



**Andra AP-fonden (AP2)** is one of five buffer funds within the Swedish pension system, and one of northern Europe's largest pension funds. The Fund manages **SEK 357.9 billion** in virtually all asset classes, all over the world.

We are leading specialists in the Swedish pension system and seek to be a **world-class asset manager**. We are a global leader in **integrating sustainability** in our investments, for the benefit of the pension system. The Fund is a **long-term and responsible** asset manager.



Andra  
AP-fonden

## SUSTAINABILITY REPORT 1 JANUARY - 30 JUNE 2020

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## Introduction

*Andra AP-fonden has decided to publish a separate report on the Fund's sustainability work for the first half of 2020. The reason for this is that the Fund strives to be as transparent as possible and there is constantly a great deal going on in the field of sustainability. The report presents the work based on the Fund's four sustainability focus areas: climate, corporate governance, diversity and human rights.*

### **Sustainability work impacted by COVID-19**

During the first half of 2020, the Fund's sustainability work was impacted to a certain extent by COVID-19, which mainly affected attendance at general meetings, but also proposals for dividends and board fees. The Swedish Parliament quickly passed a temporary law that was adopted at the beginning of April, making it possible to vote by post. This enabled meetings to be conducted satisfactorily. As far as board fees are concerned, on several nomination committees the Fund objected to raising these for 2020.

### **Government evaluation of the AP Funds' sustainability work**

Within the framework of the Government's annual evaluation of the AP Funds' activities, McKinsey conducted an in-depth analysis of the AP Funds' sustainability work. In its evaluation, the Government notes that "the AP Funds are at the forefront of sustainability compared with leading institutional investors globally and they continue to improve their work in line with the rapid development in this area". According to McKinsey, the AP Funds distinguish themselves especially through their ownership

commitment, but they are also at the forefront of integrating sustainability into asset management. McKinsey notes that "the funds are continuously developing new methods to take sustainability into account in their investments and the management organisations are responsible for the implementation of sustainability work."



## Mission, goal and strategy

*By law, the goal of the AP Funds is to manage fund assets in such a way as to generate the greatest possible benefit for the insurance of national income-based retirement pensions. The total risk level must be low, measured in outgoing pensions.*

### Exemplary management

As part of their mission, the AP Funds' asset management shall be conducted in an exemplary manner through responsible investments and responsible ownership. Particular emphasis must be placed on how to promote sustainable development without compromising on the overall goal of being of the greatest possible benefit to the pension system.

Exemplary management means that investments must offer the best risk and return based on the needs of the pension system, and sustainability must be an integral part of management. The goal of exemplary management must be achieved without the AP Funds sacrificing the overall goal of high long-term return.

### AP2's approach to sustainability

For AP2, its sustainability work derives from the Fund's mission and involves acting on a long-term basis to protect and add value to investments – based on an economic, environmental and social perspective.

### A sustainable strategic portfolio

As part of AP2's strategic roadmap, the Fund's objective is to achieve a new and sustainable strategic target portfolio by 2020 at the latest. A sustainable strategic portfolio is a strategic portfolio which, by integrating sustainability into underlying decisions, is better placed to achieve the overall goal of being of the greatest possible benefit to the pension system in the long term. Integration of sustainability is necessary to achieve this goal. A sustainable strategic portfolio, without compromising

on the overall goal, also aims to promote sustainable development.

### Sustainability strategy

In 2019, AP2 developed a new sustainability strategy. The strategy is based on the Fund's statutory mission and its investment beliefs. The strategy also reflects the Fund's vision and values. The investment beliefs frame the Fund's approach to sustainability in its asset management. In addition, given the beliefs, the Fund has established a number of more concrete sustainability principles. AP2's six sustainability principles are:

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

The sustainability strategy is based on these principles and aims to put into practice the activities that must be carried out in order to achieve the overall goal of a sustainable strategic target portfolio, which includes being in line with the Paris Agreement. The strategy also includes targets for analysing how the Fund's sustainability work affects returns and risks.

### Focus areas

One of the Fund's six principles for sustainability is that AP2 works on the basis of focus areas. This principle means that AP2's sustainability work is primarily concentrated on a few prioritised focus areas that the



Fund considers to be important for a better long-term return. The purpose of focusing the Fund's resources on a handful of areas is to achieve results in areas that are financially material. AP2 possesses extensive expertise and experience in the selected focus areas, having worked with these issues for a considerable period of time. The Fund also expects to work with these areas for a long time to come.

This interim report on the Fund's sustainability work is based on these focus areas. The report is a summary of the work carried out in the focus areas during the first half of 2020. A more detailed description of the Fund's sustainability work can be found in the Annual Report and Sustainability Report for 2019 at [www.ap2.se](http://www.ap2.se)

The Fund's sustainability focus areas are:

- Climate
- Corporate governance
- Diversity
- Human rights.



## Climate

*The impact of climate change on global economic development is expected to increase, thus affecting long-term returns for many asset classes. Climate change can be viewed from both an opportunity and a risk perspective. It is therefore important to integrate climate aspects into analysis and investment processes.*

AP2's climate work is based both on reducing the financial climate risk for the Fund's portfolio and contributing to a transition in line with the Paris Agreement. AP2 contributes to the transition both directly through investments and indirectly via dialogues with companies and decision-makers.

### Financial climate risk

Since 2014, AP2 has analysed financial climate risks for oil and gas companies and companies with coal-based electricity production. As a result, the Fund has currently divested shares and corporate bonds in 80 companies.

Since 2019, physical climate risks have been included in the Fund's overall return assumptions, which form the basis for the choice of strategic portfolio. In spring 2020, AP2 continued to analyse physical climate risks in order to better understand the effects of extreme weather on economic development.

### Investments in sustainable strategies

One area with major need for investment is sustainable infrastructure, as energy and transport systems need to implement a rapid transition from fossil-based to renewable resources.

At the end of 2019, AP2 decided to invest in sustainable infrastructure, that is, assets that contribute to sustainable development in line with the Paris Agreement. Two investments were carried out in the first half of 2020. One is in a company that buys, manages and develops decentralised

infrastructure, primarily in the USA. This includes, for instance, solar panels, battery installations, waste management plants and electric transport solutions. The second investment is in a global investment platform in the energy sector, which has a portfolio of wind and solar farms in the USA, Canada and Japan. The company also has development projects for wind power and electricity distribution networks.

These investments are in line with AP2's overall mission to promote sustainable development, without compromising on its overall goal.

### Dialogues with companies

AP2 is actively participating in Climate Action 100+, a five-year international dialogue project launched in December 2017. More than 450 investors are collaborating on dialogues with 161 companies. These companies account for a significant proportion of the world's greenhouse gas emissions. The purpose is to get the companies to reduce their emissions so that they are in line with the Paris Agreement, that they report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) and that the companies' boards take clear responsibility for the work on the climate issue.

Climate Action 100+ has now been active for two and a half years. Some progress has been made, but much remains to be done to achieve the purpose of the initiative. By the end of 2019, approximately 70 per cent of the companies had long-term emission targets, but only around 10 per cent had

the emission targets considered to be in line with the Paris Agreement. One third of the companies support TCFD and almost 80 per cent of the boards have clear climate responsibility.

Together with Öhmans, AP2 leads the dialogue with AB Volvo, which is one of the companies in Climate Action100+. This has been a constructive dialogue, but the investor group believes that Volvo's position on the Paris Agreement needs to be clearer. Therefore, AP2, together with eight other investors, made a statement at the company's Annual General Meeting in June on this issue. Volvo replied that they believe they are well positioned to deal with the transition required and that they will continue to develop their reporting. The dialogue with the company is continuing.

### **Dialogues with decision-makers**

Many of the dialogues that AP2 participates in with climate decision-makers take place in collaboration with other investors through the Institutional Investor Group on Climate Change (IIGCC). This organisation works to make investors' involvement in the

climate issue clear to decision-makers and to put forward investors' demands for policy measures.

In May, AP2, together with 176 other investors, signed an open letter to EU leaders with recommendations aimed at supporting a sustainable economic recovery after COVID-19. The recommendations are that the EU must deliver a recovery that prioritises climate action needed for achieving the Paris Agreement's target of net zero emissions by 2050.

Another example of dialogue with decision-makers is an initiative led by Storebrand. At the end of June, AP2 and just over 30 other investors wrote an open letter to the Brazilian Embassies in the investors' respective countries because of concerns about the increasing deforestation of the Amazon and its negative effects on the climate, biodiversity and the rights of indigenous people. The initiative has attracted a lot of attention, not least in Brazil. In July, investors, including AP2, held meetings with both representatives of the Brazilian government and the Vice President, and with the Speaker and representatives of Congress. At the meetings, investors highlighted five issues where they want to see a noticeably positive trend: 1) a significant reduction in the rate of deforestation, 2) that existing protective legislation is actually applied, 3) that the authorities in Brazil which monitor environmental issues and human rights are given the resources and the opportunity to promote their mandate, 4) that measures are taken to reduce the risk of recurrence of the major forest fires in 2019, and 5) improved access to transparent data on deforestation and supply chains, which makes it possible to monitor development.

### **Carbon footprint**

COVID-19 has significantly reduced carbon emissions. According to the International Energy Agency, global carbon emissions decreased by 5 per cent in the first quarter of



2020 compared with 2019, and emissions for the full year 2020 are expected to decrease by around 8 per cent.

However, this reduction will not be reflected in the Fund's reporting of its carbon footprint until the Annual Report for 2021. Because companies report their carbon emissions annually, there will be a delay before changes in emissions are visible in the carbon footprint of the portfolios.

The table (see page 16) shows that the equity portfolio's carbon footprint continues to decrease, both in absolute and relative terms. The reduction in total carbon

emissions is mainly due to reductions in emerging markets. It is positive that both the portfolio and the companies have reduced their carbon footprint. Portfolio-weighted carbon intensity fell by no less than 15 per cent. Of the decrease, 11 percentage points were attributable to changes in holdings and four percentage points to changes in companies.

Since 2014, AP2 has annually reported the carbon footprint of listed equities annually since 2014. With effect from this report, the Fund will start reporting this data twice a year.





## Corporate governance

*The Annual General Meeting is the main forum for shareholders to exercise their influence. Being able to use voting rights as a shareholder at the general meeting is one of the main opportunities for influencing a company. This is why AP2 is active both at Swedish and foreign general meetings.*

A large portion of AP2's capital is invested in shares in Swedish and foreign companies, making the Fund a significant shareholder. The Fund is also non-political and independent, both in terms of ownership and in its unique position among Swedish government agencies, which allows the Fund to act as a committed, long-term owner.

Shareholders' commitment to and interest in the companies' long-term development is an important prerequisite for improved value growth. As a long-term owner, AP2 performs an important function in the capital markets. The Fund therefore takes an active approach to issues relating to professional corporate governance, good ethics and environmental considerations, as well as to the development of good practice in asset management issues. AP2's activities in relation to listed companies include active participation both prior to and at the AGMs of Swedish and foreign companies, and dialogue with the boards and management teams of the Fund's portfolio companies.

AP2 also promotes good corporate governance by cooperating with other owners on matters of principle and by actively contributing to the development of policies, regulations and standards.

Under the revised legislation for the AP Funds, which came into force on 1 January 2019, new investment rules apply. Among other things, the AP Funds' asset management must be conducted in an exemplary manner through responsible investments and responsible ownership. In asset management, special importance must be

attached to the promotion of sustainable development without compromising the overall goal regarding return and risk.

### Corporate governance in Swedish companies

For many years, AP2 and other institutional investors have maintained a good and constructive dialogue with the Swedish listed companies, including many of the issues addressed at the general meetings. The Fund holds shares in approximately 160 Swedish listed companies. For practical reasons, the Fund has decided that it is not possible to attend and vote at all general meetings in the Swedish equity portfolio. The Fund mostly chooses the companies where it attends general meetings on the basis of several criteria:

- Companies that are among the Fund's 20 largest holdings.
- Companies where the Fund's voting rights account for at least 0.5 per cent.
- Companies where the Fund is one of the ten largest owners.
- Companies where controversial issues are on the agenda.

During the first six months of 2020, AP2 voted at 92 (74) general meetings in Swedish listed companies. The market value of the Fund's holdings in these companies corresponded to 76 per cent of the Fund's total holding of Swedish listed equities in terms of market capitalisation. The number of general meetings at which the Fund votes, and the proportion of these companies of the total Swedish equity portfolio, are shown in the table below. The increased voting frequency over the last five years is the result of the Fund's ambition to attend

an increasing number of general meetings. This has also resulted in increased engagement in slightly smaller companies, where the Fund is among the largest shareholders, which explains why the ratio of the Fund's voting to the total market value of the portfolio has remained relatively constant over the years.

#### **Nomination committees**

AP2 is keen to be represented on nomination committees in companies because this offers a good opportunity to exercise its influence as an owner. The Fund has a policy of accepting all invitations concerning nomination committee assignments. The Fund's corporate governance group decides who shall represent the Fund, based on who is best suited for the assignment. Because nomination committees are usually made up of the three to five largest shareholders in a company, the Fund's nomination committee assignments vary depending on the Fund's holdings in the companies.

For several years, the Fund has emphasised the importance of increasing the proportion of women on the boards of listed companies, an issue which the Fund gives special consideration to in its nomination committee work and which is highlighted in the Fund's corporate governance policy. The Fund also holds that the nomination committees should establish a tangible plan for the work of achieving a satisfactory composition of the board in relation to gender, age, background, experience and competence.

During the first half of the year, the Fund continued to focus on issues relating to diversity and particularly the proportion of women on boards. Measures taken by the boards regarding this issue are followed up for every company where the Fund intends to attend the general meeting.

The Swedish Code of Corporate Governance includes an ambition level for gender

distribution on the boards of listed companies after the 2020 AGM season. According to this ambition level, each gender must represent at least 40 per cent of the board members elected by the AGM. Of the companies where AP2 voted in the AGMs for this year, 46 per cent have achieved this level in terms of proportion of female board members.

Ahead of the 2020 AGM season, AP2 was represented on the nomination committees for IAR Systems, in the role of chairman, as well as Better Collective, Coor Service Management, Genovis, Kambi, K-Fastigheter, Opus Group, Resurs Holding and Trelleborg. In accordance with the Fund's corporate governance policy, participation in this year's nomination committee work has included prioritised efforts to increase diversity on boards. The Fund's assessment is that this issue has been a central feature of the above nomination committees' discussions on how the boards' continued development can benefit from a higher degree of diversity. Nevertheless, not all companies meet the stated ambition level in the Swedish Code of Corporate Governance regarding gender balance, as shown in the summary on page 18.

#### **Guidelines for remuneration of senior executives**

As a consequence of the new regulations in the Swedish Companies Act governing the content of the guidelines for remuneration of senior executives, some of the dialogues with boards this year have also focused on conveying AP2's views on reasonable and balanced remuneration, whether it be fixed, variable or extraordinary remuneration, but also on pensions and other benefits.

AP2 provided feedback to a number of companies where the Fund believes that some aspects of the companies' guidelines for remuneration to senior executives are not in line with the Fund's corporate

governance policy and the new regulations in the Swedish Companies Act.

### **Incentive schemes**

In general, the Fund has found that the development in the content of incentive schemes is in line with the requirements set by AP2 and other institutional owners for this type of variable remuneration. The schemes are increasingly performance-based and have defined upper limits, often contain risk-taking on the part of participants through some form of financial input and entail a cost for shareholders that is normally known and limited.

The Fund's corporate governance policy emphasises that incentive schemes must contain performance requirements based on the company's long-term strategy which are clear and subject to monitoring. Performance requirements that are linked only to general stock market development, for example by using an absolute TSR measure (Total Shareholder Return), are not deemed to take sufficient account of the company's specific strategy or risks and are therefore only supported in exceptional cases by AP2.

In addition, AP2 does not generally support proposals containing any form of subsidy, such as so-called matching shares or subsidised premiums for options programmes.

AP2's corporate governance policy states that "Andra AP-fonden considers that so-called matching shares should be linked to clear targets (performance). AP2 does not consider continued employment and investment on one's own behalf to constitute performance that should in and of itself give entitlement to matching shares. If matching shares are not performance-based, this must be specifically justified."

During the first half of the year, AP2 continued to focus on remuneration issues and, with a view to guiding proposed schemes in the desired direction, also increased the number of dialogues carried on with boards concerning the formulation of the companies' proposed incentive schemes.

### **Summary of voting**

In 2020, the Fund voted against incentive schemes in 12 (9) Swedish companies. HiQ, Concentric, Attendo, Atlas Copco, NetEnt, NetInsight, Epiroc, Cantargia, Investor, Thule, Sobi, and Tobii had put forward proposals for incentive schemes that either involved matching shares, were otherwise subsidised without requirements for specific target-based performance or only contained performance targets linked directly to share price performance. The Fund therefore voted no to these companies' incentive scheme proposals.



AP2 also voted no to a further three proposed incentive schemes aimed at board members of the companies Oncopeptides, NetEnt and Calliditas, for the reason that performance requirements were missing or were merely directly linked to the company's share price development.

As in the previous year, the Fund voted against discharge from liability for the CEO of Swedbank. In Catena Media, the Fund voted against all proposed board members, as the proposed board did not include a female board member. At Callidita's AGM, the Fund voted against the proposed increase in board fees.

At the AGM of AB Volvo, the Fund, together with a few other investors, made a statement regarding the company's climate work. Read more on page 6.

Other than this, the Fund voted for the proposals of all boards and nomination committees. The Fund did not vote for any proposals put forward by other shareholders.

In the first half of the year, the Fund was also active both prior to and during several AGMs and put forward its views in accordance with the Fund's corporate governance policy.

## **Corporate governance in foreign companies**

### **Foreign general meetings**

In foreign markets, the Fund mainly votes in companies in the following eleven countries: Australia, Canada, France, Germany, Italy, Japan, the Netherlands, Switzerland, Spain, the UK, and the USA. The main selection criteria for the companies in which the Fund votes is the global equity index MSCI. There are also other criteria, such as a dialogue between the Fund and the company on a particular issue and/or that the Fund has submitted a shareholder proposal to the meeting.

This year, the Fund decided to increase its voting power in global companies from the previous total of 750 to 1,000 companies. In the first half of 2020, AP2 voted at 844 foreign general meetings. The Fund uses an external party for the practical voting procedure and votes in writing (proxy voting) using the electronic voting platform. Each month, AP2 publishes a detailed report of how the Fund has voted in foreign companies. Read more on the Fund's website.

### **Letter to foreign companies**

Together with other international investors, the Fund was involved in a number of ownership dialogues with companies in the first half of this year. In order to further improve communication with the Fund's foreign portfolio companies, AP2 writes letters to around 50 companies annually, explaining the Fund's views on committed ownership and the importance of exercising voting rights. In these letters, the Fund also explains its reasons for not supporting the boards' recommendations on certain points. The letters have resulted in further contact with the companies by letter, but also via telephone.

### **Collaboration with other investors**

In addition to the cooperation between the AP Funds on the Council of Ethics, AP2 is a member of and supports various Swedish and international initiatives in the fields of the environment, ethics and corporate governance. The Fund also cooperates with other investors to influence new legislation, primarily within corporate governance. These collaborations are playing an increasingly important part in being able to influence and achieve change, and thereby improve shareholder value in the long term.

In the first half of 2020, AP2, together with a group of other European asset owners, continued the dialogue primarily with US companies regarding high remuneration. Read more about AP2's membership and initiatives on the Fund's website.



## Diversity

*Diversity, and particularly increasing the proportion of women on boards and in management positions, was one of the first ownership issues that AP2 started to focus on. Since then, the Fund has contributed to a positive development through, among other things, dialogues with companies regarding the selection process for boards and executive management teams. Today, the Fund also has investments linked to diversity and equality, and diversity is one of the factors in the Fund's internally developed ESG indices.*

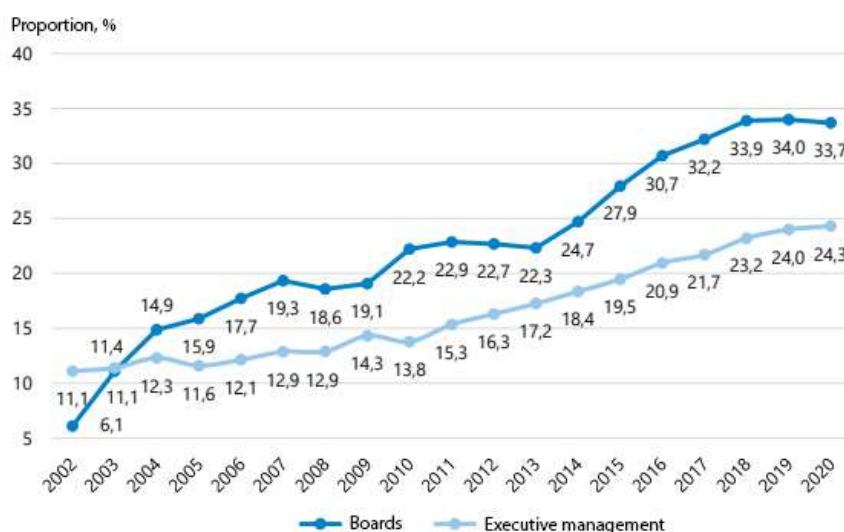
### Female Representation Index

AP2 aims to use its annual Female Representation Index to disseminate knowledge, contribute to dialogue and a factual debate, but above all increase the proportion of women on boards and in management positions. The Fund believes that a broader recruitment basis contributes to diversity, which has a positive impact on boards and managements. With greater diversity of background and experience, the right conditions and leadership, groups become more innovative and creative, which in turn creates prosperous companies. The survey has been conducted since 2003 by the Fund, together with Nordic Investor Services, and it measures the proportion of women at middle management level, in company management teams and on the boards of listed companies. The information from the Female Representation Index is

used in the Fund's corporate governance work and is followed up at the annual general meetings the Fund attends during the year.

The Female Representation Index for 2020 shows that the proportion of female board members in companies listed on Nasdaq Stockholm has declined slightly for the first time since 2013 to 33.7 per cent (34.0). The proportion of women in management positions is continuing to increase and in this year's survey it was 24.3 per cent (24.0). The proportion of women who are CEOs is also increasing and exceeded 10 per cent for the first time. Nomination committees with women have a positive correlation with boards with a higher proportion of women. Boards without nomination committees have a lower proportion of female board members than other companies. Read the full report on AP2's website.

### Proportion of women on boards and in management positions



## Human rights

*Human rights are one of AP2's focus areas within sustainability and the Fund is actively working to integrate human rights issues into its processes. However, human rights is a broad and complex area. In spring 2020, the Fund was therefore working on clarifying its preference and governance for its human rights work in order to ensure a sustained focus on prioritised issues. The work has resulted in the revision of AP2's policy for human rights, the preparation of a strategy and the adoption of a long-term goal up to and including 2025.*

### Policy revision

AP2's policy for human rights guides the Fund's human rights work. The policy was revised in spring 2020 to be in line with the Fund's current work, which has developed as the Fund's knowledge of human rights issues has grown. It includes matters such as the Fund's core values, its commitments, efforts and expectations. The policy has been decided by AP2's Board of Directors and will be reviewed on an ongoing basis. The policy is published at [www.ap2.se](http://www.ap2.se)

### Human rights strategy

In connection with the review of the Fund's policy for human rights, the Fund also drew up a strategy for its work. The strategy is based on the Fund's guidelines, vision, values and policies. It aims to highlight three strategically important areas in order to implement the Fund's human rights policy and to achieve the Fund's long-term

objectives within this work. These areas are, for the Fund to focus on competence development within human rights, to develop processes, and to have an effective organisational structure for the Fund's human rights work. The Fund's strategy is valid up to and including 2025.

### Objectives

AP2 works to ensure that human rights perspectives permeate all parts of the Fund's activities. The Fund's long-term goal is that AP2 shall continue to implement the UN's Guiding Principles and that operations shall be conducted in line with these with effect from 2025 at the latest. This is an ambitious goal, because the integration of social issues such as human rights is still relatively new in the financial sector and there is considerable uncertainty around both industry standards and established implementation methods. The Fund's work to achieve its long-term goal will be followed up continuously in annual action plans.



## Other

### Council on Ethics

Dialogues with foreign companies are coordinated through the AP Funds' Council on Ethics. The Council on Ethics is a collaboration between AP1, AP2, AP3 and AP4. The Council on Ethics divides the dialogues into two groups: reactive and proactive. Reactive dialogues take place when a violation or serious incident has occurred. Proactive dialogues are conducted to support companies in solving various environmental or social challenges with a focus on climate, human rights and business ethics.

In the first half of 2020, the Council on Ethics focused on climate and human rights. One example is the dialogues with the Brazilian companies JBS, Marfrig and Minerva, where the aim is to prevent deforestation by ensuring that the cattle they slaughter does not come from illegally harvested areas in the Amazon. Doing so requires systems that can track cattle over their lifetime. The Council on Ethics also maintains a dialogue with JBS on work environment and safety that has included challenges relating to COVID-19.

The Council on Ethics also has both reactive dialogues and proactive projects relating to the challenges facing major global technology companies in respect of human rights.

For some types of challenges, it is not enough to simply conduct a dialogue with companies to address the problems. One such problem is mining dam accidents that can result in major human and environmental tragedies. The mining dam accident in Brumadinho in Brazil in January 2019 led to the Council on Ethics, together with the Church of England Pension Board, starting a major, global proactive project. Achieving the goal of ensuring all tailing dams for mines are safe requires several sub-projects and involvement from many stakeholders such as mining companies, investors, international organisations, technology companies, academics and the local population. The first sub-project, which was to have a global database of all tailing dams, was in place in January 2020. The next step, which was to have a common global standard for tailings dams, was completed in June 2020. An example of another sub-project is to implement a warning system for tailing dams. Read more at [www.etikradet.se](http://www.etikradet.se)



## Sustainability Award 2020

AP2 has been a partner of the WIN WIN Gothenburg Sustainability Award for several years. On the theme of "biodiversity", the 2020 award will be awarded to the international panel for biodiversity and ecosystem services, IPBES. IPBES is an intergovernmental and UN-linked panel that was founded in 2012. It is similar to the Climate Panel (IPCC), but focuses on biodiversity and ecosystems. IPBES's main task is to compile knowledge of the state of the world's ecosystems and species, as well as the natural benefits we receive from nature. IPBES describes global trends in nature and also actions that can be taken to address environmental problems. Read more at <http://win-wingothenburgaward.com/theme2020/>

Read more about AP2's work on biodiversity at [www.ap2.se/globalassets/nyheter-och-rapporter/hallbarhetsrapporter/hallbarhetsrapport-inkl-tcfd-2019-.pdf](http://www.ap2.se/globalassets/nyheter-och-rapporter/hallbarhetsrapporter/hallbarhetsrapport-inkl-tcfd-2019-.pdf)

## Investments in social bonds

In the first half of the year, AP2 invested USD 17 million in a social bond issued by International Finance Corporation (IFC). The USD 1 billion bond is part of IFC's original commitment to provide USD 12 billion in immediate support to help countries manage the health and economic impacts of COVID-19.



## Sustainability data

### Climate/Environment

#### Carbon footprint of the listed equity portfolio, Scope 1 and 2

Metrics	30 June 2020	2019	2018	2017
<b>1 Total carbon emissions (million tCO<sub>2</sub>e)</b>	<b>1.6</b>	<b>1.6</b>	<b>1.7</b>	<b>2.6</b>
Sweden	0.1	0.1	0.1	0.2
Developed markets	0.6	0.6	0.7	1.4
Emerging markets	0.8	0.9	0.9	1.1
Change in the portfolio's total carbon emissions compared with the previous year (%)	-7	-3		
- of which change due to changes in portfolio holdings (percentage points)	-8	-10		
- of which change due to changes in the companies' emissions (percentage points)	1	7		
<b>2 Relative carbon emissions (tCO<sub>2</sub>e/SEK million)</b>	<b>11</b>	<b>11</b>	<b>13</b>	<b>18</b>
Sweden	4	4	4	5
Developed markets	10	9	11	19
Emerging markets	19	19	22	32
<b>3 3. Carbon intensity (tCO<sub>2</sub>e/SEK million)</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>28</b>
Sweden	7	7	7	10
Developed markets	11	11	12	31
Emerging markets	18	20	24	37
<b>4 Weighted average carbon intensity (TCFD) (tCO<sub>2</sub>e/SEK million)</b>	<b>13</b>	<b>14</b>	<b>16</b>	<b>24</b>
Sweden	5	5	5	6
Developed markets	13	15	16	27
Emerging markets	19	21	23	23
Change in the portfolio's carbon intensity (TCFD) compared with the previous year (%)	-15	-7		
- of which change due to changes in portfolio holdings (percentage points)	-11	-8		
- of which change due to changes in the companies' emissions (percentage points)	-4	1		
Market value of the Fund's portfolio covered by CO <sub>2</sub> e-data (SEK billion)	143	144.1	130.5	142.4
Proportion of share capital for which data is available (%)		96	97	92

1. Total carbon emissions. Total of owned share of portfolio companies' individual carbon emissions.
2. Relative carbon emissions. Total of owned share of portfolio companies' individual carbon emissions in relation to the portfolio's market value.
3. Carbon intensity. Total of owned share of portfolio companies' individual carbon emissions in relation to the total of owned share of the portfolio companies' turnover.
4. Weighted average carbon intensity (TCFD). The metric adds together each portfolio company's individual carbon intensity, i.e. a company's carbon emission in relation to turnover, weighted according to each individual company's share in the portfolio.

The formulae for the above indicators are available on the Fund's website.

CO<sub>2</sub>e (carbon dioxide equivalent) is a unit of measurement that makes it possible to compare the climate impact of different greenhouse gases.

Source: MSCI ESG Research/Andra AP-fonden.

## Environmental data

	30 June 2020
<b>Internal environmental indicators</b>	
Electricity, kWh	42,731
Renewable electricity %	100
Copy paper, purchased (A4), kg	0
Number of printouts	23,400
<b>Business travel</b>	
Proportion of train journeys between Gothenburg and Stockholm, %	99
Greenhouse gas emissions from:	
Rail travel domestic, tonnes CO <sub>2</sub> e	0
Air travel domestic, tonnes CO <sub>2</sub> e	0
Air travel international, tonnes CO <sub>2</sub> e	2

## Corporate governance

### Voting at general meetings – participation in nomination committees, 1 January - 30 June

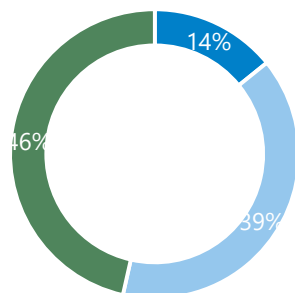
	2020	2019	2018	2017	2016
Voting at general meetings in Sweden, number	92	74	77	45	47
Equivalent to % of the Fund's total holdings in Swedish listed equities (market value)	76	78	81	70	70
Participation in nomination committees, number	9	9	8	9	8
Voting at foreign general meetings, number	844	753	710	697	621

### Nomination committees in which AP2 participated for the 2020 AGMs

Company	Proportion of women on the board, %	Number of newly selected women*	Total change compared with previous year*
Better Collective	17	0	0
Coor Service Management	43	0	0
Genovis	25	0	-1
IAR Systems	20	0	0
Kambi	40	0	0
K-Fastigheter	17	0	0
Opus Group	17	0	-2
Resurs Holding	50	2	1
Trelleborg	43	0	0

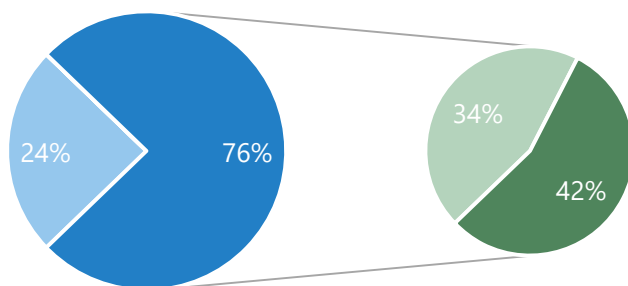
\* The change refers to comparison with previous AGM, not between EGM and AGM.

## Proportion of female board members in Swedish companies where AP2 voted in 2020



- Number of companies with a proportion of women 0-19%
- Number of companies with a proportion of women 20-39%
- Number of companies with a proportion of women 40% -

## Voting in Swedish companies linked to market value



- Market value of companies where AP2 did not vote at the general meeting
- Market value of companies where AP2 voted against at the general meeting(s)
- Market value of companies where AP2 voted in favour at the general meeting(s)





*”The report **presents** the work based on the Fund's four sustainability **focus areas: climate, corporate governance, diversity and human rights.**”*



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