

Policy for responsible investments

Applies from 1 January 2023

Adopted by the Board of Governors on 15 December 2022





Contents

1	Introduction	2
2	Conventions and guidelines	2
3	Responsible investments	4
3.1	Norm-based screening	4
3.2	Exclusion and adjustment of sectors based on a sustainability perspective	5
4	Rule compliance and reporting	6

1 Introduction

The Nuclear Waste Fund's capital management is governed by a regulatory framework that has been established at different levels. At the highest level are the provisions of the Act (2006:647) on the Financing of the Residual Products of Nuclear Power (the Financing Act) and the Ordinance (2017:1180) on the Management of the Assets of the Nuclear Waste Fund (the Asset Management Ordinance).

According to Sec. 7 of the Asset Management Ordinance, the Fund assets shall be managed in a responsible manner with a view to environmental and social aspects. This is stipulated by the Board of Governors in the form of a policy for responsible investments. The policy shall be applied to all of the Nuclear Waste Fund's investments.

The policy for responsible investments is adopted by the Board of Governors and revised annually. The Board of Governors can decide on changes in or deviations from the policy as needed during the year.

2 Conventions and guidelines

To ensure responsible management, the Fund employs a framework consisting of Swedish rules and statutes, international UN conventions signed by Sweden, international guidelines endorsed by Sweden and Sweden's positions in matters of international law.

The most important of the international UN conventions are:

- *The UN's Universal Declaration of Human Rights*
- *The ILO's fundamental conventions on rights at work*
- *The Rio Declaration on Environment and Development*
- *The UN Convention on Biological Diversity*
- *The UN Convention Against Corruption*

In accordance with the Charter of the United Nations, every nation has the right of self-defense. Manufacture and trade in weapons and war materiel are regulated by national legislation, international regulatory frameworks, international conventions and weapons embargoes declared by the UN Security Council or the EU. The Fund does not permit investments in companies involved in the manufacturing and distribution of weapons that are not compliant with international conventions and guidelines. These are called controversial weapons and include antipersonnel mines, cluster munitions and chemical and biological weapons. The Fund also refrains from investing in companies that are involved in the production and distribution of nuclear weapons.

The international guidelines supported by Sweden mainly include the OECD's Guidelines for Multinational Enterprises, ILO guidelines and the UN Global Compact. The UN Global Compact consists of international principles based on fundamental conventions and declarations and is broken down into four categories: human rights, labour, environment and anti-corruption:

Human rights

Principle 1: Support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure that businesses are not complicit in human rights abuses

Labour

Principle 3: Businesses should uphold the freedom of association and the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

The Nuclear Waste Fund expects companies and organizations to act in compliance with laws, conventions and international guidelines, regardless of in which country the organization is domiciled. This responsibility applies even if the country has weaker legislation or has not signed a convention.

Responsible investments

2.1 Norm-based screening

The Nuclear Waste Fund's **equity investments** are passive, i.e. they are aimed at following an established comparison index that may consist of all available securities on a given market. All companies and organizations included in the comparison index are analyzed in order to identify whether they are investable in accordance with a process called norm-based negative screening. If a company or organization is judged to be in violation of any convention or guideline within the framework, the Fund does not invest in the company.

A violation of one or more of the conventions or guidelines described in section 2 is judged to occur if one or more of the following conditions is met:

- The company or organization has itself confirmed a violation
- The violation is verified by a legal judgment
- The violation can be established on the basis of generally known information or documentation from a relevant body, for example the international bodies whose mission is to monitor compliance with international agreements and conventions.

The companies and organizations in which the Fund does not permit investments can qualify as investable again if they have implemented acceptable measures to correct the violations that have led to the exclusion and/or adopted measures that make it likely that the violation will not be repeated.

The Fund's management of **corporate bonds** is active and is evaluated against an index. The companies included in the index are analyzed in the same way as for the active investments. In addition, investments may be made from time to time in companies not included in the index if they comply with the Fund's investment rules. These companies must also be analyzed and approved before an investment can be made.

The norm-based selection is carried out by the Board of Governors and relates to the Fund's investable assets. The screening results in a list of non-investable companies and organizations. The manager in question then takes responsibility for ensuring that no investments are made in companies or organizations included on this list. If an existing holding winds up in this category, the holding must be promptly divested under orderly forms and reported to the Fund's Board of Governors. In the event an organization that complies with the Fund's policy for responsible investments is split up into multiple entities, the previous screening result applies to all entities until the screening results have been updated. The Swedish state, regions and

municipalities, as well as companies that are wholly-owned by these entities, are exempted from the screening requirement.

Under the mandate for Swedish equities and corporate bonds in SEK, the manager may invest in securities issued by companies and issuers that are not subject to the ordinary screening process, provided that these organizations can be assessed to be in compliance with this policy. The assessment must be documented and appended to the rest of the deviation report.

The manager in question takes responsibility for ensuring that investments in companies and organizations that are permitted under this policy but are not included in any of the Fund's comparison indexes are analyzed in the same norm-based selection process before an investment is made.

2.2 Exclusion and adjustment of sectors based on a sustainability perspective

Based on the Paris Agreement and the Climate Convention (United Nations Framework Convention on Climate Change), which are aimed at limiting global emissions of greenhouse gases, the Fund has decided not to invest in organizations that receive revenues from thermal coal and oil sands.

The Nuclear Waste Fund does not invest in companies and securities issued by issuers that receive revenues from the extraction of thermal coal or that use thermal coal for energy production. This does not apply to metallurgical coal used in steel production, since suitable alternatives do not exist today. Nor does the Fund invest in companies and securities issued by issuers that receive revenues from the extraction of oil sands.

The Nuclear Waste Fund's investments in global equities must comply with the indexes established by the EU that define assets that can be considered to be in line with the Paris Agreement's long-term climate goals¹.

Exclusion takes place on the scheduled screening occasions and the manager in question is then responsible for ensuring that no investments are made in companies or organizations that have been excluded by the screening. If an existing holding winds up in this category, the holding must be promptly divested under orderly forms and reported to the Fund's Board of Governors.

¹ Regulation (EU) 2019/2089 of the European Parliament and of the Council amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.

3 Rule compliance and reporting

The comparison indexes used for risk and return calculations shall exclude those companies in which the Fund, as a consequence of this policy, has decided not to invest.

The individual manager is responsible for rule compliance within his respective portfolio, at the same time as the Fund's appointed function for compliance bears overall responsibility for monitoring and verification. Any deviations are reported monthly to the Board of Governors.

In connection with return and risk calculations and limit checks, the assets shall be measured at their market value. Current price and interest rate levels shall be assumed as a basis for the calculation.