, respect for human rights and the fight against corruption and bribery.

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

2.1.5 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.

2.1.6 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 mutual fund, and a PEPP-product.

2.1.7 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 that they do not reflect the underlying sustainability characteristics or nature.

3 Responsibilities and organization

3.1 Responsibilities and roles

3.1.1 The board of directors is responsible for deciding on the investment policy of each fund and should therefore be informed of the way in which any principle adverse impacts for sustainability factors are taken into account as part of the funds' investment strategy.

3.1.2 The CEO is responsible for creating internal routines and processes to integrate the work of taking into account the principle adverse impacts in the management and allocating the necessary resources. The CEO is also responsible for ensuring that sufficient knowledge and skills are held by relevant staff, including fund managers.

3.1.3 The compliance function is responsible for the second line of regular monitoring of the management of the Company's funds, which includes checking whether the Company considers principle adverse impacts for sustainability factors and complies with the requirements of this policy.

3.1.4 The Chief Investment Officer is responsible for identifying and integrating the principle adverse impacts for sustainability factors into the ongoing management. The Chief Investment Officer is also responsible for ensuring that the company publishes an annual report on how all funds have taken into account the indicators of principal negative impacts in accordance with the template set out in Appendix 1 to this policy.

4 Identification of main negative impacts on sustainability factors

4.1.1 The Company has an obligation to identify and prioritize, prior to an investment decision, the main negative impacts that exist in relation to the environment, social and personnel-related issues, human rights, anti-corruption and anti-bribery.

4.1.2 The Company identifies the main negative impacts of sustainability factors in potential investment objects by analyzing the sustainability indicators decided by the Commission related to climate and environment, social and personnel-related issues, human rights, anti-corruption and anti-bribery. These are set out in Annex 1 to this policy and are also referred to as “PAI indicators”. The analysis of the identified sustainability indicators is part of the Company's overall sustainability analysis.

4.2 Indicators for sustainable development

4.2.1 The categories of indicators aimed at measuring the main negative sustainability impacts in relation to asset classes relevant to the Company are described below. See Annex 1 of Commission Delegated Regulation (EU) 2022/1288 for a further summary of the main negative impacts on sustainability factors.

Investments in companies

4.2.2 Investments in companies cover the categories: greenhouse gas emissions, biodiversity, water, waste, and social and personnel-related issues.

4.2.3 Greenhouse gas emissions includes the data points: greenhouse gas emissions, carbon dioxide footprint, the greenhouse gas intensity of invested companies, exposure to fossil fuels, share of non-renewable energy, and energy intensity of high impact sectors.

4.2.4 Water includes the number of tons of water emissions per EUR million invested in underlying holdings.

4.2.5 Waste category includes the number of tons of hazardous waste per EUR million invested in underlying holdings.

4.2.6 Social and human resources issues include: the proportion of invested capital involved in violations of the UNGC and OECD; gaps in compliance monitoring of the UNGC and OECD , gender pay gaps, gender-diverse boards and controversial weapons.

Government securities

4.2.7 Government securities cover the environmental and social categories.

4.2.8 Environment includes greenhouse gas intensity within investing states.

4.2.9 Social issues include social violations based on international standards.

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

4.3 Methodology and selection process

4.3.1 The Company’s due diligence process for new investments takes into account the principal adverse impacts (PAI) of sustainability factors within the framework of the funds' respective investment strategy.

4.3.2 Thereafter, the Company continuously monitors 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 provider where the holdings' compliance with international standards and conventions is monitored.

4.3.3 This evaluation process is ongoing to ensure that portfolios and underlying holdings' work with principal adverse impacts (PAIs) comply with the Company's guidelines and objectives.

4.4 Prioritization of main negative impacts on sustainability factors

4.4.1 The Company will prioritize negative impacts associated with greenhouse gas emissions and social and personnel issues. Specifically, this refers to emissions of greenhouse gases, carbon dioxide footprint, the greenhouse gas intensity of invested companies and exposure to fossil fuels. With social and personnel issues, the company prioritizes the share of invested capital involved in violations of UNGC and OECD as well as the share of controversial weapons.

4.4.2 Prioritization is partly based on data availability and quality. During the continuous screening of the portfolios, a prioritization is made towards those indicators where data coverage is good. This prioritization will be developed as data coverage evolves.

4.5 Action model

4.5.1 The Company carries out a quarterly screening of all holdings of the funds. When the funds invest in other funds, the managers have regular dialogues with the responsible fund managers of those funds. When the funds are direct owners of shares, a quantitative sustainability ranking is also carried out on the company to which the fund is exposed to. In addition, advocacy work is carried out in relation to the funds' holdings with the aim of minimizing the holdings' main negative impacts on sustainability factors.

4.5.2 The Company has adopted a policy for shareholder engagement which sets out in more detail how it conducts its engagement activities.

4.6 Impact on investment decision

4.6.1 In the Company's funds managed in accordance with Article 8 of the Disclosure Regulation, the main negative consequences are taken into account by excluding companies in accordance with the Company's exclusion policy and through dialogue with companies and/or underlying managers.

4.6.2 In the Company's funds managed under Article 9 of the Disclosure Regulation, the consideration of main negative 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.

4.6.3 Where the Company determines that holdings with identified deficiencies will not correct them, the holdings should be disposed of with the best interests of fund unit holders in mind.

5 On the Company’s other commitments

5.1 Principles of shareholder engagements

5.1.1 The Company believes that companies that consider ownership management, ethics, environmental issues and social responsibility in their business operations have better conditions to achieve strong value growth. It is therefore in the shareholders’ interest that the companies in which the funds invest are able to handle relevant environmental, social and corporate governance factors and risks in an adequate manner. The Company follows the companies in which the funds are shareholders or otherwise invested in and can, if necessary, conduct a dialogue with representatives of the companies.

5.1.2 The Company’s process for shareholder commitment looks different for different funds, depending on whether they are managed within the fund company or if the management is delegated, and whether the funds invests directly in the companies or via other funds. Further information can be found in the Company’s Policy for shareholder engagements.

5.2 Codes of conduct and international standards

5.2.1 The Company has signed and follows the UN-backed Principles of Responsible Investment Initiative (PRI). The six principles focus, among other things, on integrating sustainability factors into investment analyses and decision-making processes, as well as being an active owner. The companies in which the funds invest must also live up to the basic principles incorporated in the UN's Global Compact, the OECD's Guidelines for Multinational Enterprises in the areas of environment, human rights, labor law, corruption and the UN's Guiding Principles on Business and Human Rights

5.2.2 The Company is a signatory to the Net Zero Asset Managers Initiative, the Montreal Carbon Pledge and the Tobacco Free Finance Pledge.

6 Publication on website

6.1.1 Article 3 of the Disclosure Regulation requires the Company to publish information on its policy for integrating sustainability risks into the investment decision-making process as well as the investment advice on its website. It is the responsibility of the CEO to ensure that information under the Disclosure Regulation and the Delegated Regulation is published and updated annually in the manner required by the regulations.

7 Conflicts of interest

7.1.1 The Company has identified conflicts of interest related to sustainable management commitments and the investment decisions made on behalf of the funds. The conflicts of interest are detailed in the company's conflict of interest register. 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.

7.1.2 For more information on the identification and management of conflicts of interest related to sustainable investment commitments, see the Policy for managing conflicts of interest.

8 Monitoring and reporting

8.1.1 The Company's Sustainability Officer is responsible for ensuring that the document is continuously updated with regard to conditions within the company. The Chief Investment Officer 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 more frequently if necessary, by the Board of Directors.

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

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

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