



LUNDS
UNIVERSITET

DECISION

Reg no STYR 2019/931

Date 2020-12-15

University Board

Investment regulations for donated funds

Lund University manages donated funds partly as donations bound to specific purposes within the public authority, internally referred to as LU funds, and partly as the trustee for foundations whose administration are affiliated with the public authority.

In compliance with the Foundation Act's rules on *affiliated administration*, the public authority's highest decision-making body is the decision-making body in each individual foundation administrated by the public authority. These foundations constitute separate legal entities.

Principles for the management of donated funds

Donated funds are always managed in compliance with the rules set up by the relevant donor and accepted by the University through receiving the funds or taking on the administration of the foundation.

The University Board is responsible for managing donated funds regardless of the form of administration. In this context, the form of administration means the management of donated funds that are not intended to be used in their entirety within a short time and therefore need to be invested until they are to be used.

Insofar as there are no specific rules in the relevant ordinance, the capital is managed jointly, in what is known as co-administration, under the regulations below.

Section A – common rules

A1. Organisation and authority

A1.1. Allocation of responsibility

For the management of donations received in compliance with the Donations Ordinance (1998:140) and for the management of foundations with administration affiliated to the public authority in compliance with the Foundations Act (1994:1220), the following allocation of responsibilities applies.

The University Board

- is responsible for the management of donated funds regardless of the form of administration,
- decides on organisation,
- decides on any permutations,
- establishes and staffs an endowments board,
- decides on the level of dividends,
- decides on the investment regulations, and
- approves annual reports for affiliated foundations.

The Endowments Board

- decides on overarching issues concerning the focus of activities,
- is the signatory for the affiliated foundations,
- decides on the acceptance of new donations,
- decides on investments and investment managers,
- delivers proposals for investment regulations, and
- decides on instructions stating the detailed allocation of responsibilities between the Endowments Board, the university director and the Endowment Administration.

The university director

- is responsible for ongoing administration with the support of the Endowment Administration, and

- decides the rules on powers of approval and delegation for the ongoing activities on the basis of the instructions from the Endowments Board.

The Endowment Administration at LU Finance

- executes and evaluates investments within the framework of the investment regulations,
- manages the reception of new donations,
- manages calls for applications and applications,
- executes dividend payment in compliance with University Board decisions,
- checks that funding purposes are met,
- manages endowment real estate properties, and
- takes care of book-keeping and produces annual reports for affiliated foundations.

A2. Investment principles

A2.1. Legal requirements

Pursuant to the Donations Ordinance, donations are to be managed in a way that is appropriate to their purpose. The Foundations Act states that a foundation's assets are to be invested in an acceptable way – Lund University thereby has decision-making freedom within this framework over how the donated funds are to be managed and establishes the following.

A2.2. Fundamental principle

Donated funds are to be managed mainly as liquid assets in such a way as to ensure long-term security, where value growth and opportunities for good immediate returns are utilised with limited risk and taking the public authority's societal responsibility into account.

A2.3. Sustainability

The University, its affiliated foundations and any administrators who are appointed are to take account of environmental, social and governance aspects (referred to as ESG factors) in investment analyses and decision-making processes with the aim of promoting the 17 global goals for sustainable development (Sustainable Development Goals, referred to as SDGs) set by the UN in Agenda

2030. The University is to strive for all parties to provide open and sufficient reporting on ESG factors.

All investments are primarily to comply with Swedish legislation and declarations and conventions signed by the Swedish parliament and government on human rights, labour law and environmental protection, as well as resolutions or equivalent statements issued by the UN and the ILO in the fields above, especially the UN Global Compact's fundamental principles on human rights, labour law, the environment and anti-corruption for responsible business, and the OECD guidelines for multinational companies.

The University and its affiliated foundations will also refrain from investing in companies specialising in extraction or production of fossil fuels, manufacturing or sales of munitions, production and distribution of pornography, production and distribution of tobacco products and alcoholic drinks or commercial gaming.

All holdings are regularly evaluated so that no holdings are tied to companies or funds that violate the norms above or whose activities within the areas listed above constitute more than five per cent of turnover.

A2.4. Evaluation

Investments are to be evaluated regularly from an economic perspective and this type of performance review is to be addressed at all meetings with the Endowments Board.

In addition, investments are to be regularly evaluated from a sustainability perspective by an outside agent with no links to the University or any appointed administrators, with the exception of holdings in equity funds that conduct their own screening in compliance with the present regulations.

A3. Valuation

All the restrictions stated in the investment regulations apply to the market value of the assets concerned.

A4. External asset management assignments

The Endowments Board decides on administration assignments in compliance with the investment regulations (A1.1.). The administrators are to work under the supervision of the Swedish financial supervisory authority, Finansinspektionen, or an equivalent institution abroad. Administration assignments in which ongoing decisions on investment are made by the administrator, known as discretionary administration, are accepted.

The administrators' ability to achieve good returns on capital at an acceptable level of risk and their compliance with the investment regulations are to be evaluated on a continuous basis.

Section B – rules for affiliated foundations

B1. Scope of the investment regulations

The regulations cover the University's co-administration of foundations including certain specific rules (see points B2.4.1. and B2.5.1.) for foundations in which real estate properties make up the main assets, referred to below as real estate foundations. Foundations that have been donated with specific investment rules are administrated separately and not covered here.

B2. Investment rules

B2.1. Allocation

The total assets of the co-administration are always to be divided by asset type, as below and as specified under points B2.4. – B2.6.

Shares and share-related instruments: Normal level 50 % (+/- 20 %)

Interest-bearing securities: Normal level 50 % (+/- 20 %)

The category of interest-bearing securities is made up of money market funds, reverse convertible bonds, stock market index bonds, structured investments with interest rate exposure and/or equity exposure and liquidity (see points B2.5. and B2.6.).

B2.2. Individual exposure

Holdings of financial instruments in an individual company or companies that are part of the same group are not to exceed 15% of the share and/or fixed income portfolio.

B2.3. Counterparty risk

Securities are only to be traded with banks and stockbrokers who operate under the supervision of the Swedish financial supervisory authority, Finansinspektionen, or an equivalent public authority abroad.

B2.4. Shares

Investments are permitted in the following:

- shares registered on the Swedish stock exchange, equity funds and share-related instruments such as subordinated debentures, convertible debentures, convertible profit-sharing certificates, debentures combined with warrants for new subscriptions, subscription warrants, share or subscription privileges,
- mutual funds containing shares, pursuant to the Swedish Securities Market Act (2004:46),
- shares listed on stock exchanges abroad (EU, Norway, Switzerland, USA and Japan), and
- unlisted Swedish and international shares.

B2.4.1. Distribution of share investments

A maximum of 30 per cent of total assets in shares may be in shares listed on stock exchanges abroad and international mutual funds.

A maximum of 5 per cent of total assets in shares may be in unlisted Swedish and international shares.

B2.4.2. Derivative instruments

Standard call options and non-standard call options, so-called OTC contracts, may be used in the management of capital, in order to create a distributable return and to reduce the risk in the equity portfolio, up to a maximum of 30 percent of the underlying portfolio value, provided that Nasdaq Inc, a bank with a charter or stockbroker under

the supervision of the Swedish financial supervisory authority, Finansinspektionen, is market maker (liquidity guarantor) and/or clearing institution.

Lending of held securities may take place against adequate security up to a maximum of 70% of the portfolio's total shareholding.

Currency derivatives may be used to hedge currency exposure in international holdings.

B2.5. Interest-bearing investments

Investments in interest-bearing securities issued by counterparties are permitted according to the following table.

B2.5.1. Distribution of interest-bearing investments

Maximum proportion (% of the fixed income portfolio) per issuer and maximum proportion per category according to the limits below:

Individual exposure	Percentage of portfolio	Percentage per issuer
Swedish state, state-owned and/or state-guaranteed companies	100%	100%
Swedish municipalities and regions and companies fully owned by them	75%	20%
Banks and their fully owned credit market companies rated no lower than A- (Standard & Poor's)	100%	25%
Companies listed on the Swedish stock exchange rated K1/A- (Standard & Poor's)	50%	15%
Companies listed on the Swedish stock exchange or stock exchange abroad (B2.3.) rated no lower than BBB- (Standard & Poor's) i.e. investment grade	30%	5%
Companies listed on a European stock exchange with no rating or rated lower than BBB-	15%	2%
European companies with no rating or rated lower than BBB-	5%	1%

The approved ratings institutions are Standard & Poor's and Moody's.

Companies listed on the Swedish stock exchange means companies listed on the Stockholm stock exchange according to Nasdaq Inc's division into large and medium-sized companies.

The rating requirements above apply to the date of investment. If the rating of an issuer (bank, company or suchlike) should drop, this does not entail a requirement to sell the investment during its term.

Investments in money market funds are permitted if they meet the requirements of the Swedish financial supervisory authority, Finansinspektionen (or the equivalent public authority abroad).

The affiliated real estate foundations may invest 100% of their interest-bearing investments in *one* individual bank and its wholly owned credit market companies with a minimum rating of A (Standard & Poor's).

B2.6. Structured products and hedge funds

Investments in the following are permitted:

- structured products with underlying assets in Swedish and international securities, and
- hedge funds if they meet the requirements of the Swedish financial supervisory authority, Finansinspektionen (or the equivalent public authority abroad).

Structured products and hedge funds as per B2.1. are classified on the basis of their underlying assets.

Section C – rules for specific-purpose donations

C1. Scope of the investment regulations

The present regulations cover all funds donated to the University pursuant to the Donations Ordinance (1998:140), except for donations with specific investment regulations and donations that are to be utilised in their entirety shortly after reception. The University does not accept donations that cannot be managed in compliance with the principles stated in Section A.

C2. Investment rules

C2.1. Allocation

The total assets of the donations are always to be allocated to types of assets according to the rules below, detailed under points C2.3 – C2.4.

Shares and share-related instruments: Normal level 30 % (+/- 20 %)

Interest-bearing securities including liquidity: Normal level 70 % (+/- 20 %)

C2.2. Shares

Investments are only permitted in the following:

- shares listed on the Swedish stock exchange and
- mutual funds containing shares, pursuant to the Swedish Securities Market Act (2004:46)

C2.2.1. Individual exposure

Shares issued by an individual company or companies that are part of the same group are not to exceed 5 per cent of the invested value. In addition, a holding is not to exceed 5 per cent of the voting value of all shares in a single company.

C2.3. Interest-bearing investments

Investments are only permitted in the following:

- Swedish government bonds and treasury bills,
- mutual funds containing interest-bearing securities, pursuant to the Swedish Securities Market Act (2004:46) and
- the University's interest-earning account or another account in the Swedish National Debt Office.

Questions concerning this document are to be addressed to:
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