

---

# **The Board's investment policy, with investment rules for the Swedish Foundation for Strategic Environmental Research**

## **1. Introduction**

### **1.1 Mistra's Statutes**

Extracts from the Statutes for the Swedish Foundation for Strategic Environmental Research ('Mistra' or 'the Board'):

#### *Article 1*

'The purpose of the Foundation... is to fund research of strategic importance for a good living environment.'

#### *Article 2*

'The Foundation's endowment consists of the funds which have been transferred to the Foundation as of 2 December 1993 by Government decision plus whatever funds may be transferred to the Foundation thereafter as additional foundation capital.'

#### *Article 3*

'The activities of the Foundation may eventually entail that the Foundation's endowment is used up.'

#### *Article 9*

'The board of trustees is responsible for ensuring that the Foundation's assets are managed satisfactorily with limited risk and a good rate of return.'

#### *Article 10*

'The Foundation may take a loan from a credit institution in order to meet a temporary need for liquidity.'

### **1.2 Purpose of the investment policy**

The purpose of this investment policy is to lay down rules for the management of Mistra's assets. The policy sets out:

- The aims of investment activities (section 2 below).
- How to divide responsibility for asset management (section 3 below).
- How to report on asset management and its results (section 4 below).
- Asset management for sustainable development (Appendix 1).
- Rules on the investments in which assets may be placed, and the maximum limits for placing in such investments (see Investment Rules, Appendix 2).
- Strategic allocation and benchmark index (Appendix 3).

The investment policy is intended to guide the day-to-day work of the individuals, inside and outside the Foundation, who are involved in managing its assets.

### **1.3 Asset management**

Regarding management of Mistra's assets, the Asset Management Committee is responsible for allocation, both strategic (i.e. choice of benchmark index) and tactical, and also for selecting asset managers. For day-to-day management, Mistra mainly engages external managers, except where short-term handling of liquidity is concerned. The Chair of the Asset Management Committee and Mistra's Executive Director jointly decide on short-term investment of surplus liquidity. Liquidity for current payments is placed in a bank account.

### **1.4 Updating**

Mistra's investment policy will be continuously kept up to date with respect to current circumstances in the Foundation and also taking trends of the financial markets into consideration. The investment policy will be adopted by the Board.

## **2. Investment aims**

In December 2019, Mistra's Board adopted a strategy for the Foundation for the years 2020–22.

Mistra's assets will be managed with a good return and limited risk, so that they can be useful both for funding of initiatives in the area of environmental research and for investing in companies whose operations contribute to global development that takes environmental, social and ethical values into consideration.

Aims of asset management for the three-year period are:

- To safeguard existing commitments, and make new, environmentally strategic research initiatives possible, through a good financial return in the long term. .
- To influence the financial sector so that new and existing knowledge is used for asset management geared to sustainable development.
- To encourage, through our investments, activities carried out in compliance with the Paris Agreement, and promote progress towards the global Sustainable Development Goals (SDGs).
- To be transparent and openly present our portfolio and its development, and our criteria for asset management that promotes sustainable development.
- To take part in and actively support initiatives that contribute to asset management geared to sustainable development.
- To actively follow legislative developments at EU level for a sustainable financial system.

This will be achieved by Mistra:

- Developing the sector towards sustainable asset management in a global economy.
- Continuously evaluating the portfolio and managers.
- Continuously reviewing its priorities and strategy.

- Communicating ideas and experience of sustainable asset management and also relevant research results.
- Being transparent with respect to its choices and actively contributing to progress in the area, by inspiring other foundations, asset owners and asset managers to introduce management models designed to bring about sustainable development.

#### *Long-term target*

The long-term target for Mistra's asset management is to attain a real return of 2 per cent a year. This means that real return, defined as return after deduction of the trend of Statistics Sweden's consumer price index (CPI), should exceed 2 per cent a year over time.

### **3. Division of responsibilities**

The Board is responsible for ensuring that the Foundation's assets are managed satisfactorily, in such a way as to limit risks and make use of the scope for a good return. In discharging this responsibility, the Board will set up a committee for the Foundation's Asset Management.

#### **3.1 Board's responsibilities**

The Board will:

- Once a year or as required, adopt or revise the investment policy.
- Appoint members of Mistra's Asset Management Committee, which will comprise four external financial experts with experience of asset management geared to promote sustainable development, a person from the Board and Mistra's Chief Executive Officer, with a Chair appointed by the Board.
- Determine the strategic asset allocation and choice of benchmark index (see Appendix 3).
- Secure independent evaluations of Mistra's asset management and risk exposure.

#### **3.2 Asset Management Committee's responsibilities**

The Committee will:

- Decide on Mistra's asset management within the framework laid down in the investment policy currently in force, or by other Board resolutions, and be responsible for ensuring that the assets are managed in accordance with the Foundation's Statutes and the investment policy currently in force.
- Be responsible for tactical allocation and choice of asset managers.
- Propose the strategic allocation and choice of benchmark index to be adopted by the Board.
- Analyse the outcome of asset management.
- Monitor and evaluate the results of Mistra's asset management and its risk exposure.
- Initiate evaluations and obtain the documentation required for its work.
- Draw up proposals for updating the investment policy.
- Through its Chair, submit written comments on the asset management to the Board ahead of every Board meeting or when requested by the Board or its Chair. The Committee Chair will comment on matters referred to in point 4.1 below.
- Be responsible for reporting to the Board in accordance with section 4 and point 4.1 below.

Committee meetings will take place on the scale required. At these meetings, minutes will be taken, and all decisions with a bearing on the Foundation's asset management will be recorded in the minutes. Minutes taken at Committee meetings will be presented to the Board.

### **3.3 Executive Director's responsibilities**

The Executive Director will be responsible for:

- Implementing decisions on asset management taken by the Committee.
- Verifying compliance, in agreements with external managers etc., with the investment policy in force at any time.
- Reporting to the Board in accordance with point 4.2 below.

## **4. Reporting**

The Asset Management Committee will ensure that the Foundation receives, every month, the reports from external managers that are required to enable the Committee to fulfil its obligations under the current investment policy in force.

All individuals and parties involved in managing the portfolio must immediately report any events in the asset management that cannot be regarded as normal.

Violations of rules in this investment policy must be reported to the Board in writing.

### **4.1 Reporting by the Committee**

The Asset Management Committee will ensure that the Board, ahead of every Board meeting, receives reports on Mistra's asset management. The Committee's reports will provide information on:

- The current market value of the assets.
- The trends over time of the principal asset classes and comparisons with relevant indices.
- The risks entailed by the current investments.
- Deviations, if any.

### **4.2 Reporting by the Executive Director**

The Executive Director will ensure that, ahead of every Board meeting, the Board receives reports on Mistra's asset management. The Executive Director's reports will provide information on:

- Implementation of decisions taken by the Committee concerning asset management.
- Whether the asset management deviates from the investment policy in force at any time.

## Appendix 1

### **Asset management for sustainable development**

The market and its operators play a key part in the attainment of long-term sustainable development. For sustainable development to be achieved, a critical mass of market operators must work for long-term aims and encourage companies to invest resources in developing such solutions. This requires market operators to make aware, well-informed choices.

As an institutional asset owner and investor, Mistra has the ambition of making its asset management a model for other investors wishing to assume responsibility and work for sustainable development. This is attained through Mistra conducting asset management that is profitable in the long term and also by Mistra being transparent and inspiring in its choices. Mistra is a 'Principles for Responsible Investment' (PRI) signatory and works according to these Principles<sup>1</sup>. As a research foundation, Mistra should strive to support research that can help capital markets to work for sustainable development.

In its asset management, Mistra should exercise a preference for capital managers who strive for a good return by investing for the long term in securities whose issuers:

- Have a vision in which the company's products and services, currently and in the future, promote sustainable development, or are working for successive adaptation of their products and services in this direction.
- Report how their operations relate to the UN's 17 global Sustainable Development Goals.
- Develop and conduct their operations in accordance with the Paris Agreement.
- Report clearly on their products and services' environmental and social impact on ecosystems and the community, both positive and negative.
- Work proactively and systematically to boost the positive and minimise the negative impact of their operations in both the short and the long term.
- Ensure active efforts to avoid violations of international conventions signed by Sweden and ensure, if a violation has occurred, that preventive work is undertaken to prevent any repetition.

As an asset owner, Mistra will:

- Ahead of the dialogue with hired asset managers, consolidate its own knowledge of the sustainability focus of investments made, through systematic, regular reviews of its investment portfolio.
- Monitor Mistra's asset managers to ensure that they are working systematically and actively with companies they invest in and, through dialogue, make an active contribution to this work, to ensure that their operations are conducted in line with sustainable development. If a company can be linked to a violation of a convention, the asset manager must start a dialogue with the company for the purpose of ensuring that the company ceases this violation and takes preventive measures. As a last resort, a company that fails to work towards Mistra's aims will be divested.
- Actively support initiatives in which institutional investors work to promote the UN's global Sustainable Development Goals, such as efforts to correctly price negative climate effects and other environmental impacts.

---

<sup>1</sup> <https://www.unpri.org/>

## Appendix 2

### **Investment rules**

These investment rules are an integral part of Mistra's investment policy and should be applied with reference to the aims etc. of Mistra's asset management, as specified above. Mistra's funds should be invested in a portfolio that is well diversified in terms both of asset classes and of managers.

#### **1. Permitted asset classes**

Mistra's funds may be invested in:

- Deposits in Swedish banks with a credit rating of at least A- from S&P or the equivalent rating according to another system.
- Interest-bearing securities with an appreciable proportion of green bonds.
- Inflation-linked government bonds.
- Swedish and foreign shares and share-related securities. Investments may also be made in depositary receipts regarding the above-mentioned securities; in unit trusts that invest mainly in securities of the above-mentioned kind; and in interest-bearing securities.
- Options and forward contracts regarding securities and currencies in which the portfolio's funds may be invested, and also in option and forward contracts concerning indices that are mainly based on such securities. The purpose of these investments should be to enhance the efficiency of the asset management, boost the return or hedge an investment. The opposite party must be a highly solvent bank with a credit rating of at least A- from S&P or the equivalent rating from another rating agency.
- Liquid alternative investments, such as hedge funds.
- Non-liquid alternative investments, such as venture-capital funds and property funds.
- Other instruments, following special decisions by the Asset Management Committee.

#### **2. Investment restrictions**

##### **2.1 General restrictions**

As managers, Mistra will engage only securities institutions that are licensed by the Swedish Financial Supervisory Authority (Finansinspektionen, FI) to engage in management of another party's financial instruments, or a foreign institution with a corresponding licence that is under the supervision of a government agency or other authorised body. The manager must be respected and well known, and have a track record of good management performance.

Investments may be made in securities funds whose investment focus conforms, in all essentials, to the provisions of this investment policy and that are under the supervision of a public agency or other authorised body in an OECD member state. The fund must be respected and well known, and have a track record of good management performance.

Mistra is not permitted to take out securities loans.

## **2.2 Interest-bearing instruments**

Interest-bearing investments should consist of securities issued or guaranteed by the Swedish state or another OECD member state, housing finance institutions, market-listed companies and the like, with S&P ratings of at least BBB– or the equivalent rating according to another rating system, and interest funds containing corresponding assets. Up to 15% of the interest portfolio may be invested in interest-bearing securities with credit ratings below BBB–.

A maximum of 20% of the interest-bearing assets may be invested in securities from a single issuer. This rule does not apply when the Swedish state is the issuer, or to Swedish housing finance institutions with the same rating as the state.

## **2.3 Liquid alternative investments**

Liquid alternative assets, such as hedge funds, may not make up more than 15% of the Foundation's total assets.

## **2.4 Non-liquid alternative assets**

Investments in non-liquid alternative assets and assets with long investment terms and inferior liquidity may amount to a maximum of 20% of the Foundation's total assets. The Board must decide on these investments.

## **2.5 Shares**

Share investments should form part of a well-diversified portfolio with an overall limited risk. Securities, options and futures in this portfolio will be listed at, or within one year of, issue on a stock market or other authorised market, or be regularly traded on another regulated market that is open to the public and subject to the supervision of the supervisory authority of the country concerned.

However, up to 5% of the share portfolio may be invested in shares or share-related securities if their market listing within six months is intended.

## **2.6 Derivative instruments**

Derivative instruments may be traded in situations where the instruments will either promote further efficiency and rationalisation of the asset management or give protection against undesired risk exposure. Option and forward contracts may be traded only if the contracts undergo clearing by a clearing organisation supervised by a government agency or other authorised body, or if agreements are concluded, on the usual market terms for the market concerned, with authorised Swedish and foreign securities institutions that are subject to supervision. The opposite party must be a Swedish bank with a credit rating of at least A– from S&P or the equivalent according to another rating system.

## **2.7 Foreign currencies**

Currency-risk diversification should be considered in distribution of funds among asset classes, regions and countries. Derivative contracts relating to foreign currencies may be entered into only if their purpose is to protect assets in the fund against currency risks. The opposite party must be a Swedish bank with a credit rating of at least A– from S&P or the equivalent according to another rating system.

## Appendix 3

# Strategic allocation and benchmark index

## 1. Strategic portfolio

Mistra's strategic portfolio comprises the following asset classes for the liquid portfolio, with specification of their normal weighting.

<b>Asset class</b>	<b>Strategic allocation</b>	<b>Normal weighting</b>
Interest-bearing	30–100%	40%
Shares	0–70%	40%
- Sweden		13%
- Global		27%
Liquid alternative investments	0–15%	12%
Non-liquid alternative investments (subject to Board decisions)	0–20%	8%

## 2. Benchmark index

Interest-bearing	70% OMRX Mort, 10% OMRX T-Bond and 20% OMRX T-Bill
Swedish shares	SIXPRX (Stockholm Stock Exchange Portfolio Return Index)
Global shares	MSCI World All Countries DM Net Dividends Reinvested
Shares, total	32% SIXPRX, 68% MSCI World All Countries DM Net Dividends Reinvested
Liquid alternative investments	OMRX T-Bill +2%
Venture capital funds	OMRX T-Bill +6%
Microfinance funds	OMRX T-Bill +2%
Property funds	IPD Swedish Property Index
Total portfolio	40% share index, 40% interest rate index and 20% OMRX T-Bill +2% p.a.

-----

Adopted by Mistra's Board on 27 June 2006 and revised on 2 April 2008, 2 April 2009, 10 March 2010 and 12 December 2011. Adopted by Mistra's Board on 11 December 2012 and revised on 12 December 2013, 10 December 2014 and 2 June 2015. Adopted by Mistra's Board on 8 December 2015, revised on 31 May 2016 and adopted by Mistra's Board on 9 December 2016. Revised on 13 September 2017, 12 December 2017, 7 December 2018 and 18 September 2019. Revised and adopted by Mistra's Board 11 December 2019. Revised and adopted by Mistra's Board 24 March 2021.





The Swedish Foundation for Strategic Environmental Research