

## Guidelines concerning responsible investments for the Nobel Foundation's asset management

### Introduction

The Nobel Foundation is a private foundation established on the basis of the will of Alfred Nobel. Its primary purpose is to ensure that the Nobel Prize is awarded in accordance with the testator's wish that prizes be awarded to those "who have conferred the greatest benefit to humankind" in the fields of physics, chemistry, physiology or medicine, literature and peace. The Foundation also oversees the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, established in 1968 in the memory of Alfred Nobel, and awarded according to the same principles. The Nobel Prize is one of the world's most prestigious prizes and helps to highlight knowledge and science, humanism and peace. It is mainly through the selection of Nobel Laureates and the attention the Nobel Prize receives that Nobel activities can contribute to a world characterised by sound values and which rests on a sustainable base.

The Nobel Prize is financed by the assets that Alfred Nobel left behind. The Nobel Foundation is responsible for ensuring that these assets are well managed. In addition, the Foundation is responsible for the intangible assets that have been built up during the more than century-long history of the Nobel Prize and for ensuring that the activities within the entire Nobel sphere live up to the ambitions and ideals that are expressed in the will of Alfred Nobel.

The objective of the Nobel Foundation's investment activities is to achieve a sufficiently high return over time to safeguard the financial base of these prizes and activities and to guarantee the independence of the work of the Nobel Prize-awarding institutions in selecting Nobel Laureates. The Foundation's asset management must take into account the various risks associated with financial market activities.

### Overall principles

In addition to its financial objectives, the Nobel Foundation endeavours to follow good ethical principles and contribute to long-term sustainable global development. In recent decades there has been a shift in financial markets towards increasingly specific needs and demands for responsible investments. As a consequence of this, a number of good investment alternatives have been created, which are designed on the basis of ethical and sustainability-related considerations. The Nobel Foundation monitors these trends

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closely and the ambition is for our investment activities to be in the forefront of such developments. At the same time, the Foundation's limited organisation must be taken into account.

In selecting its investments, the Nobel Foundation considers internationally accepted norms and conventions related to the environment, human rights, labour, anti-corruption and controversial weapons. Today these are defined on the basis of the United Nations Global Compact<sup>1</sup>. In addition, the Foundation does not wish to invest in companies that produce controversial or nuclear weapons or companies where a significant proportion of revenue comes from coal exploration or coal power generation.

The ambition of the Nobel Foundation is that its asset managers shall view sustainability issues as a natural element of the investment process and that they shall consider internationally accepted norms and conventions according to above. We also would like our asset managers to play an active part at annual meetings and in other contexts, in accordance with our principles for responsible investments.

Today, within the asset classes Equities and Fixed income, it is possible to make a good selection of funds on the basis of financial as well as ethical and sustainability-related criteria. This is the path the Nobel Foundation has chosen.

In addition to this, the Nobel Foundation holds "alternative investments", mainly real estate funds and hedge funds. In this area it is more difficult to make equivalent choices, mainly because transparency is lower, but also because it is still relatively hard from a financial investment standpoint to find sufficiently good alternatives. When it comes to alternative investments, the Nobel Foundation thus applies a somewhat different approach. Today this involves actively searching for new investment opportunities with a desirable ethical and sustainability-related strategy and to exercise investor influence. The Nobel Foundation also intends to completely avoid funds within alternative investments if these are judged to have significant positions in companies that violate the Foundation's guidelines. The approach outlined above is also used for illiquid equities, i.e. Private Equity.

The Nobel Foundation has become a signatory of the UN-supported Principles for Responsible Investments (PRI). The decision to adopt these principles is an expression of the Foundation's ambition to incorporate issues related to the environment, social responsibility and corporate governance into its asset management. This commitment means that:

1. We will incorporate environmental, social and governance (ESG) issues into investment analyses and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

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<sup>1</sup> See Appendix 1 - The United Nations Global Compact - international norms and conventions

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4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.

Another element of this commitment is a yearly report on our activities and progress towards implementing the Principles. The essential parts of this report will be made public.

### Investor influence

The Nobel Foundation maintains a dialogue with its asset managers aimed at influencing them to live up to the Foundation's overall principles for responsible investments. We believe that investor influence is the best way to contribute to sustainable long-term global development, especially for a market player of our type with limited financial assets but with an otherwise strong position.

In order to exercise influence, we must understand each asset manager's investment process and actions related to sustainability issues. Our asset managers should be familiar with the Nobel Foundation's guidelines and our interpretation of ethical and sustainability issues.

### Negative screening

Within the asset classes public Equity and Fixed Income, the Nobel Foundation screens out the following:

- Asset managers who lack adequate procedures for dealing with companies that violate international norms and conventions according to the UN Global Compact. Such procedures must include monitoring of violations and dialogue with companies (in the first instance) or divesting those companies that are unwilling to improve.
- Funds that include companies classified as producers of prohibited weapons or nuclear weapons, according to international law.
- Asset managers that lack the ambition and an adequate investment process for assessing and influencing the efforts of companies to minimise climate impact. We intend to avoid investments in companies that derive more than 5% of their revenue from coal exploration or coal power generation.
- All new asset management mandates are tested according to these guidelines. Investments in funds via asset managers who do not live up to these standards will be phased out within 12 months after a holding that should be screened out has come to our attention.
- Investment funds with holdings in companies that produces tobacco.

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## Positive screening

The Nobel Foundation continuously seeks opportunities to make investments that, without conflicting with our financial objectives, also contribute to the global sustainability goals. Such investments may include technologies and methods for limiting global warming as well as structural themes viewed as contributing to more efficient use of the world's resources over time.

## Monitoring

At least once a year, asset managers shall openly report how they are pursuing their work. In cases where an asset manager's investment process is not compatible with the Nobel Foundation's fundamental values, the Foundation will begin a dialogue with the asset manager aimed at creating understanding and bringing about the desired changes.

Once a year, the Nobel Foundation reviews the underlying holdings of the funds we invest in. If this review reveals companies that are believed to conflict with the negative screening principles presented above, this provides further reason for a dialogue with the asset manager.

The Nobel Foundation intends to monitor the result of its investor influence efforts and eventually devise a model for a yearly external report on both the negative screenings it has conducted and the impact of its investor influence efforts. These guidelines will be evaluated continuously and updated yearly.

## Appendix 1 – UN Global Compact – international norms and conventions

Corporate sustainability starts with a company's value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. Responsible businesses enact the same values and principles wherever they have a presence and know that good practices in one area do not offset harm in another. By incorporating the Ten Principles of the UN Global Compact into strategies, policies and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.<sup>2</sup>

### Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

### Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

### Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

### Anti-corruption

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

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<sup>2</sup> <https://www.unglobalcompact.org/what-is-gc/mission/principles>