Ruth Asset Management

Responsible Investment Policy

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Version history

Version	Date of determination	Overall description of change
1	2024-02-12	Preparation of documents.
2	2024-12-28	The following changes have been made: • Editorial changes. • Clarifications and additions regarding roles and responsibilities. • Clarifications regarding DNSH. • Addition on new analysis model.
3	2025-05-06	Merge with exclusion policy, sustainability risk integration policy, and due diligence policy.
4	2025-12-03	The following changes have been made: • Clarifications on sustainability risk management • Removed categorization of funds • Breaking out nuclear weapons as a separate exclusion

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1 Background and purpose

This policy constitutes the overall steering document for Ruth Asset Management's ("Ruth AM") for Ruth's work to integrate sustainability into its management and act as a responsible investor.

This policy contains the overall processes that describe in more detail the work to apply the principles of responsible investment such as; Integration of sustainability risks, Due Diligence and exclusions. In addition to this policy, there are also Principles for Shareholder Engagement. More information on how the policy is applied can be found in the prospectus for each fund.

At Ruth AM, we look at investments from a holistic perspective with the dimensions: return, risk and impact on sustainability factors. Ruth AM's management assignment is exclusively to act in the common interest of the unitholders. The management takes place within the framework of each fund's fund rules. Within the framework of the assignment, Ruth AM intends to act as a responsible owner.

Ruth AM believes that companies that take sustainability factors into account in their operations are better positioned for long-term value creation. It is therefore in Ruth AM's interest to invest in companies that adequately address environmental, social and governance aspects. As a financial player, we can also contribute to sustainable social development by channelling capital into sustainable investments. We do this by offering investment alternatives that maintain a good level of sustainability, as well as making it easier for customers to choose sustainably.

Ruth AM integrates return, risk and impact on sustainability factors through responsible investments in accordance with this policy. The work on responsible investment and integrating environmental, social and governance (ESG) aspects into investment decisions has several objectives:

1) reduce the potential impact of sustainability risks on the value of an investment;
2) seize opportunities arising from a transition to a more sustainable world
3) Reduce negative impact on sustainability factors
4) contribute to a positive impact on the environment and social factors

By actively working for these purposes in asset management, Ruth AM fulfills its role as a responsible investor. The overall objective of asset management is to create a good long-term risk-adjusted return on assets under management. Responsible investment shall be one way to achieve this goal.

Ruth AM also aims for the portfolios to be managed in line with net-zero emissions by 2050 at the latest, in line with the Paris Agreement and the EU Green Deal. In 2024, Ruth AM joined the Net Zero Asset Managers Initiative. As part of achieving this goal of net zero emissions, Ruth AM has a goal of annually measuring and reporting the carbon footprint of equities and corporate bonds.

2 Organisation

Ruth AM is part of the Max Matthiessen Group, whose overall sustainability policy states that sustainability shall be a fundamental and guiding principle for all operations within Max Matthiessen.

2.1 Responsibilities and roles

2.1.1 Board of Directors

The Board of Directors is responsible for deciding on Ruth's work to integrate sustainability into the management of the funds and act as a responsible investor. The Board is responsible for reviewing and adopting this policy when necessary, but at least annually.

2.1.2 CEO

The CEO is responsible for allocating the necessary resources and establishing internal procedures and processes to ensure effective operations and promote responsible investment practices. Furthermore, the

CEO must ensure that all relevant personnel, including fund managers, possess adequate knowledge and expertise to perform their duties.

2.1.3 Risk and return committee

The Company's Risk and Return Committee meets quarterly or as necessary and is responsible for monitoring the external management's compliance with limits, including sustainability limits. It is also this committee that decides on divestment when an investment approaches a threshold set by the company or fund. Responsibility for the ongoing work on responsible investments lies with the management organisation.

2.1.4 Management

Responsibility for the ongoing work on responsible investments lies with the management organisation. The CIO is responsible for reviewing and updating this policy as necessary, but at least annually. The CIO is also responsible for implementing the policy in the business.

Each fund's responsible manager is responsible for identifying and integrating principle adverse impacts on sustainability factors into day-to-day management.

2.1.5 Sustainability Analyst

The Sustainability Analyst assists the CIO in its responsibility to review and update this policy if necessary, but at least annually.

The Sustainability analyst is also responsible for ensuring that the company publishes an annual report on how all funds have taken into account the indicators for principal adverse impacts in accordance with the template set out in Annex 1 to Commission Delegated Regulation (EU) 2022/1288.

The sustainability analyst shall also support the responsible manager in the implementation of this policy.

2.1.6 The control functions

In case of violations of this policy, this shall be reported to the Compliance Function. The risk control function is responsible for, in the second line, regularly monitoring sustainability risks based on the established risk framework and reporting the results to the Board of Directors. The compliance function is responsible for, in the second line, regularly checking that the company complies with external and internal rules in the management process.

3 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 human resources issues, respect for human rights, and the fight against corruption and bribery.

'sustainable investment' means an investment in an economic activity that contributes to an environmental objective, as measured through, 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 to impacts on biodiversity and the circular economy, or an investment in an economic activity contributing to a social objective; in particular, investments that contribute to tackling inequalities or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that the investments do not cause significant harm to any of those objectives and that the investee companies follow good governance practices.

'financial market participant' means an insurance undertaking offering an insurance-based investment product (IBIP), an investment firm providing portfolio management, an institution for occupational retirement provision (IORP), a manufacturer of a pension product, an alternative investment fund manager (AIFM), a pan-European personal pension product (PEPP) provider, a manager of a qualifying venture capital fund registered under Article 14 of Regulation (EU) No 345/2013, a manager of a qualifying social entrepreneurship fund registered under Article 15 of Regulation (EU) No 346/2013, a UCITS management company, 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 pension plan, a mutual 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.

4 General principles

Ruth AM is a signatory to and adheres to the UN-supported initiative Principles for Responsible Investment (PRI). The principles involve integrating ESG factors into analysis and decision-making, being active owners and influencing companies in a sustainable direction, working for increased transparency around ESG among the investment objects, promoting the use of the principles in the industry, collaborating for greater impact and reporting progress. These principles will guide Ruth AM's work with responsible investments. Ruth AM applies different methods to fulfill its role as a responsible investor, manage sustainability risks and to take advantage of opportunities such as opting out, opting in and through engagement.

4.1 Analytical models to integrate sustainability factors

The company takes sustainability into account in three key dimensions. The three dimensions are (a) environmental, social and governance-related risks and opportunities, (b) climate and (c) contribution to the UN's 17 global goals.

The model steers investments towards fulfilling the company's commitments to reduce emissions, manage sustainability risks and promote positive impact in line with the UN's 17 global goals. By combining quantitative data with qualitative assessments, a robust analytical basis is created that supports decisions regarding both individual investments and the portfolio's overall sustainability profile.

In terms of sustainable investments, the company's sustainable investment framework is used, as described in the section below.

4.2 Ruth AM's Sustainable Investment Framework

Ruth AM can manage both funds that have sustainable investment as an objective and are classified as Article 9 under the SFDR and funds that promote environmental and social characteristics and are classified as Article 8 under the SFDR.

4.2.1 Promote environmental/social characteristics

Ruth AM's products that promote environmental or social characteristics do the least by assessing:

1) **Negative impact on sustainability factors.** The company shall prevent the investment from causing harm to any environmental or social objective by excluding companies that operate in

sectors that are harmful to people and the environment or whose activities have a negative impact Do No Significant Harm (DNSH level 1)

2) **Good governance.** The company shall assess good governance practices to ensure that the business does not knowingly and repeatedly violate international conventions relating to labour law, human rights, the environment and corruption in accordance with the UN Global Compact and the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP)

4.2.2 Sustainable investments

The SFDR defines sustainable investment as an investment in an economic activity that contributes to an environmental or social objective, does not cause significant harm to any of them, and complies with good governance practices. Ruth AM's products that make sustainable investments do so through the methodology set out in Ruth AM's sustainable investment framework. This framework contains Ruth's overall methodology for assessing what constitutes a sustainable investment based on the definition set out in SFDR 2.17:

3) **An investment in an economic activity that contributes to an environmental or social objective**. Ruth AM assesses contributions to an environmental or social goal based on the UN's 17 global development goals. The contribution is assessed on the basis of the impact on the outside world from activities at companies. The activities can be sustainable by either contributing to a goal of reducing negative impact on the environment and society, or contributing to a goal of solving established environmental or social challenges. Activities that are assessed are related to the company's revenues from products and services with a positive impact, as well as the company's efforts to conduct a sustainable business such as innovation and development, but also set goals and demonstrated progress
4) **The investment does not cause significant harm to any of these objectives.** Ruth AM ensures that the investment meets the requirements not to cause significant harm to any environmental or social objective by assessing principal adverse impacts and assessing and excluding companies that contribute negatively to any social or environmental objective through their products, services or through the conduct of their operations.

   DNSH Level 1: Assessing whether an investment has a negative impact on sustainability factors (social or environmental) based on screening against exclusion policies and sanction lists.

   DNSH Level 2: Analyzes potential significant harm to specific environmental or social goals not identified in DNSH Level 1, by reviewing the impact on the UN's 17 Sustainable Development Goals based on products, services, or activities.

5) The investees comply with good governance practices. Ruth AM assesses the good governance practices of the investees, which ensures that the business does not knowingly and repeatedly violate international conventions relating to labour law, human rights, the environment and corruption according to the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights (UNGP).

The assessment of what constitutes a sustainable investment can vary depending on the asset class. Details and thresholds, as well as more detailed methodology and indicators used for the sustainability analysis and assessment, are specified in the respective product's pre-contractual disclosures.

4.3 Ongoing monitoring

To ensure that the companies in which the funds invest live up to our requirements, regular reviews are made of all underlying holdings based on norm- and sector-based criteria and negative impact on sustainability factors. For sustainable investments, the fulfilment of other criteria and thresholds in order to be considered to meet the definition of sustainable investments is also examined. The review is carried out using data from third parties and the outcome is managed by the Risk and Return Committee. The same monitoring is carried out regardless of internal or external management. In the event of any discrepancies in the externally managed funds, a dialogue is initiated with the external manager to investigate whether the differences are due to different data providers or the timing of data collection. In these cases, complementary analysis or qualitative assessment can also be used to determine whether the investment continues to meet the definition of a sustainable investment. Should Ruth AM assess that a holding no longer meets the sustainability requirements set, the manager is encouraged to divest the holding. However, if the underlying sustainability data has changed since the holding was purchased and for that reason no longer meets the sustainability requirements, it is possible in some cases to initiate a dialogue with the company in question and conduct an engagement dialogue. If Ruth AM assesses that this does not yield results, the holding shall be divested. Divestments must always be made with the interests of the unitholders in mind.

5 Sustainability risk integration

All funds managed by the company integrate sustainability risks as a central part of the investment process. These risks are systematically considered in the analysis prior to each investment decision to ensure long-term value creation and risk management.

The company has access to the necessary resources and specialist expertise to effectively integrate sustainability risks into asset management. For funds where management is delegated, the company annually obtains confirmation from the delegated manager that resources and expertise are sufficient to meet the requirements.

When developing new products or making changes to existing processes, the company is responsible for ensuring that sustainability risks are identified, analysed and integrated into the decision-making process. This is part of the company's overall risk management strategy.

5.1 Sustainability risk identification

Sustainability risks refer to environmental, social, and governance (ESG) factors that can negatively impact the value of an investment. These risks are closely linked to traditional financial risks and can arise through, for example, climate change, resource scarcity, labour law issues or lack of corporate governance. Climate risks are particularly important and are divided into physical risks, which arise from extreme weather events or long-term climate change, and transition risks, which arise when the economy transitions to lower carbon emissions. Transition risks can mean increased costs, changed market conditions or that existing business models become less competitive.

In addition to climate risks, there are social risks related to working conditions, human rights, and health and safety, where shortcomings can lead to legal processes and damaged brands. Governance risks arise from a lack of transparency, corruption or weak internal control, which can increase the likelihood of financial risks. Reputational risks are also central, as negative publicity around sustainability issues can affect a company's value and investor confidence.

The company uses an external supplier for regular review of the fund holdings in order to identify and assess sustainability risks. For funds with delegated management, the company also requests documentation in the form of an ESG form, in which the delegated manager describes its sustainability work and its risk management procedures.

5.2 Sustainability risk analysis

Sustainability risks are analysed based on whether they are assessed to have an 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. Sustainability risks are then continuously followed up through internal controls including monthly and quarterly reports (ESG risk screening). The integration of sustainability risks into the funds also follows from the company's general risk framework.

5.2.1 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 principal 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 fund manager 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 is carried out by the company's sustainability function.

5.3 Sustainability risk management

The company ensures that sustainability risks are systematically taken into account in investment decisions and risk management through the following principles:

- **Screening and exclusion:** Selection criteria and exclusion principles are established and reviewed at least annually to identify sectors and activities with elevated sustainability risk. Should an overexposure to high-risk areas occur, measures are taken to diversify the portfolio.
- **Integration into risk management**: ESG data is used as part of the risk assessment of the funds. Funds with elevated ESG risk over a longer period are evaluated in particular, and strategic actions are considered to improve their sustainability profile.
- **Ongoing follow-up:** Sustainability risks are continuously monitored and integrated into existing risk metrics. If necessary, measures are initiated to ensure that the Fund's sustainability profile is in line with established targets and binding commitments.

5.3.1 How KRI/KPI is set for different sustainability risks

Sustainability risks shall be regularly monitored and measured, so that the company at all times has the opportunity to ensure that the funds comply with binding parts of the pre-purchase information. The company measures sustainability risks based on each fund's established sustainability criteria and general sustainability risk.

To follow up on the funds' sustainability risks, the company uses third-party data. The KPIs consist of the results of a regular review based on the fund company's exclusion policy and a norm-based review based on international norms such as the UN Global Compact.

Sustainability risks shall be taken into account when determining variable remuneration in accordance with the company's remuneration policy.

5.4 Prioritization and risk-based approach

The company works with a risk-based approach, which means that the company prioritises the risks where there is deemed to be the highest risk of deviations or consequences for the company in accordance with the company's risk management policy.

6 Due Diligence

Ruth AM considers the principal adverse impacts on sustainability factors by:

- analysing companies' performance within various key indicators of negative impact and:
- striving to exclude companies that operate in sectors that are harmful to people and the environment or whose activities have a negative impact
- striving to exclude companies that knowingly and repeatedly violate international norms and conventions under the UN Global Compact, the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises
- applying guidelines for proxy voting and company dialogue in accordance with the Principles for Shareholder Engagement

6.1 Identification of principle adverse impacts on sustainability factors

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

The company identifies the principal adverse impacts on sustainability factors in potential investees by analysing 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 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.

6.2 Sustainable development indicators

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

6.2.1 Investments in companies

The indicators for business investment cover the categories: greenhouse gas emissions, biodiversity, water, waste, and social and human resources.

- Greenhouse gas emissions include the data points: greenhouse gas emissions, carbon footprint, carbon intensity of invested companies, exposure to fossil fuels, share of non-renewable energy, and energy intensity in sectors with high climate impact.
- Biodiversity includes activities that have a negative impact in geographical areas that are characterised by sensitive biodiversity.
- Water comprises the number of tonnes of water discharges per EUR million invested in underlying holdings.
- Waste includes category the number of tonnes of hazardous waste per EUR million invested in underlying holdings. 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.

6.2.2 Investments in government securities

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.
- 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.

6.3 Method and process

The company's Due Diligence process for new investments takes into account the principal adverse consequences (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 mainly negative impacts (PAIs) comply with the company's guidelines and objectives.

6.4 Prioritisation 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.

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

6.5 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 limited liability company to which the fund is exposed. In addition, engagement is carried out in relation to the funds' holdings in order to minimise the holdings' principal adverse consequences for sustainability factors.

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

6.6 Impact on investment decisions

In the company's funds managed in accordance with Article 8 of the Disclosure Regulation, the principal adverse consequences are taken into account through the exclusion of companies in accordance with this policy and through dialogue with companies and/or external managers.

In the company's funds managed in accordance with Article 9 of the Disclosure Regulation, the consideration of principal adverse consequences means that the funds' investments exclude companies in accordance with this policy and only 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 Exclusion

All funds must meet the Fund Management Company's basic criteria in the areas of environmental, social and corporate 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 in order 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 Management Company fulfils its role as a responsible investor

The fund management 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 investment and decision-making processes, as well as through the use of corporate governance and advocacy tools.

7.1 General principles

The Fund Management Company excludes holdings associated with activities that are not deemed to be compatible with the Fund Management 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. The fund management company excludes investments in countries that are deemed to have a high sustainability risk or that are subject to international sanctions. The assessment is made on an ongoing basis and may change over time.

The fund management company manages funds where sustainability is taken into account in different ways depending on the fund's sustainability ambition. What applies to each fund is stated in the pre-purchase information.

7.1.1 Scope

The exclusions shall apply to all direct investments in internally and externally managed funds. Delegated management funds are subject to investment guidelines that regulate exclusions in accordance with this policy.

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

Information on the types of investments that may be made in a fund can be found in each fund's pre-purchase information, which also includes information on whether holdings that are not considered to promote sustainability characteristics or constitute sustainable investments are subject to minimum protection measures.

7.2 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 management company strives not to invest in companies that deliberately and repeatedly violate the following frameworks:

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

7.3 Sector-based exclusion

Sector-based exclusion refers to the screening of investments based on activities in various controversial sectors.
The fund management 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 management 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 Management 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.

7.3.1 Controversial weapons

Controversial weapons refer to weapons of a particularly inhumane nature such as cluster bombs, chemical weapons and biological 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) prohibits the use of stockpile building, production and transport of cluster munitions.
- The Convention on the Prohibition of Chemical Weapons (1997), which prohibits the use of stockpiles, production and transport of chemical weapons.
- Biological Weapons Convention (1972) prohibiting 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.

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 8, Exclusion limits.

7.3.2 Nuclear weapons

The fund management company recognizes the right of states to maintain national security within the framework of international agreements, such as the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). At the same time, nuclear weapons are considered to pose significant sustainability risks, which is why investments in companies linked to these activities are subject to special restrictions.

Companies with primary involvement in the development, production or distribution of nuclear weapons are excluded. Primary involvement refers to activities that directly contribute to the development or production of nuclear weapons or where these form a central part of the business model.

Companies with secondary involvement – such as suppliers of generic components, services or so-called *dual-use* products that are not developed exclusively for nuclear weapons – may be permitted provided that:

- revenues related to such activities do not exceed 5% of the company's total turnover;
- the company is a resident of a country that is a party to the Non-Proliferation Treaty (NPT), and
- The involvement is assessed as non-material and secondary according to the fund management company's assessment

This balancing act implies a restrictive stance towards nuclear weapons, while at the same time allowing for limited secondary exposure in line with market practice and applicable international agreements.

7.3.3 Fossil fuels

Oil and gas

Oil and gas refers to upstream, midstream and downstream, excluding service and equipment. 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 end 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 Management Company excludes companies with operations in the production or distribution of oil and gas in accordance with the limits in section 8, Exclusion limits, with the exception of companies with transition potential. See section 6.5. Exemption for companies with verified transition potential.

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. For this reason, the Fund Management Company has chosen to exclude companies with activities in production or distribution linked to Arctic drilling limits in section 8, Exclusion limits.

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 Management Company has chosen to exclude companies in the production or distribution of oil sands in accordance with the limits in section 8, Exclusion limits

Thermal Carbon

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

The fund management company has chosen to exclude companies with operations in the extraction or distribution of coal in accordance with the thresholds in section 8, Exclusion thresholds.

7.3.4 Consumer Products

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 management company therefore excludes companies that produce tobacco products or distribute tobacco in accordance with limit values in section 8, Exclusion limits.

Pornography

Pornography refers to material that depicts sexual activities in a challenging way. This can be considered controversial as it may contain degrading material and is associated with significant social and humanitarian risks, such as exploitation and human rights violations. Production refers to when companies are actively involved in pornography and/or media companies that own internet, cable or satellite channels where pornographic content is actively distributed.

The fund management company excludes companies that produce pornography or distribute pornography in accordance with the thresholds in section 8, Exclusion thresholds.

Gambling

Refers to products in gambling and gambling. As this is a sector where the product and/or service is not necessarily harmful, the Fund Management Company has chosen to apply the exclusion of companies with turnover from distribution or production linked to gambling according to the limits in section 8, Exclusion Limits.

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 limit values in section 8, Exclusion limits.

7.4 Monitoring

The Fund Management 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), and if there are holdings that fall within the framework of the Fund Management 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 Management 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 interest of the unitholders, the holding can be retained and monitored for follow-up.
- Advocacy dialogue: If there is reason to believe that a change can take place, an advocacy dialogue is initiated in accordance with the Fund Management Company's guidelines for owner engagement.
- Divestment/Request 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.

7.5 Exemption for companies with verified transition potential

Part of the Fund Management 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 service of fossil fuels and in related sectors such as raw material extraction, transport, energy, public services and more.

A successful transition to sustainable development therefore requires a transformation of business models within 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 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 Management 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 according to SBTi.
- The company shows progress towards its set goals, something that is followed up by the manager at a certain regularity.
- The investment decision must be approved and documented by the Fund Management Company's Risk and Return Committee.

An exemption for transition potential is applied to the direct-investing self-managed funds. Exemptions may be applied to investments in companies with verified transition potential within the framework of investments that promote sustainability, and then in accordance with 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 Management Company's Sustainable Investment Framework under the SFDR.

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.

8 Exclusion thresholds

The fund management 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 that the Fund Management Company applies investment restrictions to based on the fund's level of sustainability. Information about each fund's exclusion thresholds can be found in the pre-purchase information.

Area	Sector	Production	Distribution	Production	Distribution	Production	Distribution
Weapons	Controversial Weapons	10%	10%	0%	0%	0%	0%
	Nuclear weapons**	5%	5%	5%	5%	5%	5%
Fossil Fuels	Oil & Gas (excl. service)	N/A	N/A	50% or exceptions*	50% or exceptions*	5% or Exceptions*	5% or Exceptions*
	Oil sands	10%	10%	5%	5%	5%	5%
	Arctic Drilling	10%	10%	5%	5%	5%	5%
	Coal	10%	10%	5%	5%	5%	5%
Consumer Products	Tobacco	10%	10%	0%	5%	0%	5%
	Pornography	10%	10%	0%	5%	0%	5%
	Gambling	N/A	N/A	N/A	N/A	5%	5%
	Alcohol	N/A	N/A	N/A	N/A	10%	10%

*Exceptions may be applied to investments in companies with verified transition potential within the framework of investments that promote sustainability characteristics, and then according to the Fund Management Company's criteria for transition companies. Exceptions 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 Management Company's Sustainable Investment Framework under the SFDR.** Refers to secondary involvement in nuclear weapons (e.g. generic components or dual-use products). Allowed only if revenues are below 5%, the company operates in a NPT-affiliated country and the exposure is deemed non-material.

9 About the company's other commitments

9.1 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.

9.2 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.

10 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.

11 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 analyst 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 with a statement of the principal adverse impacts for sustainability factors.

12 Documentation

Responsible investment documentation must be retained for at least 5 years.