

# POLICY ON CAPITAL INVESTMENT

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The Palme Center's capital investment policy sets out the framework for the Ethics and Investment Committee in their work on managing the funds which constitute the capital of the Solidarity Fund and the Palme Center. In the event of circumstances where this policy is not applicable, a member of the committee or a member of the management of the Palme Center may request that the Board grant an exemption from this policy for the current year.

## ASSET MANAGEMENT

The Ethics and Investment Committee is responsible on behalf of the Board of the Palme Center for managing the capital of the Solidarity Fund and the Palme Center. The committee consists of the Secretary General, the Head of Finance and four external advisors: two investment advisors and two ethics advisors. The committee is appointed annually by the Board. The Ethics and Investment Committee has at least one meeting per year, which is put on record.

The Palme Center's Secretary General and Head of Finance and one of two investment advisors, in association, have the authority to decide on investments in new assets or changes in existing assets. Decisions are made at the meetings of the committee or on a regular basis via telephone or other communication channels. Decisions taken outside of ordinary meetings are placed on record at the next meeting.

The administration shall endeavour to secure a good rate of return while following the sustainability aspects defined in Annex 1 of this policy. Risk reduction guidelines shall be taken into account.

## OBJECTIVES OF CAPITAL MANAGEMENT

The objectives of capital management are to 1) secure continuous growth of the capital and 2) ensure responsible consolidation of the organisation.

### 1) Target rate of return:

- *Annual direct return of nominal 3% of the market value of the capital managed at the beginning of the year. Direct return may be reinvested in the operation as long as the total return objective is achieved.*
- *Annual total return (direct return plus value increase) of nominal 5% of market value of the capital managed at the beginning of the year. The objective is an average target over a five-year period.*

### 2) Consolidation target:

- *The market value of the Palme Center's equity shall be at least 50% of the Center's external operating costs (defined in the Palme Center budget) plus other salary costs. This gives sufficient reserves to discontinue the operation in a responsible manner if financial conditions significantly deteriorate. During any period of consolidation, the operation shall give priority to seeking new funding.*
- *The market value of the Solidarity Fund's share of assets under management shall amount to at least 50% of the operating costs of a secretariat with three employees for three years with an operation of two million annually without external financing.*

## TYPES OF ASSET AND DISTRIBUTION OF ASSETS UNDER MANAGEMENT

The assets of the Palme Center and the Solidarity Fund may be invested in any of the following options

- *Cash and cash equivalents (short term interest rates)*
- *Bonds (short term interest rates)*
- *Shares*
- *Alternative investments such as investment and equity funds, hedge funds with limited risk*

Investments in the respective asset type may amount to at most the percentage below of total assets at the date of acquisition.

<b>Asset Type</b>	<b>Min</b>	<b>Max</b>
Shares, direct	0%	10%
Corporate bonds	0%	35%
Swedish State, interest rates	0%	40%
Hedge funds, interest rates	0%	25%
Interest funds, interest rate accounts	0%	60%
Hedge funds, share-oriented	0%	20%
Equity funds	0 %	20 %
Low-risk investment such as capital insurance	0%	30%

## RISK REDUCTION GUIDELINES

The assets of the Palme Center and the Solidarity Fund shall be invested in such a way that the risk is minimal, but the return is good.

1. *Investment may only be made in shares that are listed on a Nordic stock exchange.*
2. *Investment in corporate bonds may only be made in companies that are listed on a Nordic stock exchange. Exemption from this may be made for investments up to a total value of SEK 3 million in cases where special risk assessment has taken place and the risk is deemed to be low over time.*
3. *The Fund shall have liquidity to allow at least SEK 5 million to be available for payment within 1 week.*

4. *Of the Fund's assets, no more than SEK 2 million (value at date of investment) may be invested in a single company's bonds.*
5. *Capital may be invested in managed investment funds and hedge funds whose investment policy complies with the provisions in this investment policy.*
6. *Investments shall be made in securities that have good liquidity, i.e. can normally be sold within a month.*
7. *Investments in currencies or securities that are directly based on currency speculation may not be made.*
8. *Securities transactions may be only be made with a Swedish counterpart that meets the following criteria:*
  - *Swedish bank or other institution under the supervision of the Swedish Financial Supervisory Authority and which is authorised to trade in financial instruments on behalf of others in its own name.*
  - *Bank or institution in another Nordic country with the appropriate authorisation in the country it operates in and that is under the supervision of that country's financial supervisory authority.*

## **GUIDELINES FOR SUSTAINABLE INVESTMENTS**

Investments shall be made in a sustainable manner consistent with the values expressed in the Statutes of the Palme Center. Investments shall be made in accordance with the Palme Center's environment and climate policy and in the spirit of the section on sustainability in the investment policy of Bantorget AB and the Swedish Trade Union Confederation (LO) (Annex 1). Meetings of the Ethics and Investment Committee monitor that this is carried out.

## **FOLLOW-UP AND COMPLIANCE**

The Secretary General is responsible for ensuring that the capital investment policy is complied with and followed up. The Palme Center's capital investment policy is adopted annually by the Board of the Palme Center. Asset management outcomes are reported on a quarterly basis to the management group and on an annual basis to the Board.

## ANNEX 1 - SUSTAINABLE INVESTMENTS

Annex 1 is an extract from Bantorget Finans AB, which manages LO Sweden's financial assets and investment policy and regulates how the Palme Center shall take sustainability into account when making investments.

From Bantorget Finans AB's investment policy adopted by the Board of LO 17/06/2019:

### 3.3 Sustainability

The aspect of sustainability shall, alongside return and risk, always be taken into account in Bantorget Finans AB's investment activities. Therefore, responsibility and integration of ESG factors in all investment decisions are considered important. In this assessment, managers, product (fund, etc.) and underlying financial instruments shall be evaluated. The basic rule is that investment shall never be made with a manager or fund that is associated with or invests in a company that is in breach of Swedish law or international agreements and conventions that Sweden is a signatory to. Bantorget Finans AB's ownership shall be based on the universal values expressed in the UN's human rights declarations and the UN International Covenant on Civil and Political Rights (1966), as well as the UN International Covenant on Economic, Social and Cultural Rights (1966). An important tool for achieving this is to engage ESG4Real-certified asset managers (relevant for capital in the asset classes listed shares and corporate bonds and index-related mandates). These asset managers meet our requirements for responsible investments, which include exclusion, standards based screening, ESG analysis, integration and active ownership. The asset managers' compliance with ESG4Real is certified by an independent certification body accredited according to ISO17065 from a policy, process and reporting perspective, which provides reliable and continuous quality control. Bantorget Finans will in a transparent manner communicate how much of our capital is managed by ESG4Real-certified asset managers on their public website.<sup>1</sup>

Bantorget Finans AB's assets may not be invested in companies that have unacceptable working conditions or that oppose trade union organisation. The International Labour Organization (ILO) conventions shall provide the guiding principles of what are ethically acceptable investments. Therefore, Bantorget Finance AB may not invest their assets in companies that do not respect and comply with the fundamental ILO Conventions

- Freedom to form and to join a trade union organization (No. 87) and the right to collective bargaining (No. 98)
- Prohibition of slavery and forced labour (Nos. 29 and 105)
- Prohibition of child labour (Nos. 138 and 182)
- Ban on discrimination against individuals on the basis of e.g. colour, gender, religion or political views (Nos. 100 and 111)

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<sup>1</sup> For more information on the requirements of ESG4Real, visit [riainternational.org](http://riainternational.org) (RIA International is the non-profit organization that owns and develops ESG4Real).

- The OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration for multinational enterprises in accordance with its section on collective bargaining, paragraphs 55-57.

The following environmental conventions and regulatory frameworks are of particular importance when the activities of an enterprise are assessed from an environmental perspective:

- The UN Framework Convention on Climate Change, including the Kyoto Protocol
- The Vienna Convention for the Protection of the Ozone Layer, including the Montreal Protocol
- The Basel Convention on the transboundary movements of wastes
- The Stockholm Convention on Persistent Organic Pollutants
- The Paris Agreement

The environmental conventions are primarily aimed at governments, which means that interpretation and scrutiny at company level is difficult, thus it is a matter of an approach on the part of the company that is in line with the principals set out in these conventions.

Bantorget Finance AB may not invest in operations which directly or indirectly concern the production, distribution or use of landmines and cluster bombs and thus infringe the UN conventions on weapons.

In addition to this, Bantorget Finance AB shall not invest in a company whose main business is in the production or distribution of pornography, or which engages in unethical marketing, or which has a lack of product safety.

When selecting a manager, the ethical aspects shall always be evaluated and constitute a necessary criterion for investment. In the evaluation, considerable emphasis is placed on the asset manager being certified according to ESG4Real, and Bantorget Finans AB also clearly communicates this expectation to those of its asset managers that are not yet certified. If a manager in its investment policy generates added value for LO and LO's values, this shall be taken into account in selection and manager evaluation.

In the event of suspicion of unethical activity of a manager or of the securities depositories invested in, the facts of the matter shall be investigated without delay. If the suspicion is confirmed, the manager shall first and foremost try to alter the irregularity and show that the irregularity has been remedied. Failing that, the management assignment or investment shall be terminated as soon as possible. Accounting of sustainability issues is dealt with by the Board of Bantorget Finans twice a year.