



## Capital management policy

### 1. Introduction

#### 1.1 Purpose of the policy

The purpose of Insamlingsstiftelsen Operation Smile II's (Operation Smile) capital management policy is to specify the direction and framework for the management of Operation Smile's capital with regard to:

- Organization and division of responsibilities
- Investment strategy including risk management and other investment restrictions
- Ethical investment guidelines
- Reporting and follow-up

#### 1.2 Goal

Operation Smile's capital has been built up over a long time through gifts and donations. Operation Smile shall strive for a long-term good return on capital, with balanced risk-taking and observance of the ethical guidelines set out in this investment policy.

#### 1.3 Update of policy

The investment policy must be continuously updated with regard to changing conditions within Operation Smile and on the financial markets. Changes to the investment policy can only be made by decision of Operation Smile's board. The board can also by decision in each particular case allow exceptions to the provisions of this capital management policy. The board has tasked the executive director with ensuring that the funds are administered in a reassuring manner.

Operation Smile Sweden's Board of Directors will review this policy at least every two years to ensure that the basic conditions have not changed.

### 2. Distribution of responsibilities and powers

The Operation Smile Sweden board is responsible for:

- Determine the capital management policy
- Decide on revision of the policy

Operation Smile Sweden executive director is responsible for:

- That the organization acts in compliance with this policy including setting mandates for delegation to other roles in the organization and for discretionary management by the foundation's bank.

### 3. Investment strategy

Operation Smile has determined the investment strategy for the financial funds based on the established target return and risk management.

The portfolio's funds will be invested in the following asset classes:

- Bank deposits in Swedish currency
- Money market instruments such as housing bonds, bonds issued by the Swedish state, county councils, municipalities and banks.
- Fixed income funds or individual corporate bonds with the lowest average rating of BBB- (Investment Grade)
- Swedish and foreign equity funds

3.1 Strategic asset allocation

<b>Restrictions in asset classes</b>	<b>Min</b>	<b>Normal</b>	<b>Max</b>
Fixed income	10 %	50 %	60 %
Equity	30 %	50 %	75 %

If the deviation mandates are exceeded, a rebalancing is required so that the asset distribution is restored within permitted limits within a reasonable time.

3.2 Principles for ethical considerations in investment activities

Operation Smile’s Code of Conduct provides standards and guidance for all activities undertaken in support of its vision “We envision a future where health and dignity are improved through safe surgery.” This Code of Conduct represents Operation Smile’s commitment to all of its constituents. Against this background, Operation Smile integrates sustainable development, including environmental consideration, social and financial responsibility with good ethics in the investment process and wants to reward capital managers who take advantage of the business opportunities that exist in this area where external managers must prioritize sustainable mutual funds in line with Operation Smile's values and operations.

Environmental considerations and social responsibility mean that companies, in addition to legislation, follow international standards for human rights, working conditions, the environment and anti-corruption, as well as the ILO's eight core conventions on forced labour, child labour, discrimination and freedom of association and the right to organize. The international standards are expressed in UN declarations and conventions and their relevance for companies is summarized in e.g. The UN Global Compact. Operation Smile shall avoid investing in companies that repeatedly or knowingly violate these standards.

Operation Smile does not invest in companies whose funds comes from the production, development and sale of controversial (for example cluster bombs and anti-personnel mines) as well

as non-conventional weapons, (chemical, biological and nuclear weapons) and weapon-related military equipment.

Investments are also not made in companies where more than 5 percent of the turnover comes from the production and sale of pornography, tobacco, alcohol and commercial gaming industry and cannabis for non-medical use. All management products must be tested against the ethical guidelines before they can be used in asset management.

If the foundation receives individual securities, real or personal property as a gift, these must be sold as soon as possible.

#### **4 Reporting and follow-up**

Reporting, of the financial development of the capital, from the executive director to the board should take place every six months in conjunction with annual result and mid-year review.

This policy for capital management was approved by Operation Smile Sweden's Board of Directors on June 20th, 2023.