Ruth Asset Management

Exclusion Policy

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Version history

Version	Date of determination	Overall description of change
1	2023-09-05	Establishment of the policy.
2	2024-12-28	The following changes have been made: • Editorial changes. • Clarifications and additions regarding roles and responsibilities. • Added section on scope. • Updated information on exemptions.

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1 Background and purpose

All funds must meet the Fund Company's basic criteria in the areas of environment, social aspects, and governance. Exclusions are one of the methods used to fulfil them and which express the Fund Management Company's values.

Exclusions are used as a method of integrating ESG factors into the investment decision-making process to:

1. reduce the potential impact of sustainability risks on an investment's value
2. reduce negative impact on sustainability factors
3. ensure that the Fund Company fulfils its role as a responsible investor

The Fund Company works to create a good risk-adjusted return for our customers while at the same time working for sustainable development. In asset management, it is mainly manifested through the integration of sustainability (ESG) factors into investments and decision-making processes, as well as through the use of corporate governance and advocacy tools.

2 Organization

Ruth Asset Management AB ("The Fund Company") is a fund management company with operations in Sweden. The fund company is part of the Max Matthiessen Group and is 100% owned by MM Holding AB. Sustainability is a fundamental and guiding principle for all operations within Max Matthiessen. Max Matthiessen's overall sustainability strategy, objectives and sustainability policy govern the sustainability work of all subsidiaries within the group. The company's funds are managed both internally and externally through delegation.

3 Responsibilities and roles

3.1 Board

The Board of Directors is responsible for deciding on the Fund Company's framework for exclusions.

3.2 CEO

The CEO is responsible for creating internal procedures and processes for implementing the agreed framework, deciding on fund allocation and thresholds, and for allocating the necessary resources.

3.3 Compliance function

The compliance function is responsible for, in the second line, regularly monitoring the implementation of the policy based on the established framework and reporting the results to the board.

3.4 CIO

The CIO is responsible for applying the exclusion criteria in accordance with the policy prior to an investment and in the day-to-day management.

The Company's responsible trustee is responsible for ensuring that the document is kept up to date on an ongoing basis with regard to conditions within the Company.

3.5 Chief Sustainability Officer

The Chief Sustainability Officer assists the responsible manager in the responsibility to review and update this policy when necessary, but at least annually.

The Chief Sustainability Officer shall also support the responsible fund manager in the implementation of this policy.

4 General principles

The Fund Company excludes holdings associated with activities that are not deemed to be compatible with the Fund Company's view of sustainable development. This may be because the companies either repeatedly violate accepted norms or that they operate in controversial sectors. Exclusions are also applied to securities, including government securities, issued by states or companies domiciled in states that are subject to sanctions from the UN or the EU or that the Fund Management Company deems unsuitable to invest in due to high sustainability risk. A list of countries currently excluded from investment is kept up to date in the "Country Exclusion List" document.

The Fund Company manages funds where sustainability is taken into account in different ways depending on whether the fund has a basic, elevated or focused sustainability level. A fourth category, (impact), applies specific criteria.

A summary of how the Fund Management Company's various funds are classified can be found in section 12, Sustainability categorization.

4.1 Scope

The exclusion policy applies to all directly owned transferable securities in portfolios where the fund management company or its delegated manager has the authority to manage or delegate management to one of its partners.

For those funds that invest directly in individual companies, specific exclusion criteria are included in each fund's investment guidelines. These may be more restrictive than those set out in the fund management company' s exclusion policy. Funds with delegated management are subject to investment guidelines that regulate exclusions under this policy.

Prior to an investment, it is ensured that the issuer is not subject to exclusion according to the fund company's exclusion policy. Similarly, prior to an investment in an underlying fund, a review of the fund's holdings is carried out.

Due to a lack of decision-making power regarding active management or the specific portfolio structure, or for the purpose of effectively managing client portfolios, investments made in the following categories must comply with specific rules:

- Passively managed assets and exchange-traded funds ("ETFs")

  Investments in passively managed index funds and ETFs that are made for the purpose of managing risk are not subject to the exclusion criteria in this policy. However, exposures to otherwise excluded sectors will never exceed 1% of the fund's net worth.

5 Norm-based exclusion

Norm-based exclusion refers to the review of investments based on compliance with ethical principles and norms expressed in international conventions and standards. The fund company strives not to invest in companies that deliberately and repeatedly violate the following frameworks:

- UN Global Compact
- OECD Guidelines for Multinational Enterprises
- United Nations Guiding Principles on Business and Human Rights (UNGP)

6 Sector-based exclusion

Sector-based exclusion refers to the screening of investments based on activities in various controversial sectors. The fund company strives to ensure that the funds do not invest in companies operating in controversial sectors whose products or services may cause significant negative impacts on sustainability factors, such as harm to people, nature or the climate. The fund company has chosen to base this on the companies' share of turnover linked to these controversial sectors based on production and/or distribution.

A summary of controversial sectors where the Fund Company applies investment restrictions can be found in the section Exclusion thresholds.

Below is a review of each sector, the definitions used and the Fund Management Company's justification for possible exclusion.

6.1 Controversial weapons

Controversial weapons refer to weapons of a particularly inhumane nature such as cluster bombs, chemical weapons, biological weapons and nuclear weapons based on the following conventions:

- Ottawa Treaty (1997) (Convention for the Prevention of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction).
- The Convention on Cluster Munitions (CCM) (2008) which prohibits the use of stockpiling, production and transportation of cluster munitions.
- The Chemical Weapons Convention (1997), which prohibits the use of stockpiles, production and transportation of chemical weapons.
- Biological Weapons Convention (1972) which prohibits the development, production, acquisition, transfer, stockpiling and use of biological and toxin weapons.
- Treaty on the Non-Proliferation of Nuclear Weapons (NPT) (1968) which limits the proliferation of nuclear weapons to the United States, Russia, the United Kingdom, France and China.

The funds exclude companies whose activities include the production or sale of cluster bombs, chemical and biological weapons and nuclear weapons.

The fund management company excludes companies that are manufacturers of specific products and/or whose services are linked to controversial weapons according to the limits in section 13, Exclusion Limits.

6.2 Fossil fuels

6.2.1 Oil and gas

Oil and gas refers to upstream, midstream and downstream, excluding service. Upstream refers to exploration and production activity, while midstream includes the storage and transportation of crude oil and gas. Downstream refers to the refining and distribution of the final product.

As the extraction and use of oil and gas is a major source of global greenhouse gas emissions with an impact on global warming, the Fund Company excludes companies with operations in the production or distribution of oil and gas in accordance with the limits in section 13, Exclusion limits, with the exception of companies with transition potential. See point 8. Exemption for companies with verified transition potential.

6.2.2 Arctic drilling

Arctic oil and gas exploitation includes the ownership of an offshore lease and/or exploration or production activities in the Arctic Circle/Arctic Circle.

In Arctic drilling, oil spills can risk affecting biodiversity, the local population and increase the risk of climate impact. In addition to the impact on the environment, this can lead to significant clean-up costs. As a result, the Fund Management Company has chosen to exclude companies with activities in production or distribution linked to Arctic drilling limits in section 13, Exclusion Limits.

6.2.3 Oil sands

Oil sands are an oil reserve for energy production. The extraction of oil sands is carbon-intensive and can cause significant pollution at the sites where extraction takes place. In addition to the impact on the environment, this can lead to significant clean-up costs.

For this reason, the Fund Company has chosen to exclude companies in the production or distribution of oil sands in accordance with the limits in section 13, Exclusion Limits.

6.2.4 Thermal Carbon

Thermal coal is used for energy production. Burning thermal coal is a major source of global greenhouse gas emissions and cause of global warming. Other environmental impacts from coal operations include negative impacts on ecosystems, local populations, and local environments.

The fund Company has chosen to exclude companies with activities in the extraction or distribution of coal in accordance with the limits in section 13, Exclusion Limits.

6.3 Consumer

6.3.1 Tobacco

Tobacco refers to the production and distribution of cigarettes, cigars, electronic cigarettes, and snus. Tobacco is considered an unhealthy product that can lead to health consequences such as cancer. This can also lead to significant medical costs for society. As a result of court cases and lawsuits, tobacco companies are exposed to significant financial and reputational risks.

The fund company therefore excludes companies that produce tobacco products or distribute tobacco in accordance with the limits in section 13, Exclusion Limits.

6.3.2 Pornography

Pornography refers to material that depicts sexual activities in a provocative way. This can be considered controversial as it may include degrading material. Production refers to companies actively involved in pornography and/or media companies that own internet, cable or satellite channels where pornographic content is actively distributed.

The fund company excludes companies that produce pornography or distribute pornography in accordance with the limits in section 13, Exclusion Limits.

6.3.3 Gambling

Refers to products in gambling and gambling products. As this is a sector where the product and/or service is not necessarily harmful, the Fund Company has chosen to apply the exclusion of companies with turnover from distribution or production linked to gambling according to the limits in section 13, Exclusion Limits.

6.3.4 Alcohol

Refers to alcoholic products for human consumption. As this is a sector where the product is not necessarily harmful, companies with turnover linked to the production and distribution of alcohol are excluded according to the limits in section 13, Exclusion Limits.

7 Monitoring

The Fund Company regularly reviews all funds' investments and checks against external databases to see if any holdings have or are suspected to have violated accepted norms against the norm-based criteria (a controversy), as well as if there are holdings that fall within the the Fund Company's sector-based exclusion criteria (exceeding a limit). The fund management company uses external parties for review.

Violations of the guidelines are handled by the Fund Company's Risk and Return Committee, where measures are decided. The responsible manager is asked to provide an explanation as to why the holding has not been excluded.

There are three possible measures:

- No action/Continued monitoring: If there are reasons or circumstances that mean that a divestment is not in the best interest of the unitholders, the holding can be retained and monitored for follow-up.
- Engagement: If there is reason to believe that a change can take place, an engagement process is initiated in accordance with the Fund Company's guidelines for shareholder engagement.
- Divestment/Call for divestment: If there is no acceptable reason, a divestment takes place, or the external manager is requested to divest the holding, provided that it is in the common interest of the unitholders in accordance with Chapter 4. 2 § LVF.

8 Exemption for companies with verified transition potential

Part of the Fund Company's ambition to contribute to sustainable development and to achieve the Paris Agreement's goal of limiting the global temperature increase to 1.5 degrees is to carefully review investments linked to fossil fuels.

Sustainable development requires a reduction in dependence on fossil fuels, while many sectors remain dependent on fossil fuel sources. There are major challenges in the production, distribution and servicing of fossil fuels and in related sectors such as raw material extraction, transportation, energy, utilities and others.

A successful transition to sustainable development therefore requires a transformation of business models in a large part of society's infrastructure. Producers and distributors in the oil and gas category that make a strategic commitment to transform their business model away from a dependence on fossil fuels may therefore be eligible for investment even though these fall within the scope of the exclusion criteria. The investment is then assessed based on the company's transition potential.

If the company meets a number of requirements that demonstrate a potential for change, this is sufficient for the Fund Company to include or retain a company in the portfolio. The following requirements must be met for investment to be considered:

- The company does not generate any revenue from thermal coal, Arctic oil/gas or oil sands.
- The company is actively working to reduce its greenhouse gas emissions and has set credible targets in line with the Paris Agreement's scenario "well below two degrees". This includes, for example, that the company has set science-based targets under SBTi.
- The company shows progress towards its set objectives, something that is followed up by the manager on a regular basis.
- The investment decision must be approved and documented by the Fund Company's Risk and Preformance Committee.

An exemption for transition potential is applied to the direct-investing self-managed funds.

In addition, companies involved in the production or distribution of fossil gas may be exempted from exclusions if they meet the criteria set out in the European Commission's Taxonomy Regulation.

9 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.

10 Documentation

Documentation regarding exclusions must be kept for at least 5 years.

11 Sustainability categorization

The fund management company manages funds where sustainability is taken into account in different ways depending on whether the fund has a fundamentally elevated or focused level. A fourth category, impact, applies specific criteria and is not currently active.

Below is a summary of how the Fund Management Company's various funds are classified from a sustainability perspective.

FUNDAMENTAL	ELEVATED	FOCUSED	IMPACT
	Comfort Crafted by Ruth	Ruth Core Global Equities	
	Balance Crafted by Ruth	Ruth Core Global Small Cap	
	Expansion Crafted by Ruth	Ruth Core Swedish Equities	
	Intensity Crafted by Ruth	Ruth Core Nordic Small Cap	
	Ruth Core Emerging Markets	Ruth Core Nordic Credit	
	Naventi Defensive Flex*		
	Naventi Balanced Flex*		
	Naventi Offensiv Flex*		

*The funds apply exclusions for Coal, Natural Gas and Commercial Gaming – 5 percent of turnover for production or production involvement and for Cannabis, Tobacco, Oil, Pornography and Controversial Weapons – 0 percent for production or involvement in production.

12 Exclusion thresholds

The fund company strives not to invest in companies with operations in sectors whose products or services can cause significant negative impacts on sustainability factors, such as harm to people, nature or the climate. The fund management company has chosen to base this on the companies' share of sales related to these sectors based on production and/or distribution.

Below is a summary of controversial sectors to which the Fund Company applies investment restrictions.

Area	Sector	Fundamental		Elevated		Focused		Impact	
		Production	Distribution	Production	Distribution	Production	Distribution	Production	Distribution

Weapons	Controversial weapon	10%	10%	0%	0%	0%	0%	N/A	N/A
Fossil Fuels	Oil & Gas (excl. service)	N/A	N/A	50%	50%	5% or Exemption*	5% or Exemption*	N/A	N/A
	Oil sands	10%	10%	5%	5%	5%	5%	N/A	N/A
	Arctic drilling	10%	10%	5%	5%	5%	5%	N/A	N/A
	Coal	10%	10%	5%	5%	5%	5%	N/A	N/A
Consumer Products	Tobacco	10%	10%	0%	5%	0%	5%	N/A	N/A
	Pornography	10%	10%	0%	5%	0%	5%	N/A	N/A
	Gambling	N/A	N/A	N/A	N/A	5%	5%	N/A	N/A
	Alcohol	N/A	N/A	N/A	N/A	10%	10%	N/A	N/A

*Exceptions may be applied to investments in companies with verified transition potential within the framework of investments in the Focused category, and then according to the Fund Management Company's criteria for transition companies. Exemptions do not apply to the sustainable investments in such funds, if these investments do not pass the Do No Significant Harm tests, according to the Fund Company's Sustainable Investment Framework under the SFDR.