

Investment policy

Applies from 1 January 2022

Adopted by the Board of Governors on 16 December 2021



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1 Introduction

The holder of a licence for nuclear activities is responsible for safety in the activities and shall, according to the Act (1984:3) on Nuclear Activities

- adopt whatever measures are needed for safe management and disposal of nuclear waste or nuclear material that is not reused, if the waste or material has arisen in the activities.
- adopt whatever measures are needed for safe decommissioning and dismantling of facilities in which activities will no longer be pursued until all activities at the facilities have ceased and all nuclear material and nuclear waste has been placed in a repository that has been closed and sealed.

The Act (2006:647) on the Financing of the Residual Products of Nuclear Power (The Financing Act) aims to secure financing of the aforementioned obligations. According to Sec. 13, the Government designates the authority that is to manage the paid-in nuclear waste fees.

According to Sec. 1 p. 2 of the Ordinance (2007:1055) with Terms of Reference for the Nuclear Waste Fund, the Nuclear Waste Fund shall manage the fees paid into the Fund according to the Financing Act and the revoked Act (1988:1597) on the Financing of the Management of Certain Radioactive Waste etc.

The investment strategy shall be designed so that return and risk in the Fund contribute as far as possible to the goal of asset management: to secure the financing of the future costs which the fees are intended to cover¹.

Within the framework of the provisions of the Ordinance (2017:1180) on the Management of the Assets of the Nuclear Waste Fund (the Asset Management Ordinance), the Board of Governors adopts additional rules for capital management as set forth in this Investment policy.

The Investment policy defines rules governing how the capital in the Nuclear Waste Fund may be invested, and how different risks are to be measured and limited. The Policy shall be revised at least once a year.

The Board of Governors may also adopt special resolutions in matters relating to capital management.

2 Overall requirements on asset management

According to the Financing Act (Sec. 13), the Fund assets shall be managed prudently to secure the financing of the future costs which the fees are intended to cover¹.

The Asset Management Ordinance (Sec. 7) states that the Fund assets shall be managed

¹Gov. Bill 2016/17:199 page 30.

- in a cautious manner so that they will most likely suffice to meet the expected need for disbursements from the Fund, have a suitable level of risk and provide satisfactory liquidity, and
- in a responsible manner with a view to environmental and social aspects, while still meeting the requirement in the above point.

2.1 Investments in companies that conduct nuclear activities

According to the Asset Management Ordinance (Sec. 12), Fund assets may not be invested in transferable securities or money market instruments issued or guaranteed by a company that conducts nuclear activities or a company group where another company conducts nuclear activities as defined in the Act (1984:3) on Nuclear Activities, or similar nuclear activities in another country.

2.2 Responsible asset management

Investments made in the Fund shall comply with the Nuclear Waste Fund's policy for responsible investments.

3 Financial risks

Exposure and risks in the investment operation shall be regularly measured and evaluated by means of methods that are generally accepted on the financial markets. To limit the financial risks, asset management shall be subject to certain constraints or limits.

3.1 Market risk

By "market risk" is meant the risk of loss due to fluctuations in the market value of the Fund's holdings of financial instruments as a result of changed market prices. The main market risks are interest rate risk, stock price risk, exchange rate risk and liquidity risk.

Market risk is managed by means of restrictions on permitted investments, hedging requirements and the duration strategy etc. as described in section 5 Base portfolio and section 6 Long-term portfolio.

The liquidity risk is low, since in keeping with Sec. 8 of the Asset Management Ordinance, the investments have in general good liquidity. For this reason, no additional limits are required to limit liquidity risk.

3.2 Credit risk

Credit risk refers to the risk of loss due to the inability of an issuer or a counterparty to fulfil their financial obligations. The principal credit risks are issuer risk, counterparty risk and settlement risk.



3.2.1 Issuer risk

Issuer risk refers to the risk of changes in value of an individual instrument as a result of factors relating to the issuer of the instrument or, in the case of derivatives, factors relating to the issuer of the underlying instrument. An example of issuer risk is failure to pay interest and principal on time.

Issuer risk in the base portfolio is limited by the permitted ranges of investments stipulated in section 5.

Issuer risk in the long-term portfolio is limited by the investment requirements stipulated in section 6.6.

3.2.2 Counterparty risk

Approved counterparties in transactions with the Nuclear Waste Fund's assets are:

- securities institutions licensed by the Swedish Financial Supervisory Authority to execute orders for financial instruments on behalf of clients in accordance with Chap. 2, Sec. 1, p. 2 of the Swedish Securities Market Act (2007:528), or,
- foreign institutions that have equivalent licences and are under the oversight of a government agency or other competent body.

Approved counterparties shall be specified in a special list.

Limitation of counterparty risk in connection with repurchase transactions is described in section 5.6 and in connection with securities lending in section 6.11.

3.2.3 Settlement risk

Settlement risk is managed in the following manner:

- payment must be made on delivery.
- the number of days between the trade date and the settlement date may not exceed what is normal on the market.

4 Division into portfolios

The Asset Management Ordinance states that for every licensee's share of the Fund assets, an amount corresponding to the sum of the discounted value of the expected net disbursements of Fund assets during the current calendar year and the next nineteen calendar years, but at least 60 percent of the licensee's share of the Fund assets, shall be invested in an interest-bearing account at the National Debt Office, in treasury bills issued by the state or in debt instruments issued in accordance with the Covered Bonds Issuance Act (2003:1223).

With this in mind, the Nuclear Waste Fund's assets are being managed in two separate portfolios with different investment rules:

The base portfolio, which is limited to investments in accordance with section 5.2, and the long-term portfolio, which is limited to investments in accordance with section 6.3.

Investments in shares in the appropriate portfolio are made for each payer. The following distribution between the portfolios shall be applied.

Table 1. Licensee's percentage shares in the Base and the Long-term portfolio

Licensee percentage share	Base portfolio			Long-term portfolio		
	Min. acc. to ordinance	Target value BASE	Max.	Min.	Target value LONG	Max. acc. to ordinance
Ranstad Mineral AB	100%	100%	100%	0%	0%	0%
Studsvik funds	100%	100%	100%	0%	0%	0%
Forsmark Kraftgrupp AB	60%	62%	64%	36%	38%	40%
OKG	60%	62%	64%	36%	38%	40%
Ringhals	60%	62%	64%	36%	38%	40%
Westinghouse Electric Sweden AB	60%	62%	64%	36%	38%	40%
Studsvik Nuclear AB	60%	62%	64%	36%	38%	40%
Cyclife Sweden AB	60%	62%	64%	36%	38%	40%
Chalmers University of Technology	60%	62%	64%	36%	38%	40%
Vattenfall (Ågesta)	60%	62%	64%	36%	38%	40%

Table 2. Licensee's discounted values of expected net disbursements

Licensee calculated amount (SEK M)	Base portfolio			Long-term portfolio		
	Min. -2%	Target value BASE	Max. +2%	Min.	Target value LONG	Max.
Barsebäck Kraft AB	9838.22	10,039.00	10,239.78		Remainder	
AB Svafo	213.07	217.42	221.76		Remainder	

In accordance with Sec. 7 of the Ordinance (2017:1179) on the Financing of the Residual Products of Nuclear Power (the Financing Act), nuclear waste fees, financing amount and supplementary amount shall be determined for a period of three calendar years at a time. At the start of a new fee period, a complete rebalancing is done based on the data underlying the new fee decision. For the period between fee decisions, the shares are rebalanced at the start of each calendar year so that each licensee's share of the base portfolio corresponds to the expected net disbursements for the current year and the next 19 years (but at least 60 percent of the market value).

In the event of deviations from the target values in Tables 1 and 2, the manager shall determine in each case whether the deviation should be corrected for, based on the overall requirement of caution. Otherwise, rebalancing is carried out as needed during the year to the extent possible when share transactions are made in conjunction with inflows and outflows of capital for a given licensee.

If the deviation is greater than +/-2 percent, it must be corrected for immediately but under orderly forms. The asset manager may nevertheless

determine on any given occasion, based on the overall requirement of cautious management, that the chairman of the Board of Governors should be contacted before any action is taken. According to the Nuclear Waste Fund's rules of procedure, the decision of the chairman shall be reported at the next board meeting.

5 Base portfolio

5.1 Goal for rate of return

The goal is that the annual return, excluding the duration adjustment referred to in the second paragraph of section 5.5, during rolling five-year periods should exceed the comparison index by 0.25 percentage point.

5.2 Permitted investments

Permitted investments in the base portfolio are

- fixed-income and index-linked bonds issued by the state.
- treasury bills and in sight deposit account with the National Debt Office.
- debt instruments issued in accordance with the Covered Bonds Issuance Act (2003:1223) by an issuer mentioned in section 5.2.1.
- derivatives whose underlying assets are debt instruments that are issued by the state or in accordance with the Covered Bonds Issuance Act (2003:1223) by issuers mentioned in section 5.2.1 or that relate to interest rates in Swedish kronor. Derivatives may not be used to create leverage in the portfolio.
- currency derivatives.

All investments shall be denominated in Swedish kronor.

5.2.1 Covered bonds

The following banks and credit market companies are approved by the Nuclear Waste Fund as issuers for investments in covered bonds. All are licensed by the Swedish Financial Supervisory Authority to issue covered bonds.

- Nordea Hypotek
- Skandinaviska Enskilda Banken
- Stadshypotek
- AB Sveriges Säkerställda Obligationer (Sbab)
- Länsförsäkringar Hypotek
- Swedbank Hypotek
- Landshypotek Bank

- Danske Bank Hypotek

Exposure to one and the same issuer of covered bonds may not exceed 20 percent of the value of the base portfolio.

5.3 Reference portfolio

The purpose of the reference portfolio is to describe how the portfolio’s rate-of-return goal can be achieved and to permit measurement against set goals.

Table 3. Reference portfolio for BASE

(% of market value)	Lowest share	Reference portfolio	Highest share
Index-linked treasury bonds	20	30	40
Fixed-income treasury bonds	10	20	30
Covered bonds	35	50	60
Treasury bills and cash	0	-	35

The base portfolio shall be managed actively within the limits stipulated in the table. Treasury bills and cash only affect the calculation of limits.

5.4 Comparison index

Table 4. Comparison index per asset class

Comparison index	Percent
OMRX REAL	30
OMRX TBOND	20
OMRX MORT	50

5.5 Duration

By “duration” is here meant modified duration.

The target value for modified duration in the base portfolio is 6.1 percentage points. The target value can be achieved by the use of interest rate swaps.

In active asset management, the modified duration of the composite index may not deviate more than +/- 1.0 percentage point from the target value. Within the framework of active asset management, the manager may also use derivatives whose underlying assets are debt instruments issued by the state or in accordance with the Covered Bonds Issuance Act (2003:1223) by an issuer mentioned in section 5.2.1.

5.6 Repurchase transactions in interest-bearing debt instruments (repos)

The Nuclear Waste Fund may participate in the repo market in order to improve return. The following thereby applies.

Repurchase transactions may be used to

- sell one or more securities under a repurchase agreement and deposit the proceeds in a sight deposit account at the National Debt Office or invest them in a reverse repo (see below)
- invest liquid assets on the repo market (reverse repo), provided that the repo relates to a security that is permitted for investments (see section 5.2).

If an unconditional repurchase agreement exists, securities acquired by means of reverse repos do not have to be counted in connection with follow-up against the limits stipulated in section 5.3.

Permissible counterparties in repurchase transactions are counterparties with whom the Nuclear Waste Fund has concluded agreements. Agreements are only concluded with counterparties that have a credit rating of at least A-

If a counterparty with an A- rating from a rating institution is given a “negative outlook”, the chairman of the Board shall be contacted to decide what is to be done.

The counterparty risk in outstanding repurchase transactions is managed daily by securing the counterparty exposure with approved collateral.

If the counterparty risk is not managed daily by securing the counterparty exposure with approved collateral, the total risk in outstanding repurchase transactions with one and the same counterparty may not exceed SEK 100 million. By “risk” is meant in this context the amount the Fund risks losing in the event the counterparty is unable to fulfil its obligations in outstanding repo transactions. If the limit is exceeded at the closing of the market on a trading day, measures shall be taken at the start of the next trading day to ensure that the limit is once again met.

Repurchase transactions may not be outstanding for more than 90 days.

6 Long-term portfolio

6.1 Goal for rate of return

The goal for the portfolio is that the annual return during rolling five-year periods should amount to at least the return for the reference portfolio (see section 6.4).

The goal for the investment portfolio is evaluated against the comparison index stipulated for the portfolio (see section 6.5). The goal for each investment portfolio that is managed actively is to exceed the comparison index for the asset class by at least 0.25 percentage point.

6.2 Strategy

The overall asset management philosophy is that corporate bonds are managed actively and equities are managed passively. Exposure to global corporate bonds and global equities is achieved by investing in mutual funds.

6.3 Permitted investments

Permitted investments in the long-term portfolio are:

- corporate bonds
- equities
- shares in mutual funds invested in the kinds of financial instruments stipulated above
- interest-bearing account

Investments may be made in the following derivatives:

- stock index futures
- Swedish interest rate futures and mortgage futures
- interest rate swaps
- credit derivatives
- currency derivatives

6.4 Reference portfolio

The purpose of the reference portfolio is to describe how the portfolio's rate-of-return goal can be achieved and to permit measurement against set goals.

Table 5. Reference portfolio for LONG

(% of market value)	Lowest share	Reference-portfolio	Highest share
Corporate bonds in SEK		16.5	
Global corporate bonds		16.5	
Corporate bonds, total	30	33	36
Swedish equities		27	
Global equities		40	
Equities, total	64	67	70

For the purpose of limiting transaction costs, a deviation is allowed due to market movements between different asset classes.

6.5 Comparison index

Table 6. Comparison index per portfolio

Portfolios	Index
Corporate bonds in SEK	Solactive SEK FRN IG Credit Index
Global corporate bonds	Barclays Customised Global Diversified Credit ex Subordinated Financial Index
Swedish equities	SIX Return Index ¹
Global equities	MSCI All World Gross Index ¹

¹ Adjusted for equities that are not permitted for investments under the Nuclear Waste Fund's requirements on responsible investments and ban on investments in companies that conduct nuclear activities

All indexes are total return indexes.

6.6 Investment portfolios

6.6.1 Corporate bonds in SEK

Investments are made in FRNs where the coupon rate is adjusted at set times or in bonds with a fixed coupon rate and matching interest rate swaps.

For more efficient portfolio management, it is also permitted to use derivatives whose underlying assets are debt instruments issued by the state or in accordance with the Covered Bonds Issuance Act (2003:1223) by an issuer mentioned in section 3.2.1.

The average term to maturity may not exceed 6 years.

The following table stipulates limits to limit the issuer risk. Moody's, Standard & Poor, Fitch, Nordic Credit Rating or similar rating institutions are used for public credit ratings. If the credit quality differs between issuer and bond, the limit applies to the bond. The table below uses Moody's (with Standard & Poor in brackets).

Table 7. Limit per category and individual issuer, corporate bonds in SEK

	Highest share per category of issuer (%)	Highest share per individual issuer (%)
Issuer without rating with 100% state ownership	30	5
Issuer with rating of Aa3 (AA-) or higher	100	8
Issuer with rating of A3 (A-) or higher	80	7
Issuer with lowest rating Baa2 (BBB)	40	5
Issuer without official rating but with credit quality judged to be investment grade ¹	10	3
Issuer with rating of Baa3 (BBB-)	10	3
Issuer with rating below Baa3 (BBB-) ²	10	3

¹ Senior debt issued by issuers with a rating assessed by Kammarkollegiet to be at least Baa2 (BBB). The assessment must be documented.

²No purchases are permitted of securities with an official rating lower than Baa2 (BBB-) or an assessed credit quality lower than Baa3 (BBB-). Holdings in this category may however exist due to a reduced rating of existing holdings.

6.6.2 Swedish equities

Investments may be made in equities included in indexes and in equities that will be included in indexes in the near future. If several equity classes exist, they are investable. The investments may be limited to fewer equities than those included in indexes.

Stock index futures may be used for more effective asset management.

Tracking error against the stipulated comparison index may not exceed 0.5 percent ex ante. The limit may be temporarily exceeded if it occurs as a result of changes in the comparison index, for example in connection with corporate actions.

6.6.3 Global corporate bonds

Management of global corporate bonds is active, but the strategy shall aim to minimize transaction costs by means of a long-term investment horizon that encourages owning a holding until maturity and that permits owning an individual holding even if its credit rating downgraded. Investments may be made in bonds issued by a government or government-related and an issuer who has issued debt included in Barclays Global Credit Index.

The comparison index for the mandate is Barclays Customised Global Diversified Credit ex Subordinated Financials Index.

Table 8. Limit for duration deviation relative to the comparison index(year),

Total	+/- 0.5
Per currency	+/- 0.5

Table 9. Limit for geographical concentration (%), global corporate bonds

	Min.	Max.
Great Britain	10	40
Rest of Europe	10	40
North America	30	80
Developing countries	0	20
Other countries	0	25

Table 10. Limit for sector exposure (%), global corporate bonds

	Max
Financials (varav subordinated)	35 (0)
Utilities and energy	40
Securitized	20
Other individual sector	20

If a bond has no official rating, the asset manager is permitted, after their own credit analysis, to use an assessed rating for the equivalent of 10 percent of the market value.

Table 11. Concentration limit (%), global corporate bonds

	AAA/AA	A/BBB	BB och lägre
Max. share per issuer	2	1,5	1.5

Table 12. Limit for exposure to rating category (%), global corporate bonds

	Min	Max
AAA/AA/A	25	90
BBB	25	55
BB and lower (of which new investments)	0	10 (0)

Table 13. Permitted bond types, global corporate bonds

	Max. (%)
Senior bonds	100
Mortgage backed securities (MBS)	
Asset backed securities (ABS)	20% of which max. 10% in
Commercial mortgage backed securities (CMBS)	non-public issues
Collateralized debt obligations (CDO)	
Collateralized loan obligations (CLO)	
Municipal Bonds	10

Table 14. Permitted derivatives, global corporate bonds

Interest rate futures
Interest rate forwards
Interest rate swaps
Swaptions
FX forwards
CDS index

CDS individual contracts

6.6.4 Global equities

Asset management within the mutual fund shall ensure that the ex ante tracking error against the stipulated comparison index does not exceed 0.5 percent. The limit may be temporarily exceeded if it occurs as a result of changes in the comparison index, for example in connection with corporate actions.

6.7 Currency exposure

The future expected disbursements from the Nuclear Waste Fund will be used to some extent to cover future costs in foreign currencies. The Fund shall contain equivalent currency exposure to reduce the total risks in the financing system.

The currency exposure of the debt is based on the latest published figures from the Swedish Nuclear Fuel and Waste Management Co (SKB).

The currency exposure of the assets arises in the long-term portfolio, and if the currency exposure deviates from the expected aggregate disbursements, it is hedged in the same portfolio with linear instruments. This hedging is defined as a fixed amount in foreign currency.

If the relative value of the Swedish krona lies within one standard deviation from the long-term average value, the currency exposure in the portfolio shall correspond to the expected future disbursements in foreign currency.

If the relative value of the Swedish krona lies outside one standard deviation from the long-term average value, the Board of Governors may approve a strategic deviation between the portfolio's currency exposure and the currency exposure in the expected future disbursements. The possible range of variation of the currency exposure is limited by the size of currency assets in the asset portfolio. If an individual currency asset falls short of the expected net disbursements in the same currency, another currency shall be used as an approximation.

The currency strategy is defined at the aggregate level and may not contain opposite positions in different currency pairs.

Changes in market value may lead to deviations from the adopted currency strategy. Deviations from the strategy are permitted within the following intervals as expressed in the equivalent value in Swedish SEK. If the market value changes result in the limit being exceeded for an individual currency or the total net exposure, adjustment shall be made to the middle value in the interval.

	Permitted interval (SEK millions)
USD	+/- 1,000
EUR	+/- 1,000
GBP	+/- 200
JPY	+/- 200

Net exposure	+/- 1,000
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Investments in global market-weighted mandates contain a variety of different currencies, but the currency risk shall be approximated by a separate analysis and be represented by the following currencies:

- American dollars (USD)
- Euro (EUR)
- Japanese yen (JPY)
- British pounds (GBP)

The average term of the currency hedge may not exceed 0.5 year. The term of any individual currency hedging instrument may not exceed 1 year.

6.8 Securities lending

Financial instruments may be lent out for a market-level fee. What is said in this section shall also apply where relevant to lending of securities in the mutual fund in which the Nuclear Waste Fund has shares.

Permissible counterparties in securities lending are counterparties with whom the Nuclear Waste Fund has concluded agreements. Agreements are only concluded with counterparties that have a credit rating of at least A-.

If a counterparty with an A- rating from a rating institution is given a “negative outlook”, the chairman of the Board shall be contacted to decide what is to be done.

The counterparty risk in outstanding stock loans is managed daily by securing the counterparty exposure with approved collateral. Collateral in the form of securities may only be accepted if the securities are permitted for investments by the Nuclear Waste Fund and meet the requirements made in the “Policy for responsible investments etc.”.

Approved collateral includes liquidity in Swedish kronor, bonds issued in accordance with the Covered Bonds Issuance Act (2003:1223) by an issuer mentioned in section 3.2.1 and treasury bonds issued in local currency according to Table 8.

Table 15. Treasury bonds on markets in local currency

Belgium	Switzerland
France	Great Britain
Netherlands	Sweden
Japan	Germany
Canada	USA

Equities included in the most liquid stock indexes on some markets are also approved collateral for stock lending. This applies to the following stock indexes on the different markets.

Table 16. Indexes where constituent equities are approved as collateral for stock lending

Stock indexes	Country
DAX 30	Germany
FTSE100	Great Britain
OMXS30	Sweden
OMX Copenhagen 20	Denmark
OMX Helsinki 25	Finland
OBX Stock Index	Norway