

# AP2

Andra  
AP-fonden

## Sustainability Policy



## Sustainability policy

*Decided by the Board in December 2020*

### Introduction

The First, Second, Third and Fourth Swedish National Pension Funds (the AP Funds) are buffer funds in the Swedish pension system. The objective of the AP Funds is to manage fund capital to generate the greatest possible benefit for the national pension system. The total risk level in the AP Funds' investments must be low. At the chosen risk level, fund assets should be invested so as to secure a high long-term return. The AP Funds' asset management shall be, in accordance with the Swedish National Pensions Insurance Act, conducted in an exemplary manner through responsible investments and ownership. In its investment management, special importance must be attached to the promotion of sustainable development without sacrifice on the overall goals on return and risk. The AP Funds can collaborate in the achievements of sustainability goals. Andra AP-fonden's (AP2) sustainability work is based on the Fund's mission and entails a long-term approach to protect and add value to its investments – based on an economic, environmental and social perspective.

AP2's vision is "World-class investment management". In order to achieve this vision, it is a prerequisite that sustainability is integrated into all analysis and investment processes. By actively promoting and incorporating sustainability in AP2's business, value can be created and safeguarded, and sustainable development facilitated. Sustainability includes the environment, ethics, social issues and corporate governance. The fund's work on sustainability in its asset management is governed by four focus areas: climate, diversity, corporate governance, and human rights. AP2 is responsible for both the management and the governance of the capital assets that the fund has received and works actively with sustainability from both perspectives. Systematic and exemplary sustainability work is also one of the key factors in retaining and recruiting employees.

AP2 supports and works to implement the UN-supported Principles for Responsible Investment, PRI.

AP2 is behind the Paris Agreement and the goal to have a portfolio in line with the Paris Agreement and to contribute to the transition to which the agreement is aimed.

The purpose of the sustainability policy is to provide comprehensive guidelines for the Fund's work with sustainability issues. The sustainability policy describes AP2's view of sustainability and how the Fund intends to contribute to sustainable development. The sustainability policy is the basis for the Fund's sustainability strategy.

### Investment beliefs and sustainability principles

AP2 has ten investment beliefs. Two of these summarise the Fund's overall approach to sustainability:

- Sustainability pays off,
- Climate change is a systemic risk.

Integrating sustainability into management improves the conditions for achieving the overall objective, while promoting sustainable development. Climate change poses a long-term risk that can have a broad impact on global financial markets, and as such constitutes a particularly important strategic issue within sustainability.

The Fund's sustainability work is based on six overarching principles:

1. AP2 integrates sustainability into all investment processes.
2. AP2 actively seeks investments that contribute to sustainable development.
3. AP2 works on the basis of the focus areas.
4. AP2 uses dialogue as a tool.
5. AP2 takes a scientific approach.
6. AP2 seeks to be a leader within sustainability.

The sustainability strategy is based on these principles.

### **Focus areas**

AP2's sustainability work is primarily concentrated on a number of prioritised focus areas. The purpose of focusing the Fund's resources on a number of areas is to achieve results within areas of financial significance. The Fund's focus areas are:

- Climate
- Corporate governance
- Diversity
- Human rights.

### **Responsibilities**

AP2's Board determines guidelines and policies in governance issues and has mandated the CEO of the Fund to manage these in the ongoing operations of the Fund. The Board receives information about the Fund's sustainability work at each board meeting. The Fund Executive Management, together with the strategy department and the responsible for corporate governance, are responsible for the strategic sustainability work. The day to-day work is handled by the Fund's various departments.

### **Other governing documents**

The sustainability policy provides the overall framework for the Fund's sustainability work. The sustainability policy is operationalized through the Fund's sustainability strategy. In addition to the sustainability policy, the Fund's sustainability work is governed by additional policies: The Corporate governance policy, Internal Environmental policy, The Human Rights policy, HR Policy (Discrimination policy, Ethics policy, Work environment policy, Equality and diversity plan) and the values. These are the overall internal frameworks for how the Fund will work on sustainability issues. For climate, there is also the document AP2's approach to the transition towards a low-carbon economy.