

Investment and Yield Policy for

CHILDHOOD

WORLD CHILDHOOD FOUNDATION

GRUNDAD AV H.M. DROTTNING SILVIA

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INTRODUCTION

Background

World Childhood Foundation (Childhood) has a long term commitment to protecting children's rights to a safe childhood and to work for better living conditions for children living in disadvantaged environments worldwide.

This document describes how Childhood, given its conditions, should act in its asset management in order to effectively seek to meet the set commitments.

These regulations will be effective from 2016-12-12 and replaces the previous Investment Policy.

Purpose of the Investment Policy

A well-defined investment policy is a steering instrument and an aid for the persons working with asset management, both internally and externally. Defining and clarifying responsibility, authority, rules and levels of risk creates conditions for rapid and accurate decision making.

Updating the investment policy

The Investment Policy will be kept updated regularly to reflect the current conditions at Childhood and the developments on the financial markets. The policy will be reviewed annually and updated as necessary.

COMMITMENTS

Overall objective

The objective of the capital management is to secure full indexed value of the co-founder capital and to cover administrative costs. In order to meet the commitments, the overall objective is to effectively take advantage of the growth in the global financial markets.

Ethics

For ethical reasons Childhood does not allow investments in companies whose main business is the production and/or sale of war material, pornography, tobacco or alcohol products.

Investments must not be made in companies which have been found to violate international conventions regarding human rights, environmental considerations, corruption and labor law.

The starting point when choosing companies to invest in should be the optional UN initiative Global Compact's 10 principles which are derived from:

- The Universal Declaration of Human Rights
- the ILO Declaration on Fundamental Principles and Rights at Work
- the RIO Declaration on Environment and Development
- the UN Convention Against Corruption

Capital

At present time Childhoods total capital amounts to approximately 59 million SEK. The capital consists of foundation capital 0.6 million SEK, co-founder capital 45.9 million SEK and the difference between book and market value of the portfolio 13 million SEK. Childhood's co-founder capital constitutes the basis of the long-term business, with the purpose of being able to run the business as such.

Required rate of return

Based on Childhood's overall commitments, and given Childhood's current conditions, a yield of approximately 3.5% per year in nominal terms is required.

Time frame

In light of Childhood's long term commitment, the asset management of Childhood's portfolio should therefore also be of a long term nature.

INVESTMENT STRATEGY

Permitted asset classes

Fixed income securities

Childhood may invest in fixed income securities denominated in Swedish kronor or foreign securities where the currency risk against the Swedish krona is hedged. This rule may be transgressed in the case of the foreign exchange risk being a desirable part of the exposure and of the expected increase in value.

Equities

Childhood can only invest in equities that are publicly traded, meaning equity that is regularly traded on an authorized market that is subject to supervision by the authorities. Deviations from stock market listing may be done in the event of new issues, provided that the equities are intended to be listed promptly on the exchange.

Liquid assets

Liquid assets are funds in deposit accounts, bank accounts and day deposits. Other time deposits are allocated to fixed income securities.

Permitted forms of ownership

Direct ownership

Investments may be made in direct ownership of the asset class equities and fixed income securities.

Investments funds

Investments may be made in funds that have the Swedish Financial Supervisory Authority's (FI) or equivalent foreign authority's permission and whose investment policy complies with the regulations of this policy.

Normal portfolio

The allocation between asset classes is expressed as a **normal portfolio**, which reflects Childhood's strategy in asset management. The normal portfolio corresponds to the composition of the portfolio required in order for the expected return to equal the required return over time.

Asset classes	Allocation (%)		
	Min	Normal	Max
Equity	25 %	40 %	55 %
Fixed Income	45 %	60 %	75 %
Liquid Assets	0 %	0 %	20 %

Management implementation

The Asset manager appointed by the board to manage the funds of the foundation must have signed the UN Global Compact and the UN's Principles for Responsible Investment (UN PRI) and should manage the funds in accordance with Childhoods directives.

The appointed asset manager is at present Svenska Handelsbanken AB.

Transparency

All Childhoods investments are to be transparent, which means that it should be clear to which underlying asset class the investments are exposed, and that it at all times should be possible to measure the actual size of the exposure.

YIELD POLICY

Overall objective

The yield policy should serve as a guideline for how financial gains on Childhoods portfolio should be treated.

The expected 3.5% return on financial investments should be used to:

1. **Secure full indexed value of the co-founder capital.** Part of the yield, equivalent to annual inflation (Consumer Price Index), should be allocated to the co-founder capital. (Note: Market value will fluctuate but as average over 5 years should be above indexed value).
2. **Cover administrative costs** (as defined by Svensk Insamlingskontroll)
3. If financial gains exceed the two prioritised goals above, the remaining yield should be used for communication, fundraising and program costs or allocated to retained earnings.

Practical Implementation of Yield Policy

Budgeting

Budget administration costs of a maximum amount equivalent to 3.5% return on investments. Budget financial gains correspondent to administration costs.

During the financial year

Realise financial gains according to budget or in case of insufficient yield take equivalent from retained earnings. Keep control of administration costs, should not exceed budgeted costs.

When closing the books for the year

An amount equivalent to annual inflation should be allocated to the co-founder capital. The market value of the co-founder capital should not be below the indexed value on an average of five years. The remaining yield should be used for communication, fundraising and program costs or allocated to retained earnings.

Possible scenarios

Rate of return > the expected rate of return. Only an amount equivalent to the expected rate of return in the Investment Policy is realised.

Rate of return < the expected rate of return. Financial gains should be realised so that the administration costs or as much as possible of the administration costs are covered.