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# D 2. CAPITAL INVESTMENT POLICY FOR SAVE THE ORANGUTAN SWEDEN

## 1. Purpose

This investment policy indicates the rules and guidelines that are applicable to Save the Orangutans securities. The policy is valid regardless of what legal form the management is done. The policy is valid for the financial assets that are intended to be held for the long term. Working capital that is needed for ongoing payments shall be placed in a bank or interest-bearing securities. Placements in interest-bearing securities shall be done in at least two finance companies to minimize risks, unless commercial or administrative reasons motivates that the placements are done with just one finance company.

## 2. Objective

The assets management is expected to create a long-term value increase where the fulfillment of this expectation is measured against the index chosen for comparison.

The asset management shall give a yearly, fixed contribution to the organizations finances with a pre-determined amount based on a conservative estimate of the potential value growth. During good years a higher return will increase the capital, and during bad years the capital will decrease.

The management will be conducted in an ethical way and Save the Orangutan will be a responsible investor.

## 3. Ethical guidelines

Save the Orangutan can only place capital in securities with companies that in a responsible way follow the international conventions about human right and the environment that Sweden has ratified. This applies primarily to:

- ILO conventions
- Conventions about human right
- Convention on the Rights of the Child
- Conventions against bribes and corruption
- International environmental conventions

Save the Orangutan will not own stocks or obligation in companies which have more than a 5% turnover as regards manufacturing or selling of alcohol, pornography, tobacco, weapons or commercial gambling. Weapons are defined as products with the aim to kill, maim or devastate and are sold to military users, including products that are used as platforms for weapons and strategic products such as warship, tanks and fighter planes.

Save the Orangutan will not invest in securities issued by corporations or organizations

- with obvious connections to child labour
- that clearly harms or discriminates human beings
- that does not take environmental responsibility
- that are based on undemocratic values.

Securities that no longer fulfill the ethical demands shall be sold as soon as possible but no later than six month from the moment the trustee of the capital has received knowledge about the changed circumstances.

## 4. Distribution of asset management between different classes of assets

The capital that is available for placement during a least one year is placed according to the following division. The percentage in the columns indicates the highest and lowest share, which makes up each class of asset at every given point in time.

If the limit is exceeded the assets shall be sold in the corresponding way and transferred as soon as this can be done in an appropriate manner. If the limit falls short assets shall be procured in the corresponding way as soon as possible. The distribution of the assets is based on the current market value.

The capital shall be placed in such a way as to spread the risk i.e. limits the risk that the capital decreases in value and the best possible sustainable investment income is achieved in relation to the risk

Assets	Minimum	Normal	Maximum
Swedish shares/equity funds	0 %	30 %	40 %
Foreign equity funds	0 %	15 %	30 %
Interest bearing securities	30 %	40 %	100 %
Alternative placements	0 %	15 %	40 %
Nonprofit placements	0 %	0 %	5 %

## 5. Approved Securities instruments and lending

### 5.1 General starting points

Securities shall be marketable and listed in order to ensure necessary liquidity and to make it possible to make necessary shifts of the assets under management. The investments shall be done in a stock exchange or other regulated marketplaces. Market listings increase the possibilities of evaluation and conditions are created for better management by obtaining a safer base for decisions.

Mortgage of securities is not allowed. Placement of securities in derivatives, (options, and futures) is not allowed. Purchase options may be allowed for up to 30 % of the shareholding.

### 5.2 Shares and equity funds

Swedish shares shall be listed on any of the lists of the Stockholm Stock Exchange and equity funds shall be under the supervision of Finansinspektionen (FI).

Foreign equity funds that are placed in shares or equity related securities shall be under the supervision of each countries authority.

The market value in one company can amount to no more than 15 % as regards the 30 most traded shares on the Stockholm Stock Exchange, and 10 % for other companies of the total market value of the Swedish stock portfolio.

### 5.3 Interest-bearing investments

Accepted placements are interest-bearing securities issued by the following issuers and with the following credit risk;

- Swedish government bonds and treasury bills
- Bonds and certificates from Swedish state-owned enterprises including subsidiaries
- Municipal bonds
- Swedish mortgage institutions and bank bonds, and commercial papers with a rating no lower than K1 and Swedish and foreign corporate bonds with a rating no lower than BBB+
- Bond fund and fixed income funds with Swedish and foreign interest-bearing securities that are under the supervision of relevant authority.

The average duration of the fixed-income portfolio (interest rate risk) can at most amount to 3.5 years. Interest-bearing investments shall be executed in Swedish crowns.

### 5.4 Alternative placements

Alternative placements designates amongst other hedge funds and index-linked bonds. Placements with these kinds of instruments shall be restrictive as the underlying instruments and product are difficult to analyze and the risks are difficult to assess. When it comes to hedge funds it is important that the revenue from the funds has a low correlation in relation to the revenue of interest-bearing securities or stocks.

Placement in composite securities (so called structured products; with elements of derivatives and interest-bearing papers) can be done with great insight into the character of the product and the fee structure.

The following should be observed:

- The nominal amount cannot be risked (capital guaranteed products)
- When purchasing the premium can amount to a maximum of 10 % of the nominal value
- That there is an acceptable liquidity i.e. it shall be possible to sell the security on the secondary market and the liquidity shall be guaranteed by the issuer.
- That there is a transparency in the pricing.

## **5.5 Nonprofit placements**

Refers to investments where the main purpose is not maximal return but corporate social responsibility. The benefit of what the capital is funding is the primary aim and the financial return can be lower than for normal investments.

## **6. Securities obtained through donations and gifts**

Organisations can through donations and gifts obtain securities that are not in correlation with the ethical rules. The board decides on a case-by-case basis if it is possible to accept such securities and if that is the case how a responsible liquidation shall be handled. When the organization receives an earmarked donation an evaluation shall be done to see if the restrictions fall within the framework of the investment policy. Should the restrictions be contrary to the investment policy the organization shall refrain from the donation.

## **7. Organisations and delegation**

### **The Board:**

- Decides the investment management policy and shall by March-April each year decide if the policy needs revision including how much of the fixed annual contribution (amount or percentage) shall be passed on the finances of the organization
- Nominates and delegate to a “management organization” the mandate to operationally manage the securities
- Regularly receives reports for follow up and shall in March-April each year especially evaluate the management in conjunction with the annual report
- Decides if securities should be sold in the cases where it is doubtful they can be held in relation to the ethical guidelines

### **Head of Administration**

- Is responsible for ensuring that the board continuously receives reports about the management
- Initiates and prepares proposals to the board regarding revisions of the investment management policy
- Develops guidelines/requirement from the operational management organization based on the objectives in the policy
- Continuously follows the development of the management and has an ongoing dialogue with the operational management organisation
- Is responsible for the management of the organizations ongoing payments.

### **Operational management organization**

- Makes decisions about capital investments, sells and buys securities in accordance with the rules of this policy

- Regularly evaluates that the ethical guidelines are followed and that securities are sold if they do not meet the criteria
- Delivers regular reports monthly/as need be and have a ongoing dialogue the head of administration

## 8. Reporting

Reports about the management shall be submitted quarterly to the board or when major changes that affect the management occur. The board can at any given moment ask for information about the management. The board can also hire an external evaluator if they find it appropriate to evaluate the results of the management and/or review that the guidelines in the policy are followed.

In the management report of the annual report a short description shall be given of the capital management where the organization is described, the outcome of the management and this policy is schematically described. The policy shall be reported externally by being available on Save the Orangutans website.

## 9. Evaluation of the management

The effectiveness of the management is judged by analyzing the outcome compared to chosen indexes of capital investments. The revenue for a successful management is on par with benchmark index or better. Chosen benchmark indexes shall be reviewed on a regular basis so that they are challenging but realistic. The index shall weigh the balance between the revenue and the risk the organization is willing to take.

The management assets classes are evaluated against the following indexes:

Swedish shares	SIX Retur Index
Foreign shares	MSCI World All Index
Interest-bearing	OMRX T-bill 50 %, OMRX T- bond 50 %
Alternative placements	OMRX T-bill

The total portfolio shall be evaluated against composite index consisting of above mentioned index with its share in the normal portfolio.

Since the conditions of the management continuously change is appropriate that one a year see if revisions of the placement policy are needed. The following questions should be answered:

- Which life-span does the capital that is being managed have?
- Should the capital be consumed over a certain period of time?
- Should the capital be valued secured over time against inflation?
- What is the annual requirement for the dividend?
- What level of risk is acceptable?
- How shall liquid assets be invested?