



Andra
AP-fonden

A good pension for all generations

Sustainability Report 2025

Andra AP-fonden

Andra AP-fonden (AP2) manages the Swedish people's pension capital and works to ensure a good pension for both current and future pensioners. We strive to be a leading pension fund manager in a changing world. To achieve good long-term returns and balance risks, we choose to invest responsibly, worldwide, and in a wide range of assets. We create value, both through good returns and by promoting sustainable development for people and the environment. This contributes to a good retirement for all generations.

AP2 is a buffer fund, with the task of managing the system's buffer capital to the greatest possible benefit for the pension system. The Fund's mandate also requires the Fund's assets to be managed in an exemplary manner through responsible investments and responsible ownership. Special emphasis must be given to how sustainable development can be promoted without compromising the overall goal.

Sustainable development is a prerequisite for current and future generations to benefit from a good pension. We conduct ambitious sustainability work, which is based on both our mission and our conviction that sustainability pays off. This entails acting over the long term, to protect and add value, based on an economic, environmental and social perspective.

The report has been prepared in accordance with the following frameworks:

- **TCFD** (Task Force on Climate-related Financial Disclosures)
- **TNFD** (Taskforce on Nature-related Financial Disclosures)
- **UNGP** (United Nations Guiding Principles on Business and Human Rights)

AP2 views these frameworks as support for the work of identifying and managing risks related to climate, nature and human rights. We also want to encourage companies to be transparent through annual and comparable reporting.

Some of the information to be reported under the frameworks is available on the Fund's website.

From page 60, there are indices for the frameworks with references for further reading.

Key events during 2025

- During 2025, we continued to develop the process of identifying and managing companies with high sustainability risk. Among other things, we developed a methodology for evaluating companies' management of various risks and for monitoring progress in company dialogues. More information is available on page 9.
- We developed a self-assessment tool, where our external real asset managers can provide input for an evaluation of their work on certain sustainability issues. This forms the basis for ongoing dialogue about strengths, opportunities for improvement, proposed measures and the need for guidance and support from us in their work. More information is available on page 9.
- Through the Council on Ethics, the AP Funds have established a joint position with clear expectations on companies linked to conflict areas. The Council on Ethics applies a structured working methodology whereby company involvement is analysed and assessed, dialogues are held with selected companies and other measures can be recommended if necessary. More information is available on page 11.
- We have further developed our framework to assess countries' net zero alignment and guide our work towards reduced emissions in our fixed interest portfolios. The work is based on science, internal analysis and international collaboration. More information is available on page 24.
- There was greater focus on living wages during the year. We take a structured approach through the Platform Living Wage Financials investor initiative. More information is available on page 47.
- We have updated our voting guidelines. More information is available on page 55.



We achieved our sustainability goals for 2025

Climate Reduced greenhouse gas emissions and set climate plans for all asset classes.

Biodiversity Implemented a process for commitment to a deforestation-free portfolio.

Human rights Implemented the UN Guiding Principles on Business and Human Rights.

Stewardship Dialogues initiated with all high-risk companies identified, in all focus areas.

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Sustainability at AP2

Sustainability is a natural part of our mission

2025 was characterised by an uncertain world, with geopolitical tensions and conflicts, rapid technological development and an unpredictable political climate. At the same time, climate change persists: the 2023-2025 period set new temperature records, and temperature levels now exceed pre-industrial levels by 1.5 degrees, affecting both nature and societies. In a changing world, we stay true to our mission and work for a good pension for both current and future generations. Sustainability is a precondition and a natural part of that work, to be able to deliver a good long-term return and to contribute to a good pension from a broader perspective.

Eva Halvarsson – CEO of Andra AP-fonden

In the course of the year we saw how the uncertain world around us heightened the need to work actively to understand and manage increasing risks for both people and the environment. When the political currents simultaneously move towards more short-sightedness and populism, and start to question the overall science, it is important that we continue to act on a long-term basis.

On a systematic and integrated basis, we implement sustainability throughout the portfolio. Our work related to our focus areas of climate, biodiversity, human rights and corporate governance is based on analysis and science.

We often collaborate with like-minded investors, both to share experience and to jointly influence companies to evolve in important issues. The AP Funds' Council on Ethics is a particularly valuable collaboration, providing us with important support on complex sustainability issues. During the year this included extensive work on human rights risks in conflict-affected and high-risk areas.

During 2025, we achieved our sustainability focus area goals, with reduced greenhouse gas emissions and climate plans for all the different asset classes. We now have a process to work towards a deforestation-free portfolio and we have

completed the implementation of the UN Guiding Principles on Business and Human Rights. We also managed to achieve one of our more extensive goals of engaging through dialogue with all our identified high sustainability risk companies. We were able to meet the need of more active company engagements by strengthening the organisation and developing methods for monitoring progress overtime.

We are convinced that long-term, responsible action is essential, both to deliver strong returns and to contribute to sustainable development for people and the environment. In the coming year, we

will continue to deepen our analyses, strengthen our dialogues and develop our methods, so that we can manage risks, seize opportunities and influence development in the right direction. From the perspective of our long-term mission we take on the challenges and opportunities that the world is facing.

Eva Halvarsson
CEO, Andra AP-fonden



Sustainability through the investment process: responsible investments and responsible owners

We invest in a wide range of assets, all over the world. The investment process varies for different asset classes and includes analysis and decision-making: before making an investment, during the ownership phase that often extends over several years, and divestment.

Sustainability work is integrated into the entire investment process and follows a six-part approach. The methodology is set out in our sustainability policy and describes how we work with our four focus areas of climate, biodiversity, human rights and corporate governance. A description of the methodology and the overall governance of AP2's sustainability work can be found on our [website](#).

AP2's approach to sustainability

1. Integration

Sustainability is integrated throughout the organisation, in asset management and in the Fund's day-to-day operations.

2. Materiality

AP2 focuses its work on the most important issues and areas where the Fund can make the biggest difference.

3. Analysis

Sustainability work is built on thorough, fact-based analysis, both prior to an investment and in the Fund's role as owner.

4. Engagement

AP2 encourages companies to live up to the Fund's expectations in relation to sustainability issues.

5. Collaboration

The Fund can achieve more through collaboration, both within AP2 and with other investors.

6. Transparency

AP2 practices what it preaches and establishes trust through transparency.

Responsible investments

Sustainability in the investment process

Sustainability is an integral part of the analysis we make prior to our investments, together with assessments of return and risk. We consider how different potential sustainability risks can affect the value of our investments and our impact on the world around us through our investments.

As we invest in many different types of assets, which are managed using different methods, the work needs to be adapted to each asset class. In our quantitative portfolio management, sustainability parameters are included in the construction of the index, and in fundamental management, they are part of the analysis work. For unlisted assets, a sustainability assessment is carried out within the framework of due diligence for external managers.

Investing in solutions

AP2 has developed a framework for investments that we define as targeted sustainability investments. In short, the investment must lead to a predefined, positive impact on people and/or the environment, which is then also followed up over time.

We make targeted sustainability investments in most asset classes and at the end of 2025, they had a total market value of SEK 46 billion. Examples of investments included are green bonds, private equity funds with a sustainability focus, and investments in timberland and farmland that meet our criteria for natural climate solutions, including net carbon sequestration and biodiversity conservation.

Fervo Energy

Fervo Energy is a company in which we have invested through our **private equity** portfolio. The company operates in the next generation of geothermal energy (Enhanced Geothermal Systems - EGS). This technology uses horizontal drilling and fracking techniques from the oil industry to create "underground elements", delivering stable carbon-free electricity. Their Cape Station plant in Utah is expected to deliver its first 100 MW of clean electricity by the end of 2026, and then aims to expand, in a first step to 500 MW, which can potentially be increased up to 2 GW. At the beginning of the year, Fervo announced that it had drilled its hottest well to date (above 290°C) at a depth of around 3,400 metres, proving that the technology works in practice.

Less than 1 per cent of the world's total energy consumption today comes from geothermal energy, and commercial generation of energy through EGS is still in the start-up phase, with Fervo as a leading player. At the same time, the potential is dramatic. The International Energy Agency (IEA) points out that geothermal electricity generation globally could increase by around 800 GW by 2050, corresponding to around 8 per cent of the world's electricity production.

The Future of Geothermal Energy, IEA 2024 special report: <https://iea.blob.core.windows.net/assets/cbe6ad3a-eb3e-463f-8b2a-5d1fa4ce39bf/TheFutureofGeothermal.pdf>

Risks that we choose to avoid

There are situations where the Fund excludes or divests from companies, sectors or countries. AP2 also complies with UN and EU sanctions. The AP Funds also have common guidelines for which assets the funds' capital should not be invested in. These guidelines are published on AP2's website.

AP2 excludes companies: that have violated international conventions; where dialogue with the companies has not led to improvements; and where the Council on Ethics recommends exclusion. Information about these companies can be found on the Council on Ethics' website.

In addition to these cases, which are based on international conventions and standards, the Fund has developed a country framework to identify countries for which there are financial, operational or sustainability reasons not to invest. Based on this framework, we have chosen not to invest in countries

where the risk of human rights violations is very high. Read about the country framework on page 50.

Furthermore, we choose to divest from companies with a high sustainability risk, in cases where a dialogue is not deemed to lead to sufficient change.

Excluded due to breach of convention



Cluster weapons and land mines

The Anti-Personnel Mine Ban Treaty and the Convention against Cluster Weapons state that countries that have signed and ratified the treaty shall cease to produce, trade in and use anti-personnel mines and cluster bombs, respectively. The AP Funds' Council on Ethics has recommended that the AP Funds divest from companies that produce anti-personnel mines or cluster bombs. AP2 therefore does not own any such companies. The companies excluded for this reason are listed in the exclusion list on the Council on Ethics' [website](#).



Cannabis

The AP Funds' Council on Ethics has recommended that the AP Funds exclude cannabis companies, on the basis of the UN Single Convention on Narcotic Drugs. However, cannabis may be used for medical and scientific purposes. AP2 has therefore decided to exclude companies active within cannabis for non-medical use. The companies AP2 has excluded are listed on the Council on Ethics' [website](#).

Divested due to the purpose of a convention



Nuclear weapons

AP2 believes that modernisation and upgrading of nuclear weapons are not compatible with the spirit of the Non-Proliferation Agreement (NTP), which aims to make the world nuclear weapon-free in the long-term. Based on the legislative preparative works for the AP Funds concerning exemplary management, AP2 has therefore divested from companies involved in the maintenance and modernisation of nuclear weapons systems.



Tobacco

Divestments from tobacco companies support the aim of the WHO Framework Convention on Tobacco Control to significantly reduce tobacco consumption and the harmful effects of tobacco smoking. AP2 has divested from tobacco companies on the basis of the statutory regulations for the AP Funds on exemplary management.

Divested due to the Paris-Aligned Benchmark



Coal, oil, gas and power companies

In 2020, AP2 implemented the EU Paris-Aligned Benchmark (PAB) for the Fund's internally managed global equities and corporate bonds. This means that AP2 does not invest in companies that derive more than a certain percentage of their sales from coal, oil and/or gas, or in power companies that receive a defined percentage of their revenue from combustion of fossil fuels. The maximum share for coal is 1 per cent, for oil 10 per cent and for gas 50 per cent.

Responsible ownership

As responsible and active owners, we work continuously to analyse and understand the risks and opportunities in the portfolio and to act on them. We consider risks and opportunities on the basis of the effect on the value of our investments and of the impact we have on the world around us through our investments. The Fund's risks and opportunities are analysed regularly, using tools and data sources adapted to our different focus areas. We have different processes to capture and act on incidents that have actually occurred, and to understand and act proactively in response to potential risks and opportunities in the portfolio.

As we invest in many different types of assets, which are managed using different methods, the work needs to be adapted to each asset class.

Unlisted assets – close cooperation with managers

For unlisted assets where we invest in funds through external managers, such as private equity, we work closely with the managers and require them to have commitments, policies and processes for sustainability when investing and developing their portfolio companies. We conduct regular evaluations of the managers and have an ongoing dialogue with them about risks, opportunities and areas for improvement.

Within real assets, in 2025 we introduced a new self-assessment process whereby managers themselves assess their activities based on a number of assessment criteria. This forms the basis for ongoing dialogue about strengths, improvement opportunities, proposed measures and how we can assist with guidance, best practices and support.

Listed assets – analysis of companies' risk

We analyse our listed portfolios of equities and corporate bonds on an ongoing basis, both to identify potential risks and to capture incidents that have already occurred.

The analyses are specific, relevant to our focus areas:

- Climate risks and opportunities are assessed on the basis of data on greenhouse gas emissions and estimates of companies' and countries' alignment towards net-zero emissions. We also analyse how the portfolio may be affected by climate change through both physical risks and transition risks.
- Within biodiversity, we analyse the impact of investments and dependence on natural resources and ecosystem services. A more in-depth analysis is also made of the portfolio's deforestation risk.

- For human rights, risks are analysed on the basis of the investments' connection to sectors and countries with a high risk of human rights violations. There is a strong focus on understanding companies' connection to these risks through their supply chains.

Assessment of the companies' risk management

Once we have identified the companies in the portfolio at increased risk in any of our focus areas, we analyse how these companies manage the risk. This analysis is also adapted to the different focus areas and is based on our expectations of portfolio companies within each focus area.

We assess how the companies manage the risks and live up to our expectations based on a number of criteria, such as the companies' commitments, policies, processes and transparency. Within climate, we assess companies' alignment to net zero. High-risk companies are expected to demonstrate sound risk management, and within each focus area we have defined a level that should be met in the assessment in order for management to be considered adequate.

The high-risk companies identified, whose risk management does not match the expected level, are engaged in dialogue, either in collaboration

with other investors or through separate dialogue. We seek dialogue with all companies identified as high-risk companies in this way. We follow up on the progress of the dialogues by measuring how the companies' risk management is progressing, using the same assessment criteria as in the initial analysis.

At the end of 2025, a total of 125 companies had been identified with high risks related to climate, biodiversity and human rights, out of approximately 1,300 companies in our listed portfolios. Of these, seven were assessed to

Read about our expectations on portfolio companies on the Fund's website



[Climate](#)



[Deforestation](#)



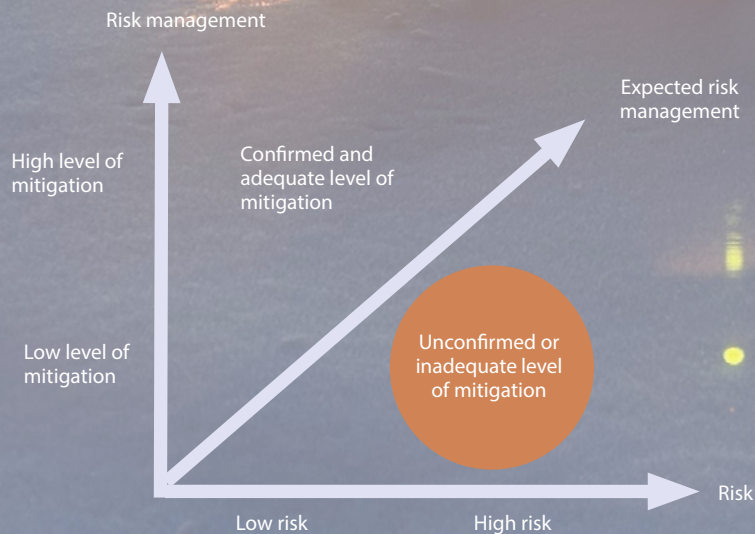
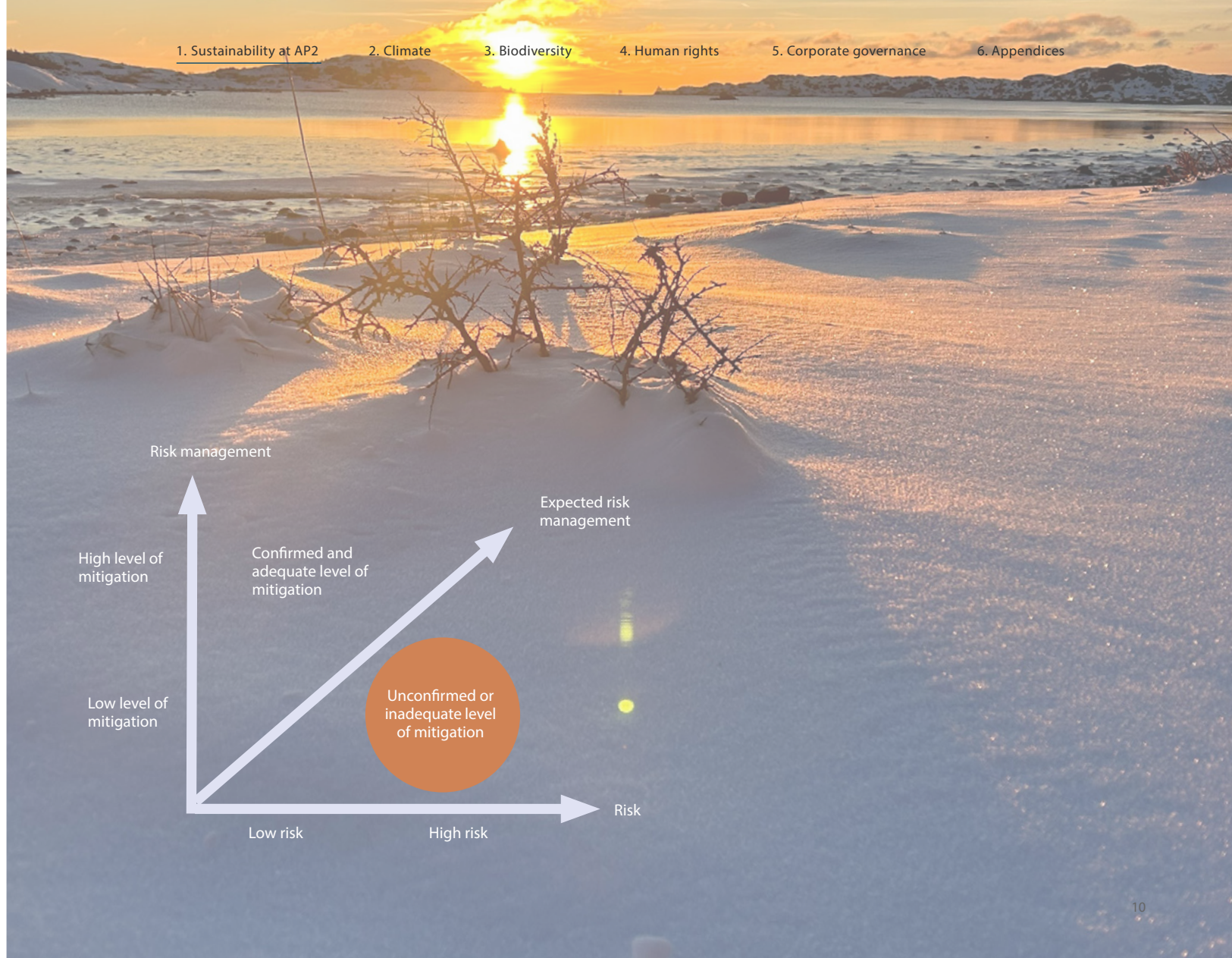
[Human rights](#)

demonstrate sound risk management. Dialogues have been initiated with the remaining 118 companies. This work is described in more detail under each focus area in this report. A dialogue usually means that we meet the company at least twice a year. If necessary, the dialogue can be escalated through, for example, voting or shareholder proposals. Read more about our voting on pages 54-58. Divestment is a last resort if the dialogue is not expected to lead to any results and we assess that the high risk will persist.

Collaboration for better results

Working together, in particular with other investors, we can achieve better results in our sustainability efforts. Engagement becomes more effective when we collaborate and thereby we can engage in dialogues with more companies. We can also learn from other investors through sharing experiences and knowledge. A summary of important collaborations can be found on the Fund's [website](#).

Our most important and closest cooperation within sustainability is through the AP Funds' Council on Ethics, which is described on the next page and whose work is closely linked to our own work.



The Council on Ethics of the AP Funds: Together we influence companies to create sustainable value



The Council on Ethics of the AP Funds (the Council on Ethics) is a collaboration to influence companies towards sustainable value added and increased transparency. When we act together, our impact becomes both stronger and more effective. The Council on Ethics' engagement work is both proactive and reactive.

Mission

The mission of the Council on Ethics is to:

- Influence companies towards positive development in sustainability.
- Support the AP Funds in complex and prioritised sustainability issues.
- Develop common position statements.

The work covers issues relating to people, the environment and society, while creating long-term value in the companies.

Reactive work

Reactive work focuses on handling cases where an incident has occurred. Twice a year, the Council

on Ethics screens the foreign companies included in the AP Funds' global listed equity and credit portfolios. The screening is based on international conventions and frameworks endorsed by the Swedish government. When an infringement is identified, the Council on Ethics initiates a dialogue with the company concerned. The aim is for the company to:

- Address what has happened.
- Compensate those affected.
- Take action to prevent the incident from recurring.

If the company does not show sufficient improvement, the Council on Ethics may recommend exclusion as a last resort. Read more about the Council on Ethics' process on its [website](#).

Significant events

Screening ¹

3,007 companies screened
2,952 companies without remarks
55 companies with signals of infringement

Reactive company dialogues

60 companies in dialogue during the year
6 new companies with which dialogue has been initiated
7 completed dialogues during the year
0 new exclusion recommendations

Proactive work

28 of the AP Funds' portfolio companies are included in projects
18.4 per cent of the market value of the AP Funds' holdings in foreign listed equities and credits are included in projects

Position statements

1 new statement: Conflict and high-risk areas

¹ Holdings as at 30 June 2025

Proactive work

Proactive work aims to address complex sustainability challenges and systemic risks in order to drive positive change at company, industry and system level.

The Council on Ethics has five focus areas in its proactive work:

- **Antimicrobial resistance:** A growing systemic risk for both society and the AP Funds' portfolios, which is linked to both human rights and biodiversity. The Council on Ethics wants to contribute to increased awareness and accountability among relevant companies.
- **Child labour and forced labour:** Child labour and forced labour occur all over the world, and are two key issues in AP2's human rights work. The Council on Ethics works both with individual companies and at sector level.
- **Climate:** Climate change is deemed a serious systemic risk. The Council on Ethics complements AP2's climate work by prioritising the transition of emission-intensive industries with focus on steel and mining.

- **Tech companies and human rights:** Large tech companies' products and services drive societal development, but can also pose risks to human rights. The Council on Ethics is leading an international collaboration project to strengthen these companies' human rights work.
- **Water:** Water of good quality and insufficient quantities is vital for both human health and biodiversity. The Council on Ethics works with both access to water and restriction of the use of hazardous chemicals.

Position statements

If necessary, the Council on Ethics, together with the AP Funds, draws up common position statements to clarify the AP Funds' position on certain complex sustainability issues. These are based on the frameworks that guide the AP Funds' and the Council on Ethics' work. By publishing the position statements, the AP Funds want to clarify their views and expectations of companies on specific sustainability issues.

The Council on Ethics complements AP2's engagement work



How AP2 exercised its voting rights

Swedish AGMs 2025

At the end of the year, the Fund held shares in just over 140 Swedish listed companies and in 2025 voted at 87 annual general meetings (AGM) and extraordinary general meetings. The aim is for the Fund to vote in all companies identified in the Fund's selection process, taking account of the size of the investment, the Fund's ranking on the list of shareholders, our ability to influence and other issues of special interest.

During the year, the Fund voted in favour of the majority of proposals from the boards and nomination committees. In 25 cases, however, the Fund chose to vote against proposals on the following issues in particular:

- Executive incentive plans deemed to be incompatible with the Fund's guidelines. In most cases, the reason was subsidies not linked to performance targets or that the programme was otherwise deemed to lack relevant performance targets.
- Proposed board directors' remuneration.
- Lack of diversity on the proposed board.
- Shareholder proposals with either excessive operational focus or concerning issues where the company has already been assessed to have satisfactory management and/or reporting.

Swedish AGMs

	2025	2024	2023	2022	2021
Number of general meetings (annual and extraordinary) voted at	87	142	127	121	134
Equivalent to % of the Swedish equities portfolio (market value)	85	96	87	77	86
Number of nomination committees	15	11	12	9	8

Areas where AP2 engaged in dialogues with companies and/or voted no to proposals

Area		Company dialogues in connection with AGMs, number	Companies where AP2 voted no to the proposal
Executive incentive plans	Matching shares/options	2	Loomis, Investor, Vitec Software
	Other form of subsidy	8	Addtech, Lagercrantz Group, OEM International, Surgical Science Sweden
	Performance requirements not in line with AP2's Voting Guidelines	2	Hexagon, Mentice
	Programme design, general	9	
Guidelines for remuneration to senior executives	Ceiling for remuneration elements	1	
Board	Remuneration	7	Assa Abloy, Atlas Copco, Hexagon, Securitas
	Composition/diversity	5	OEM International
Other stewardship issues	Amendments to articles of association	1	Better Collective A/S
Issue of shares		2	
Shareholder proposals	Proposals of an operational nature		Evolution, Sandvik, SEB, Svenska Handelsbanken, Swedbank, AB Volvo
	Climate strategy	1	SEB, Nordea

The Fund reports the names of the companies for which the dialogue resulted in voting against proposals.

Foreign AGMs in 2025

With voting as an important tool, we want to convey our views on a broad spectrum of issues. For the foreign equities portfolio, the objective is therefore to vote on all companies in the portfolio in the long term. Voting takes place through an external voting adviser and is based on the voting guidelines that the AP Funds jointly prepare before each voting season.

Before the 2025 AGMs, we updated the shared voting guidelines together with AP1, AP3 and AP4. The guidelines are now clearer regarding issues related to the auditor's independence, and remuneration programmes where remuneration is not linked to performance criteria. For identified companies with high assessed sustainability risks within our focus areas, submitted proposals are reviewed in greater detail and we vote according to an established voting escalation process.

In 2025, the Fund voted on foreign companies in a total of 42 countries, with the greatest representation in the USA, India and Japan. During the year, the Fund voted on 1,228 AGMs of companies in foreign markets.

This is equivalent to 73 per cent of the Fund's global equities portfolio, expressed in market value terms.

During the period, the Fund voted in line with 82 per cent of the boards' recommendations. Cases where the Fund voted against submitted proposals, was mainly defined by lack of compliance with the AP Funds' common voting policy regarding:

- Insufficient diversity/independence on the board. The Fund's view is that diversity on boards and executive leadership is of great importance for creating value in companies. We therefore vote to indicate whether diversity is taken into account in the board proposals.
- The same auditors for several years.
- Deviations in remuneration programmes.
- Shareholder proposals where the company was assessed to have satisfactory processes and/or reporting.



Foreign market general meetings

	2025	2024	2023	2022	2021
Number of general meetings (annual and extraordinary) voted at	1,228	1,311	1,401	1,261	1,092
Equivalent to % of the foreign portfolio (market value)	73	89	76	65	53
Number of agenda items	14,725	15,611	16,862	15,663	13,756
Voting in line with the Board's recommendation, per cent	82	82	77	78	81



Shareholder proposals that AP2 supported during the year included the following issues and areas:

Human rights

- Issues related to AI development: risks of unethical use of external data in the development of AI products, and human rights impact assessment for AI-driven targeted advertising.
- Managing risks of child exploitation online.
- Reporting on forced and child labour in banks' lending profiles.
- Reporting on the company's risks of operating in countries with significant human rights issues.

Climate and biodiversity

- Reporting on the degree of progress of climate goals.
- The impact of data centres on climate commitments.

- Creation and publication of climate transition plans.
- Reporting on the management of food waste and reduction targets.
- The company's assessment of its activities' impact on biodiversity.

Governance

- Improved remuneration programmes for senior executives that are more in line with shareholders' long-term interests.
- Disclosure of performance metrics that form the basis for remuneration to senior executives.
- Requirements for an independent board chair.

Examples of shareholder proposals that AP2 supported:

- **Amazon**
At the 2025 AGM, shareholder proposals were presented regarding, among other things, increased transparency regarding the effects of AI and the company's efforts to identify significant risk factors in terms of working conditions.
- **Hewlett Packard, IBM and Visa**
Proposal for extended reporting on how companies' funds are used for lobbying. This would improve shareholders' opportunity to assess consistency between the policies supported by the companies through financial contributions and the stated objectives of the companies.

AP2's voting

>> [Voting Guidelines](#)

AP2's Voting Guidelines describe the Fund's view on relevant stewardship issues and what companies can expect from our voting.

>> [The Fund's website](#)

Our website presents our voting in detail. Please also see the appendices for more information about AP2 at this year's AGMs.

AP2's stewardship

Why stewardship?

Mandate/risk

AP2's mandate is to manage the pension system's buffer capital for the greatest possible benefit of the pension system.

The total risk level must be low. The Fund assets must be invested, at the chosen risk level, so that high returns are achieved in the long term.

The mandate includes a requirement for exemplary management through, among other things, responsible ownership.

What does AP2 focus on?

Stewardship policy

AP2's stewardship policy is based on the mandate.

Stewardship practices must focus primarily on companies and areas where the Fund has the greatest potential to influence and do most good.

Ten stewardship principles based on a company's shareholder protection and effective governance provide the framework for these practices.

Shareholder protection

1. Capital structure
2. Company structure
3. Voting rights
4. Role of the auditor
5. Information and disclosure
6. Sustainability

Effective governance

7. Risk management and risk culture
8. Board and nomination committee
9. Management and management remuneration
10. Corporate culture and business ethics

How does AP2 work with stewardship?

Stewardship strategy

Voting in Swedish and foreign companies.

Dialogue with companies.

Contribute to the development of strong stewardship.

What is measured in terms of results?

Achievement of goals

Outcome-related objectives (measurable effects).

Process-related objectives (development of internal processes).

Our four focus areas

The Fund's four focus areas are climate, biodiversity, human rights and corporate governance. For these areas, we have defined ambitious goals that we strive to achieve through our work.



Climate

Global warming will affect future generations, with far-reaching economic, environmental and human consequences.

AP2 must reach net zero greenhouse gas emissions by 2045 at the latest.

The Fund's goal is for the entire portfolio to be in line with the Paris Agreement, i.e. for the portfolio's greenhouse gas emissions to be reduced at a rate that can limit global warming to 1.5 degrees. Under the Paris Agreement, net-zero emissions must be achieved by 2050.

As Sweden is committed to a steeper reduction, with net zero as early as 2045, AP2 has committed to the same goal.

AP2's greenhouse gas emissions must be reduced by at least 35 per cent by 2025, and by 55 per cent by 2030.

Research shows that emission reductions need to start quickly, to limit global warming to 1.5°C. We therefore aim for a substantial reduction by 2025 and 2030 with 2019 as base year. The sub-goal for 2025 has been achieved.

>> [Read our climate plan.](#)



Biodiversity

Nature, with its resources and ecosystem services, is essential for human existence and for all economic activities. At the same time, biodiversity is declining faster than at any time in human history, with widespread and irreversible consequences.

AP2 must contribute to a positive net trend for the natural environment by 2030.

This is a long-term goal for our work with biodiversity. There is not yet any consensus on what the term nature-positive means. AP2 has nevertheless chosen to use the concept as an overall target, in which nature, with biodiversity, ecosystems and natural capital, develops in a positive direction and the Fund contributes to this development. Once there is a common understanding of the concept, we will review the target.

By 2025, AP2 must have a portfolio that does not contribute to deforestation.

This goal is in line with the commitment made by AP2 in connection with COP26, to achieve a portfolio free from deforestation caused by critical raw materials, through risk identification and engagement. We have achieved the goal to have processes in place for this work, which will continue after 2025.

>> [Read our biodiversity plan.](#)



Human Rights

Human rights are a central aspect of sustainable development and must also be safeguarded in order for the transition to be just.

As from 2025, the Fund's activities must be conducted in line with the UN Guiding Principles on Business and Human Rights.

This goal is primarily focused on the Fund's investment activities. In short, this means that we must avoid having a negative impact on human rights and strengthen the possibility of remediation. This takes place as continuous processes to identify, manage and reduce risks to people in our investments. We have achieved the goal by 2025 and have implemented the processes required by the UN Guiding Principles.

As from 2030, human rights will permeate all aspects of the Fund's activities in accordance with the UN Guiding Principles on Business and Human Rights.

In practice, this means that we will further strengthen our compliance with the UN Guiding Principles. All our activities will be conducted in line with the principles.

>> [Read our plan for human rights.](#)



Corporate Governance

The Fund's starting point is that well-managed companies with good corporate governance and diversity have greater opportunities to generate profits and mitigate risks.

By 2030, the Fund's listed holdings must on average have board representation of at least 40 per cent of each gender.

The Fund's basic assumption is that companies that focus on diversity, equity and inclusion not only take sustainability matters very seriously, but are also more competitive and thus create better value. The Fund must have actively influenced the portfolio companies to have a strategy for diversity, equity and inclusion.

AP2's overall corporate governance goal is to contribute to a better return in the portfolio, and the Fund therefore acts actively by voting on relevant issues in all listed companies.

It is the responsibility of both shareholders and the board to ensure that the board has the right conditions and working methods for effective board work. This includes a board composition that recognises diversity and independence and has a clear division of roles and responsibilities. To achieve the goal, AP2 exerts influence by voting and by collaborating with other stakeholders on, among other things, the development of national corporate governance frameworks.

>> [Read our Voting Guidelines.](#)

AP2 focuses its sustainability work on the issues that are most material, based on the principle of double materiality, which takes account of both the financial impact on the Fund's assets and the impact of the assets on people and the environment. The materiality analysis also takes account of how important the area is for the Fund's stakeholders. The ongoing dialogue with our stakeholders provides important guidance on how they view our mission and activities in relation to sustainability and returns. For more details of stakeholder dialogues, see page 65.



Climate



Aligned with the TCFD framework. See index in Appendices.

In 2025, Andra AP-fonden continued its work towards a portfolio with net-zero emissions by 2045. The work has been characterised by method development, extended reporting and an in-depth analysis of the Fund's risks and opportunities in relation to climate change. During the year, AP2 also achieved its sub-targets for 2025, a reduction in emissions of at least 35 per cent since 2019 and climate plans for all asset classes.

Emission reduction and climate targets achieved by 2025

AP2 has achieved the goal of reducing the portfolio's greenhouse gas emissions by at least 35 per cent by the end of 2025. At the end of the year, the reduction was 38 per cent compared to 2019, which means that we exceeded our sub-target. The results show that the Fund's long-term approach through governance, method development and active engagement has an effect. Going forward, we will continue to drive emission reductions through engagement that supports companies' transition, and which brings us closer to the next milestone, a total reduction of 55 per cent by 2030.

Climate plans as a strategic portfolio management tool

The fact that AP2 now has climate plans for all asset classes means that each portfolio has a clearly

defined path towards net zero by 2045. The plans are adapted to the conditions of each asset class and are used as a practical management tool. They assist fund managers to integrate climate goals into investment decisions, identify high-risk exposures, assess companies' resilience and prioritise actions where impacts can make the greatest difference. By combining emissions data, forward-looking risk indicators and clear requirements for companies and external managers, the climate plans ensure that climate ambitions are translated into concrete actions and support the portfolio's continued emission reductions towards the net-zero target.

Effects of changes in the equities portfolio's greenhouse gas emissions

To further understand and analyse the effects of changes in greenhouse gas emissions in our listed equities portfolio, during the year we implemented the MSCI framework to attribute changes in the

portfolio's carbon footprint. This better assists us to understand why the portfolio's carbon footprint changes over time. Previously, we were only able to track whether the companies were responsible for the change or changes in the portfolio. Using the new framework, we are adding additional components such as changes in the companies' financing. An example of such an effect is that if a company increases its debt by issuing more bonds during the year, the weights of our ownership of the company's equities will change and thereby reduce our share of the emissions.

The outcome of this analysis is described in the Metrics and goals section on page 28.

Climate dialogues with companies and external managers

In 2025, we continued to develop and deepen our engagement work by conducting climate dialogues with 23 (11) companies and initiating dialogues with a further 28. The dialogues primarily focused on emission reductions, climate plans and companies' ability to transition to net zero, but also on how companies identify their physical climate risks and what action plans they have if these risks are materialised. Within the group of high-risk companies,



we can see clear progress, with 90 per cent of these now reporting in accordance with TCFD (Task Force on Climate-related Financial Disclosures), which increases transparency and improves the conditions for constructive and effective dialogues going forward.

AP2 also has continuous dialogues with our external managers, particularly within private equity. During the year, we had in-depth discussions with several of our external managers, where we highlighted the importance of improved emissions reporting and addressed challenges for managers who do not yet report CO₂ data. In December, we also convened our external real estate investment managers for a joint discussion

on climate issues, with special focus on how physical risks are identified and managed in their portfolios.

Assessment of countries' alignment to net zero

During the year, we continued to develop our model for assessing countries' transition towards net zero. This year, all our data is based on the ASCOR (Assessing Sovereign Climate related Opportunities and Risks) framework, an open academic tool for analysing climate risks linked to government bonds. The database has been expanded with more countries and significantly more underlying data, which contributes to increased transparency and improved decision-making.

ASCOR's underlying data repository includes the countries' targets, emission ambitions, historical and current emissions, and estimated emission pathways over a five-year period. The assessment also covers carbon dioxide pricing, fossil resources and planned extraction, such as new coal mines or oil and gas projects. Furthermore, the energy sector's transition, the extent of protected areas, and climate financing both nationally and internationally, are analysed. The model also captures whether the country has legislation linked to climate goals. The next development step is to integrate physical climate risks and biodiversity.

During the year, AP2 also participated in PRI's (Principles for Responsible Investment) and IIGCC's (Institutional Investors Group on Climate Change) work to develop guidelines for how climate risks should be integrated in investments in government bonds.

Integration in the investment process – sustainability-linked bonds

Another central application of the model is for evaluation of sustainability-linked government bonds (SLBs). Even though SLBs have become increasingly popular, especially in emerging markets, investing in them presents several challenges. A common uncertainty is whether the bond's KPIs actually require further action to be taken to achieve them or whether the goals can be achieved without increasing ambitions, which risks making the mechanism more symbolic than effective.

The ASCOR data assists us to put these goals in a broader context and assess the countries' level of ambition. By comparing a country's emission targets with its fair share and its 1.5°C-adapted development path, we can make more informed assessments of how meaningful and transition-driving the SLBs actually are.

Just transition

Just transition is about ensuring that the transition to a climate-neutral economy takes place on a socially sustainable and fair basis. The concept emphasises that employees, local communities and supply chains should not be adversely affected when companies convert their operations to reduce emissions.

In AP2's dialogues, this means that, in addition to climate goals and emission reductions, we also engage in an active dialogue with companies about how their transition affects employees, competence needs, the working environment and local communities. One example is our discussions with AB Volvo in the dialogue within the framework of CA 100+ (Climate Action 100+), where we discuss how the company works to ensure a fair transition as the business becomes electrified and changes.

Example – dialogue with South Korea

The updated model has been used in practice, among other things in our dialogue with decision-makers in South Korea in 2025. With the support of the ASCOR data, we were able to make clear recommendations regarding the country's emission targets, the need for a more efficient carbon price, transparency regarding fossil fuel subsidies, and priorities in energy transition and nature conservation. We also highlighted areas where the level of ambition should be raised, such as the country's targets for the 2030 goals and the work to achieve the global 30 per cent target for biodiversity. The dialogue shows how our model can help us in concrete engagement work and how we contribute to promoting states' transition in line with net zero and global climate and nature goals.

Scenario analysis

In the scenario analysis, AP2 uses data from MSCI and the Climate Value at Risk (CVaR) metric, which analyses the portfolio's transition risk and physical risk, based on forward-looking data. The model is based on scenarios from the NGFS (Network for Greening the Financial System) framework, where the effects of different combinations of climate change and climate policy are explored. According to NGFS, there are six different

Scenario analysis of the listed equities portfolio

As in the previous year, AP2 conducted an overall scenario analysis of the listed equities portfolio and compared the results with MSCI ACWI.

The analysis covers two scenarios: an orderly transition with global warming of 1.5°C and a "hothouse" scenario with global warming of approximately 3°C.

AP2's estimated transition risks are still significantly lower than for the global index, which reflects the Fund's long-term work to develop a portfolio in line with the Paris Agreement.

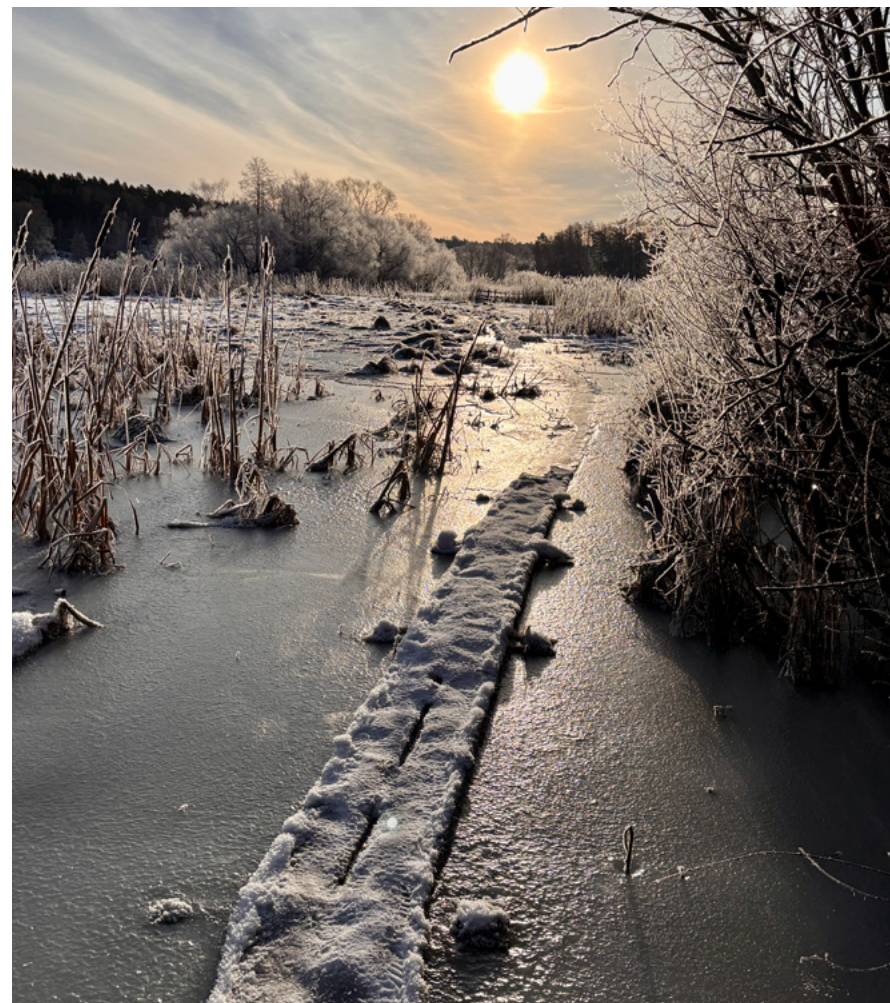
The greatest physical risks according to this year's analysis are extreme heat and low flows in water-courses, rivers and dams. AP2 continues to follow up and manage these risks within the framework of ongoing risk and sustainability work.

scenarios and three different dimensions. The "orderly" dimension assumes that climate policy is introduced early and becomes stricter. Both restructuring risks and physical risks are relatively mitigated. The "hothouse" dimension is based on how global efforts to address climate change are insufficient to stop global warming. MSCI's model uses a database of climate risk analysis for companies based on NGFS scenarios, with policy-related transition risks and physical risks at 1.5°C, 2°C and 3°C global warming.

The calculations of the physical risks are based on many extreme weather events, such as extreme heat, cold, wind, rainfall, snowfall and tropical cyclones, and are based on a database in which the company's assets are mapped and valued.

Based on this model, the Fund has undertaken two different scenario analyses for the listed equities portfolio: a scenario with an orderly transition and global warming of 1.5°C, and a "hothouse" scenario with global warming of 3°C.

The scenario based on the orderly dimension and 1.5°C warming mainly provides the Fund with insights into the risks that exist in the short and medium term. According to the analysis, AP2 has lower transition risks in the portfolio than the MSCI ACWI benchmark index, which is an expected outcome as the Fund has worked for a long time to reduce these risks, among other things by divesting holdings in the fossil fuel industry.



The physical risks are usually subdivided into acute and chronic risks:

- Acute risks constitute severe and extreme events and are site-specific. Examples of this are droughts, storms and forest fires.
- Systemic risks represent the gradual climate change risks such as temperature, precipitation, rising sea levels and biodiversity loss over several decades.

Comparison of the physical risks with the benchmark index, MSCI ACWI, shows that here the Fund is also at lower levels. The greatest physical risks indicated by the analysis are chronic risks such as extreme heat and low water flow.

The hothouse-based scenario mainly gives an idea of risks in the longer term. In this scenario, the Fund also has a lower risk than MSCI ACWI in terms of both transition risks and physical risks. In general, however, the transition risks are lower for this scenario, as it is characterised by weak regulatory measures from the political arena. Even in this scenario, the greatest risks prove to be chronic risks such as extreme heat, high sea levels and low water flows in watercourses and rivers.

For our real assets, scenario analyses are carried out by the respective managers and we instead assess their analysis and risk management. Read more about this in the risk management of real assets section on page 25.

CONCLUSIONS AND CONSEQUENCES

Scenario	Transition risks	Physical risks	Consequences
Orderly dimension (1.5°C warming)	AP2 has lower transition risks than the MSCI ACWI benchmark index, which is a result of the Fund's long-term efforts to reduce these risks.	AP2 has lower physical risks than MSCI ACWI, with the greatest risks being related to extreme heat and low water flows.	AP2 should continue its work to reduce and manage transition risks. One approach is to engage in dialogue with decision-makers and governments to influence legislation and regulations. The aim is for these measures to contribute to reducing greenhouse gas emissions, promoting sustainability and protecting the environment.
Hothouse dimension (3°C warming)	AP2 has lower transition risks than MSCI ACWI, but the risks are generally lower due to weak regulatory measures, i.e. that political and regulatory measures to manage climate change are inadequate or ineffective.	AP2 has lower physical risks than MSCI ACWI. The greatest risks are chronic, such as extreme heat, high sea levels and low water flows in watercourses, rivers and dams.	<p>The Fund needs to take account of the physical risks, particularly in higher global warming scenarios. Continued focus on identifying and managing both acute and chronic physical risks and continued engagement work towards the companies, to ensure that they proactively plan for the risks.</p> <p>Continued integration of long-term climate goals and scenarios in investment decisions can help AP2 better prepare for future climate-related challenges and invest in the companies that are best equipped for climate change.</p>

Risk management

Identification of climate risks and opportunities

AP2 identifies and assesses climate risks and opportunities within each asset class, where the portfolio managers are responsible for analysis and prioritisation. To a great extent the work is based on the IIGCC (Institutional Investors Group on Climate Change) Net Zero Investment Framework. The assessments also include physical risks and forward-looking data. The time horizon varies between asset classes.

Managing of climate-related impacts, dependencies, risks and opportunities

Equities

AP2 manages climate risks in the foreign equities mandates through an internally developed Paris-Aligned Benchmark index (PAB). The index ensures a reduction in emissions that over time corresponds to approximately 7 per cent per year, in line with a net-zero scenario in 2045. The mandate excludes certain sectors, such as fossil fuel companies, and companies that do not reduce their emissions are gradually given less weight in the portfolio. The index is updated twice a year, ensuring that the investments track the evolution of companies' emissions paths.

In the Swedish equities portfolio, AP2 uses the IIGCC's Net Zero Framework to assess the companies' alignment towards net zero. The framework provides a structured method for evaluating companies' emissions data, climate plans and net zero commitments and is used both in investment decisions and in the prioritisation of company

dialogues. The assessment shows a clear shift during the 2023-2025 period. The proportion of companies that have only committed to working towards net zero is gradually decreasing, while more companies are taking concrete steps in the transition. During 2025, the majority of companies were in the categories of begun adaptation and adapting, indicating that more and more are implementing their climate plans in practice. There is still some way to go before we are fully aligned with our detailed target for the asset class in 2025 (see graph below), so that our continued work and dialogues will become even more important going forward.

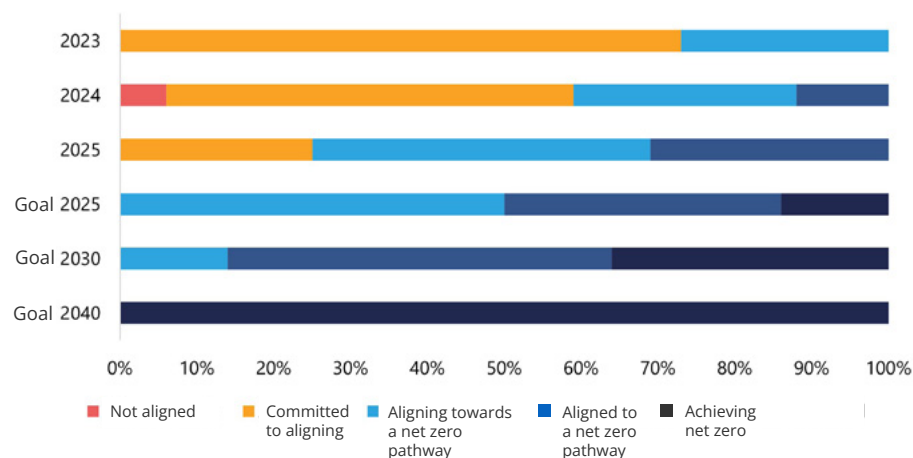
To drive this shift, we continue to work through dialogue as one of our most important tools.

How we select the companies and which issues we focus on in the dialogues are described in the section on responsible owners. In 2025, we further deepened this work. In total, the Fund ran 23 (11) active dialogues under its own auspices, and 11 (7) through collaborations, with a focus on emission targets, climate plans and TCFD reporting. Our most important collaborations are Climate Action 100+ (CA 100+) and the Net Zero Engagement Initiative (NZEI). A further 28 dialogues were in the start-up phase at the end of the year. In 2026, we hope to be able to expand this work further, among other things by following up on how far the companies have moved since our previous discussions.

In 2025, we also used voting as a tool for influencing companies on climate issues. We wrote a letter to a high-risk company, presenting our conclusion that the management of climate risk was inadequate, which then was reflected through our voting.

For our private equity investments, for the second consecutive year we are mapping the transition risks using the greenhouse gas emissions for this portfolio. Based on this, we assess the managers' climate strategies and their alignment to net zero. Our due diligence process and side letter agreements now include requirements for climate work for new managers, which further strengthens the management of transition risks in the asset class.

Alignment to net zero – Swedish equities, %



The Council on Ethics complements the AP Funds' climate work

The AP Funds' Council on Ethics is driving the transition in sectors with particularly high emissions and systemic risks. During the year, the work focused primarily on the transition in the steel industry and the sustainability challenge in the mining sector, which is crucial for the global energy transition. Through initiatives such as Steel Value Chain Engagement and Mining 2030, the Council on Ethics collaborates with investors, companies and players throughout the value chain to strengthen ambitions, improve risk management and help these sectors transition in line with the Paris Agreement. Read more on the Council on Ethics' [website](#).

Fixed-income securities

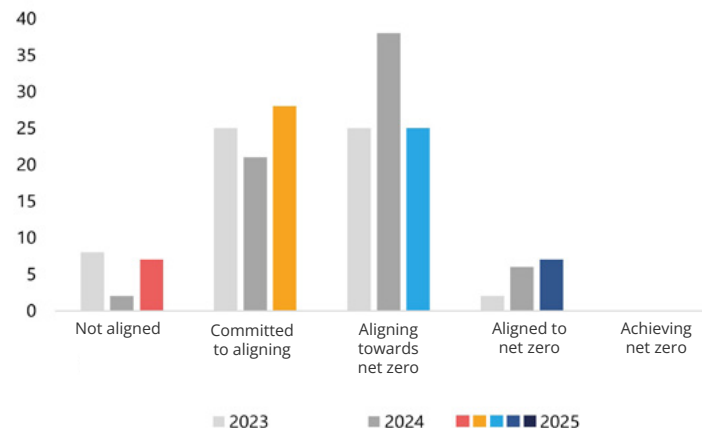
In our corporate credits portfolio, the same strategy is applied as in the foreign equities mandates, through a Paris-Aligned Benchmark index (PAB). This means that the credit portfolio is also aligned with an emission reduction rate in line with net zero by 2045, where companies with insufficient emission reduction are gradually given lower weighting.

For government bonds, we use the IIGCC's Net Zero Investment Framework together with ASCOR (Assessing Sovereign Climate related Opportunities and Risks), which is described on page 20. This enables us to systematically assess countries' climate policies, emissions gaps and transition trajectory. In 2025, the ASCOR dataset was expanded to include more countries, which means that some countries previously assessed through other data sets have now been evaluated by ASCOR. In effect, the outcome for some countries changed in 2025 compared to previous years.

This year's assessment shows greater involvement of countries in the 'aligning towards net zero' and 'aligned to net zero' categories, which indicates that more countries are now starting to translate their climate goals into policy development. But there are still countries that either lack clear commitments or have not yet begun their alignment towards net zero. This underlines the need for continued engagement efforts towards countries with less mature climate ambitions. Through dialogues and international collaborations, we can contribute to raising the ambition level and support countries in taking the next step in the transition.

The framework development provides us with a better basis for assessing which countries are aligned with credible transition plan and which are exposed to higher transition risks. In our engagement dialogues, countries identified with strong, forward-looking climate strategies are emphasised as best practice examples, while the countries that are lagging require continued analysis and prioritisation in our engagement dialogues.

Alignment to net zero – government bonds, %



Sustainability Linked Bonds in emerging markets – an opportunity for AP2

As part of our climate strategy for the government bonds asset class, we are positive about investment opportunities that can support countries' transition. There is now an increasing market for sustainability-linked bonds in several emerging countries, which creates opportunities for AP2 to support countries' transition, while also requiring careful analysis and risk assessment.

In some cases, the targets for this type of bond are set so low that countries can manage them without doing anything new, limiting the actual climate benefit. By using AP2's country analysis, which is based on 1.5°C trajectories and fair emission shares, we can quickly see which bonds have ambitious targets and which do not. This provides a better basis for decision-making and makes these bonds a strategic opportunity to direct capital towards countries with credible climate ambitions.

Real assets

AP2's real assets include timberland and farmland (Natural Climate Solutions, NCS), traditional real estate and sustainable infrastructure. For this type of risk management, AP2 works together with our external managers, where a large part of the risks are managed by the managers themselves. Dialogues with the managers about risks and opportunities are our main tool for risk management of this asset class.

In 2025, AP2 continued to develop the work of identifying and managing both physical and transition-related risks in real assets. The work was strengthened primarily through regular dialogues with the managers and by gradually deepening the analyses of climate-related risks and opportunities within each portfolio. For the physical risks, this year's analysis also included an evaluation of the managers' ambition, strategies, action plans, reporting and actual implementation, which gave a more comprehensive picture of how they work to reduce and manage these risks.

For the second consecutive year, we conducted a climate assessment of our managers within real investments. The outcome for 2025 is close to the result for 2024. This is partly due to limited changes in the portfolios, and partly because many of the managers within these asset classes have been working towards net zero in a structured manner for a long time.

In the timberland and farmland portfolios, AP2 deepened the risk analysis concerning the physical risks, such as droughts, fires and other weather-dependent risks. The managers work continuously

with proactive measures, such as fire management, and engage in regular dialogues with them to understand how these risks are managed.

The external managers responsible for our investments in traditional real estate have continuously managed and taken action against the transition risks that may affect the real estate industry. Recently, they have also focused on managing the physical risks that can arise in connection with climate change. For our real estate portfolio, we mainly see physical risks such as sea level rises and flooding during heavy rainfall.

During our annual sustainability day with real estate managers, physical climate risks were one of the main areas. The day gave an opportunity for both AP2 and the managers to share knowledge and discuss development opportunities. The format is highly appreciated, not only by us, but also by the managers, who have the opportunity to mutually exchange experiences and lessons learned in the climate area.

In the dialogues during the year with managers of our investments in sustainable infrastructure, we focused primarily on the physical risks. Sustainable infrastructure is also an area where we see opportunities to invest in the long term and sustainably, including by supporting activities that enable the transition. In our latest assessments, 38 per cent of our investments in sustainable infrastructure achieve net zero, showing that the sector offers significant potential to combine stable returns with climate transition.

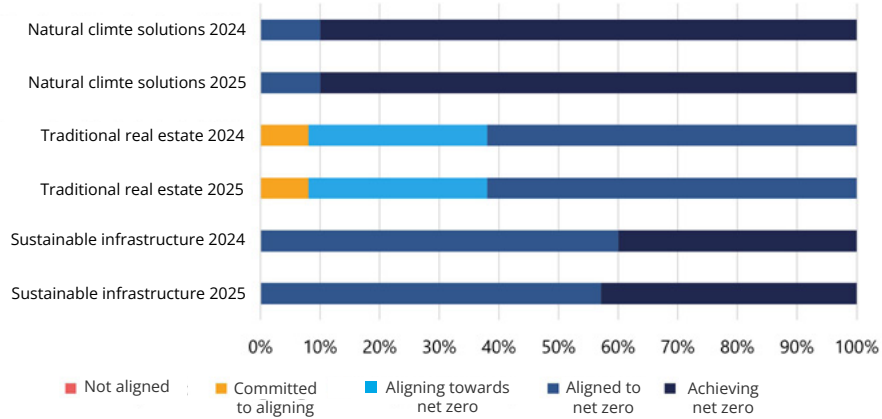


Example of physical climate risk management with one of our forest managers – New Forests

One of our forest managers, New Forests, uses FireHawk/PanoAI, a camera-based fire detection systems that performs 360° scans in under four minutes and covers at least 6-8 km, and up to 15 km in favorable conditions. The cameras transmit real-time video to a control center, where software distinguishes between smoke, embers and fire, and a human operator verifies the alerts. This combination of technology and human monitoring enables rapid and reliable fire detection while reducing the risk of false alarms.

In addition to advanced detection systems, New Forests works in line with established best practice in fire preparedness. This includes updated fire management plans, firebreaks in high-risk areas and rapid response readiness on days with elevated fire risk. They also actively collaborate with neighboring landowners and regional fire authorities, strengthening the collective capacity to detect and manage fires at an early stage.

Alignment to net zero – real assets, %



Examples of AP2's investments in sustainable infrastructure Voltwise

Through one of our sustainable infrastructure managers, Sandbrook Capital, in 2025 we invested in Voltwise, a company that develops, builds and owns battery storage systems in Europe. The business has its initial focus in the UK and Germany, where Voltwise already has a portfolio of 460 MW in operation or under construction, as well as an extensive project pipeline of 13.9 GW. Battery storage is a key aspect of the energy transition, and investments in this type of infrastructure create opportunities for AP2 to support a more stable and flexible energy supply.

Metrics and goals

Metrics for assessing climate-related risks

AP2 assesses climate-related risks and opportunities primarily through the portfolio's greenhouse gas emissions (scope 1-3), carbon dioxide intensity (WACI) and sensitivity to transition risks such as carbon dioxide price. Changes in emissions are analysed to distinguish between the companies' actual emission reductions and the effects of portfolio changes. Physical climate risks are assessed where data is available, often via MSCI scenarios and manager assessments for unlisted assets. The Fund's forward-looking assessment of net-zero alignment is based on the IIGCC's Net Zero Investment Framework, which is used to assess whether companies, countries and managers have credible plans for net zero.

AP2's analysis is based on available emission data, which in some cases is estimated, while the quality of the data varies, especially for Scope 3. Differences in the companies' reporting, methodology of data providers and lag in annual data mean that the results may be subject to uncertainty. These limitations are managed by continuously updating the reporting as data quality improves. For more details about our metrics, see the Fund's website.

AP2 reports on greenhouse gas emissions in Scopes 1, 2 and 3. The calculations are complex and are based on both the companies' own reporting and on different models and estimates. Scope 3 in particular is associated with significant uncertainties, as the data quality varies between companies and years. This can lead to variations over time and means that historical data sometimes needs to be revised when improved information becomes available. In addition, some double counting may occur when Scope 3 emissions are summed up at portfolio level. Despite these challenges, Scope 3 is an important part of the overall climate management, and AP2 works systematically to improve data quality and methodology in order to describe the portfolio's emissions and the resulting climate-related risks as clearly and transparently as possible.

Greenhouse gas emissions in 2025

In 2025, AP2 estimated the portfolio's greenhouse gas emissions to be 7.6 (7.6) million tCO₂e, which included all asset classes except non-listed credits. Emissions remained at around the same level as in 2024, but the development differed between asset classes.

The listed equities portfolio, which accounts for most of the Fund's total emissions, reduced its emissions to 5.35 million tCO₂e, compared

to 5.45 million tCO₂e for the previous year. The reduction was driven by both portfolio changes and emission reductions in the existing companies. There were minor changes in corporate bonds and several of the real asset classes, such as agricultural and forestry investments.

AP2 continues to work to ensure that the entire portfolio is covered by complete and reliable

emissions reporting. Our climate plans for each asset class are a key element of the work to further reduce emissions and reach the net-zero target by 2045. Over the coming years, we will continue to develop methods, data quality and reporting to gradually strengthen transparency and support portfolio transformation.

Carbon footprint for all asset classes, Scope 1, 2 and 3

	2025	2024	2023	2022	Base year 2019
Listed equities	5.35	5.55	5.01	6.16	9.53
Corporate bonds	0.98	0.97	0.85	1.10	1.39
Government bonds	0.05	0.03	0.03	0.03	0.03
Non-listed real estate	0.16	0.12	0.16	0.07	0.01
Timberland	0.23	0.19	0.53	0.55	0.55
Farmland	0.13	0.12	0.09	0.08	0.07
Sustainable infrastructure	0.03	0.04	0.02	0.00	0.00
Private equity	0.71	0.71	0.71	0.71	0.71
Total carbon emissions (million tCO₂e)	7.65	7.64	7.40	8.71	12.29
Share of portfolio market value (%) with reported CO ₂ e	93				

Reasons for changes in greenhouse gas emissions for the equities portfolio

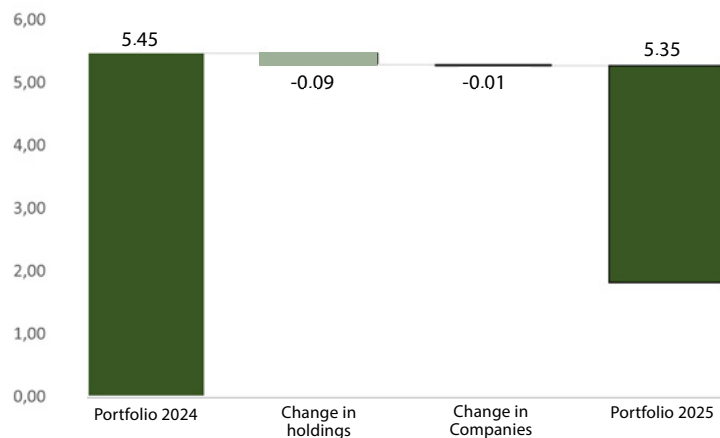
The listed equities portfolio is the Fund's largest source of greenhouse gas emissions and is therefore analysed in detail. The purpose of the analysis is to distinguish emission changes that arise from the companies' own emissions development from changes that are due to changes in portfolio holdings.

Graphs 1 and 2 show how the changes in absolute emissions and emission intensity (WACI) are distributed between the companies' changed emissions and changed holdings. The report is based on the AP Funds' common calculation framework.

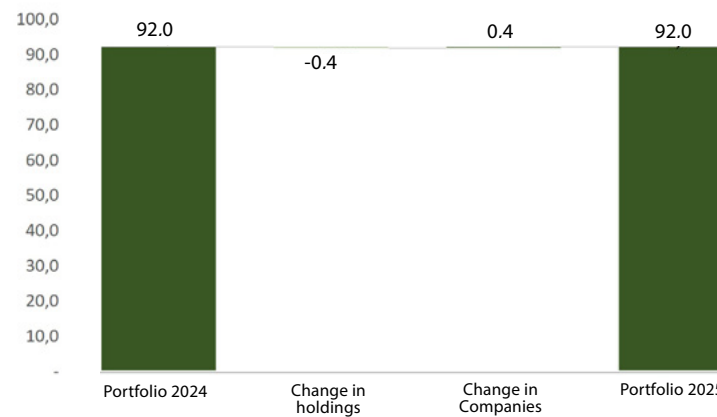
To supplement this division, we have deepened the analysis of the companies' actual contributions to emission development and also adjusted for financial effects. This more precise method shows that for 2025, the companies contributed to a reduction in the equities portfolio's emissions by 2.35 percentage points,

i.e. a greater contribution than in the less detailed analysis. The in-depth analysis gives a more accurate picture of the company's actual emissions course and forms an important basis for the Fund's dialogues, as it more clearly shows which companies contribute to emission reductions and which do not.

Graph 1. Reasons for change in total carbon emissions between 2024 and 2025, million tCO₂e



Graph 2. Reasons for change in portfolio-weighted carbon intensity between 2025 and 2024, tCO₂e/SEKm



Carbon footprint of the listed equity portfolio	2025	2024	2023	2022	Base year 2019
Carbon emissions, Scope 1 and 2 (million tCO₂e)	0.3	0.3	0.4	0.6	0.9
Change in the portfolio's carbon emissions from the previous year (%)	1.2	-20.9	-36.3	-9.1	
– of which the change related to changes in the portfolio's holdings (% units)	0.0	-15.2	-39.4	-20.3	
– of which the change related to changes in the companies' emissions (% units)	1.2	-5.7	3.1	11.2	
Carbon emissions, Scope 3 (million tCO ₂ e)	5.0	5.1	4.6	5.5	8.5
Relative carbon emissions, Scope 1 and 2 (tCO ₂ e/SEK million)	2.2	2.6	4.5	7.4	11.6

	2025	2024	2023	2022	Base year 2019
Carbon emissions, Scope 1, 2 and 3 (million tCO₂e)	5.4	5.5	5.0	6.2	9.5
Change in the portfolio's total carbon emissions from the previous year (%)	-2.0	8.8	-18.8	-18.6	
– of which the change related to changes in the portfolio's holdings (% units)	-1.8	11.8	-21.4	-33.4	
– of which the change related to changes in the companies' emissions (% units)	-0.2	-3.0	2.6	14.8	

Carbon footprint of the listed credit portfolio	2025	2024	2023	2022	Base year 2019
Carbon emissions, Scope 1 and 2 (million tCO ₂ e)	0.1	0.1	0.1	0.2	0.3
Carbon emissions, Scope 3 (million tCO ₂ e)	0.9	0.9	0.7	0.9	1.1
Portfolio-weighted carbon intensity (WACI), Scopes 1 and 2 (tCO ₂ e/SEK million)	9.0	8.7	9.2	12.9	21.3
Portfolio-weighted carbon intensity (WACI), Scope 3 (tCO ₂ e/SEK million)	80.7	67.1	50.7	55.7	66.7
Carbon emissions, Scope 1, 2 and 3 (million tCO ₂ e)	1.0	1.0	0.9	1.1	1.4
Portfolio-weighted carbon intensity (WACI), Scopes 1, 2 and 3 (tCO ₂ e/SEK million)	89.7	75.8	59.9	55.7	88.0
Mapped market value as a share of total Fund capital, %	12				

Carbon footprint of the listed equity portfolio	2025	2024	2023	2022	Base year 2019
Portfolio-weighted carbon intensity (WACI), Scope 1 and 2 (tCO₂e/SEK million)	5.1	5.0	5.7	8.2	13.7
Change in the portfolio's carbon intensity from the previous year (%)	0.0	-11.0	-30.7	-9.1	
– of which the change related to changes in the portfolio's holdings (% units)	-6.2	7.0	-28.6	5.8	
– of which the change related to changes in the companies' carbon intensity (% units)	6.2	-18.0	-2.1	-14.9	
Mapped market value as a share of total Fund capital, %	37				
Portfolio-weighted carbon intensity (WACI), Scope 3 (tCO ₂ e/SEK million)	87.0	86.9	80.0	97.6	108.5

Portfolio-weighted carbon intensity (WACI), Scope 1, 2 and 3 (tCO₂e/SEK million)	92.1	92.0	85.6	105.8	122.3
Change in the portfolio's carbon intensity from the previous year (%)	0.4	7.3	-19.0	-5.7	
– of which the change related to changes in the portfolio's holdings (% units)	-3.5	16.2	-10.5	-8.8	
– of which the change related to changes in the companies' carbon intensity (% units)	3.9	-8.9	-8.5	3.1	

Carbon emissions, Scope 1, 2 and 3. Total of owned share of portfolio companies' individual carbon emissions based on Enterprise Value including Cash, EVIC.

Relative carbon emissions, Scope 1 and 2. Total of owned share of portfolio companies' individual carbon emissions in relation to portfolio market capitalisation.

Portfolio-weighted carbon intensity (WACI), Scope 1, 2 and 3. Total individual carbon intensity of each portfolio company, i.e. a company's carbon emissions in relation to its turnover, weighted according to each individual company's share of the portfolio.

The formulae for the above indicators are available on the Fund's website. CO₂e (carbon dioxide equivalent) is a unit of measurement that enables comparisons of the climate impact of different greenhouse gases.

Other asset classes	2025	2024
Carbon emissions, Scope 1 and 2, (tCO₂e)		
Traditional real estate	106.4	103.5
NCS (forest and farmland)	54.2	45.1
Sustainable infrastructure	5.2	4.6
Private equity	95.4	51.6
Carbon emissions, Scope 3, (tCO₂e)		
Traditional real estate	54.8	17.3
NCS (forest and farmland)	303.8	273.3
Sustainable infrastructure	28.7	38.3
Private equity	616.4	266.7
Carbon emissions, Scope 1, 2 and 3, (tCO₂e)		
Government bonds, production based	1 290.0	1 045.0
Government bonds, consumption based	53.0	32.1

Targets and target achievement

AP2's climate goals are based on the Paris Agreement and Sweden's national climate ambitions. The aim is for the portfolio to achieve net-zero emissions by 2045, with the sub-target of an emission reduction of 35 per cent by 2025 and 55 per cent by 2030, compared to 2019 as the base year.

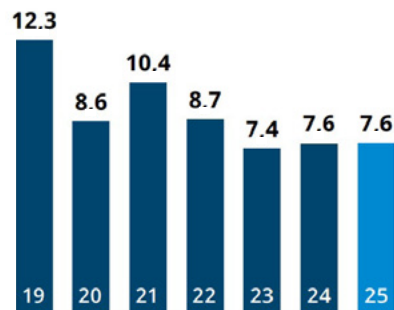
These goals are a key aspect of the Fund's management of climate-related impacts, dependencies, risks and opportunities. The climate plans for each major asset class guide both investment decisions and dialogues with external managers and portfolio companies.

Achievement of goals

The outcome for 2025 shows that the portfolio continues to develop in line with the Fund's long-term climate goals. The total emission reduction since 2019 as the base year means that AP2 is following the emission reduction path required to achieve the sub-target of 55 per cent by 2030. At the same time, variations in performance between asset classes remain, which underlines the importance of asset-class-specific climate plans and clear follow-up.

The Fund's governance, integration of climate plans in the investment and management processes, and ongoing dialogues with companies and managers, set the conditions for steering the portfolio's emissions development in the desired direction. Overall, this year's outcome confirms that these tools help keep the portfolio on track towards net-zero emissions by 2045.

Greenhouse gas emissions, million tCO₂e





Biodiversity



Biodiversity

Aligned with the TNFD framework. See index in Appendices.

Andra AP-fonden continues to work to understand how the Fund's investments affect and are affected by natural capital and biodiversity. With the support of the ENCORE database and based on the TNFD framework, we have updated our analysis of the portfolio's sector exposure. Focus is still on the sectors assessed to have the greatest negative impact and dependence on natural resources and ecosystem services.

Impacts and dependencies

AP2 annually analyses the investment portfolio's prioritised nature-related impacts, dependencies, risks and opportunities using the ENCORE database developed by the Natural Capital Finance Alliance and the UN's environmental programme, UNEP*.

The analysis is founded on the double materiality principle and is conducted from a sector perspective. We make the assessment based on three parameters:

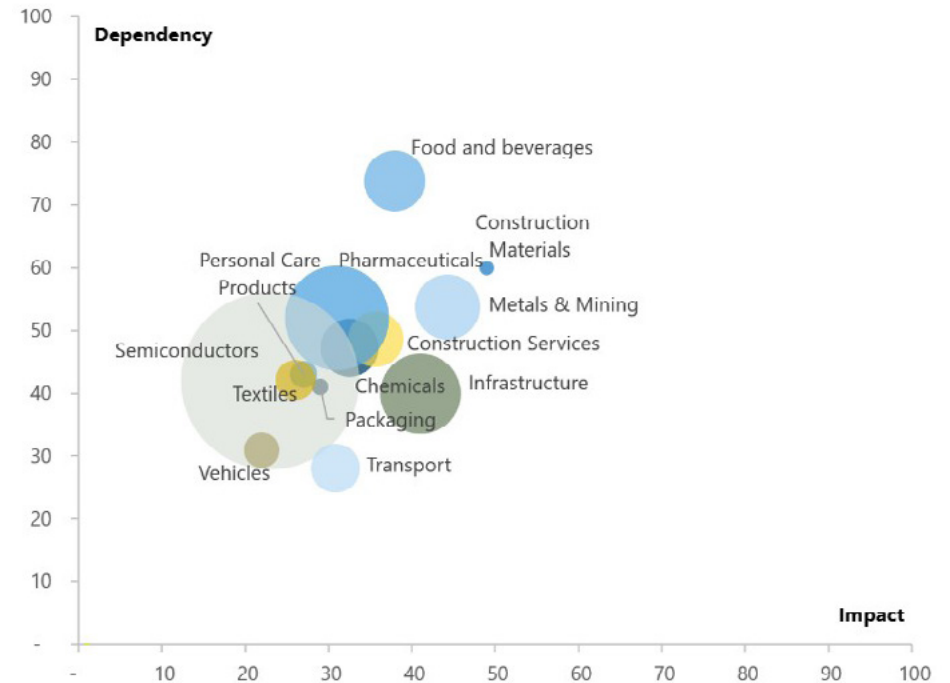
- The sectors with the greatest impact on the principal drivers of biodiversity loss, according to IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services)**.
- Sectors most dependent on nature resources and ecosystems.
- Sectors with the greatest exposure to the various asset classes in AP2's portfolio.

The analysis is based on the sectors identified as highly relevant in TNFD's framework and AP2's exposure to these sectors through its investments. The ENCORE database analyses the negative impact of each sector on biodiversity, from different driving forces. The analysis is restricted to the sectors relevant to AP2 – sectors not part of the Fund's portfolio are not included. The sectors are evaluated on the basis of the entire value chain, which means, for example, that a restaurant or grocery store is deemed to be linked to the risks involved in the cultivation of the products sold.

These three parameters can be illustrated in the following graph, with dependencies on the X-axis, impacts on the Y-axis and the sector's weight in our portfolio illustrated by the size of the ring.

Impacts are analysed in even more detail according to the five drivers of biodiversity loss identified in the IPBES report, and how they

Sectors' impact and dependence on nature resources and ecosystems



* www.encorenature.org/en

** IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Diaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. 1148 pages. <https://doi.org/10.5281/zenodo.3831673>

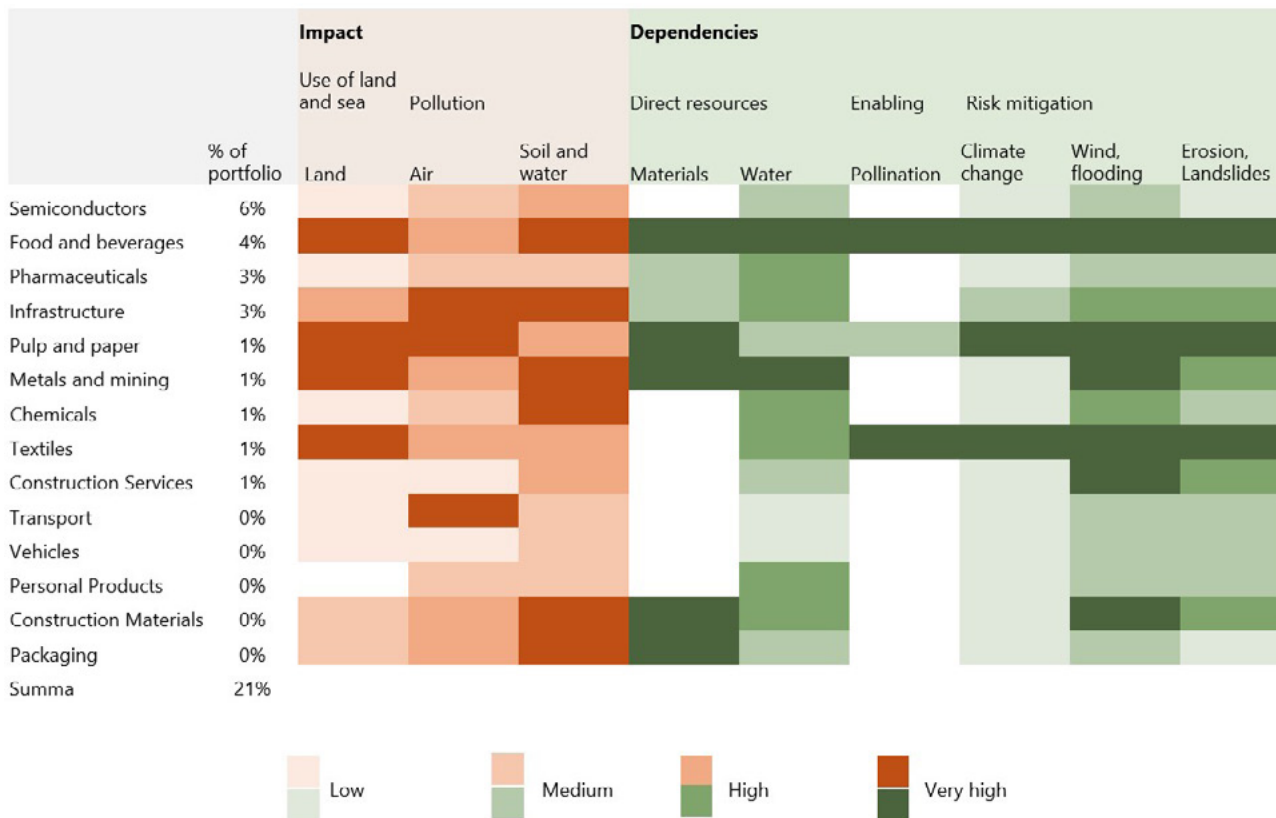
affect land, fresh water, sea and atmosphere. Since we have been working on the climate issue for a long time, and thereby already address the sectors and companies with the greatest climate impact, we have not included climate change in this analysis. Of the four remaining drivers, the analysis shows land use, followed by pollution, to be the most relevant for the Fund's investments.

The overview on the right shows sectors in AP2's portfolio with a high negative impact and dependence on natural resources and ecosystems.

According to the IPBES report, the five main drivers of biodiversity loss are:

- Changing use of sea and land
- Direct exploitation of species
- Climate change
- Invasive non-native species
- Pollution

AP2's holdings in sectors with a high impact and dependence on nature resources and ecosystems.



Land use in food production and forestry

The analysis shows that both impacts and dependencies are high in sectors linked to food and beverages, including the entire value chain from agriculture to producers, as well as forest and paper. This is the basis for our prioritisation of the deforestation issue within land use.

According to IPBES, the food sector stands out in terms of negative impacts from land use, primarily through deforestation in tropical areas with rich and sensitive biodiversity. Furthermore, 75 per cent of tropical deforestation is caused by four raw materials – cattle, soy, palm oil and raw timber. The global food system is also an important driver of climate change and accounts for around one third of the total human-generated greenhouse gas emissions. The food and forestry sectors are also highly dependent on ecosystem services such as water, climate and pollination.

Pollution in the chemical sector

Pollution is the second most relevant driver of biodiversity loss for AP2. According to the IPBES report*, pollution is a significant driver of biodiversity loss. Pollution from agriculture, industry and urbanisation contributes, among

other things, to deteriorating water quality, soil acidification and air pollution, which damage nature and ecosystems. In addition to the sectors mentioned above, the chemicals sector is relevant for the Fund in terms of the risk of negative impacts from pollution.

Water and semiconductors

With the semiconductor sector as a larger part of the portfolio, we have identified dependence and impact on access to water as potentially relevant going forward. In 2026, we will analyse our risk exposure to this impact and also include technology companies with semiconductor production and data centres in the analysis.

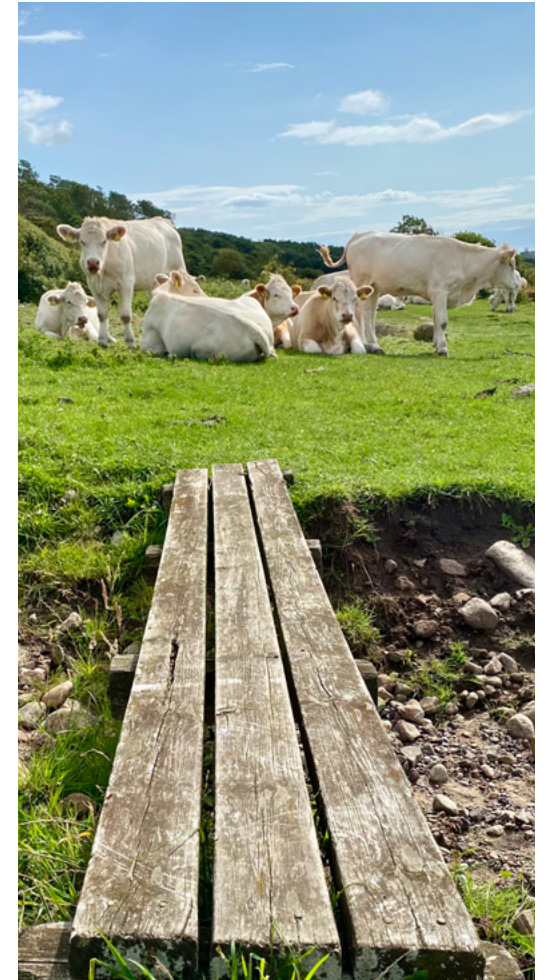
Risks and opportunities

Within the asset classes of listed equities and credits, private equity, forestry and agricultural investments, real estate and sustainable infrastructure, 21 per cent of AP2's portfolio is invested with high nature-related impacts and dependencies. The prioritised sectors comprising food and beverages, forestry and paper, chemicals and semi-conductors account for 12 per cent of the Fund's investments, which have both a very high impact and dependence on nature. There is a risk of negative impacts on these investments in

the event of a lack of resources and weakened ecosystem services, particularly in the medium and long term.

The Fund sees opportunities to invest in activities that reduce the negative impact on nature and promote biodiversity. Our targeted sustainability investments include sustainable infrastructure, timberland and farmland, that fulfil the Fund's sustainability criteria, and investments via private equity funds, including animal-free alternatives to meat and leather, and sustainable agricultural technology.

The nature-related impacts and the dependencies and opportunities identified are relevant in all time perspectives. The risks are primarily expected to materialise in the medium to long term.



* IPBES (2019): Global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. E. S. Brondizio, J. Settele, S. Díaz, and H. T. Ngo (editors). IPBES secretariat, Bonn, Germany. 1148 pages. <https://doi.org/10.5281/zenodo.3831673>

**Resilience and scenario analysis**

AP2 has analysed nature-related risks and opportunities according to TNFD's proposed structure, based on two critical sources of uncertainty:

- Ecosystem degradation – the extent to which biodiversity and critical ecosystems are weakened, on a scale ranging from limited impacts on nature and ecosystem services to a serious impact on, for example, pollination and access to water.
- The degree of coordination between governments, authorities, companies and individuals, which in turn leads to different degrees of transition risk. Good coordination creates predictability and contributes to rational decisions, while a lack of coordination risks driving transition risks, leading to short-term and suboptimal decisions and high costs.

The probability of a negative outcome is judged to be high for both dimensions, as both severe degradation and poor coordination. This would entail significant risks, both physical and transition risks, which are currently difficult to assess and quantify. To move forward in our analysis and specify the risks in the portfolio, we have focused on the risk of water scarcity. In the spring of 2026, we will conduct more

in-depth analysis of our exposure to this risk via a combination of water-intensive sectors and geographical exposure.

An important component of the work going forward is to base analyses on scientific facts and to participate in interdisciplinary collaboration. Among other things, the Fund participates in Mistra BIOPATH, a research collaboration that aims to develop methods for integrating biodiversity in financial decision-making. More information is available at www.mistrabiopath.se

The ambition is to include the risks and opportunities identified in the above analysis in the Fund's integration of sustainability into investments. This may entail engagement with companies identified as high-risk, or the identification of investment opportunities for targeted sustainability investments.

Risk management

Identification of nature-related impacts, dependencies, risks and opportunities in the portfolio

We have established processes to continuously identify, assess and manage nature-related risks within different asset classes, with a focus on the portfolio's deforestation risk.

In the pursuit of a deforestation-free portfolio, the listed equity and credit portfolio is analysed to identify companies with a high deforestation risk. The analysis is based on the model developed by the Climate & Company think tank, in collaboration with AP2. The risk assessment in the model weighs together several key data points, such as sector, estimated risk in the supply chain, and geographical exposure to sensitive nature areas.

At the end of 2025, the model had identified 35 companies in AP2's listed equities and credit portfolios with a very high risk of deforestation. These companies are prioritised for the Fund's engagement work on the deforestation issue.

AP2 has also conducted a risk analysis of its private equity portfolio and identified which portfolio companies and managers are exposed to raw materials that entail a high deforestation risk. In total, these companies account for around

4 per cent of the value of the private equity portfolio. Deforestation risk assessment and management issues are included in the Fund's due diligence for new managers and annual follow-up within private equity, real assets and non-listed credits.

Management of nature-related impacts, dependencies, risks and opportunities in the portfolio

We seek to engage in dialogue with all companies that have been identified as having a high risk of deforestation and that do not demonstrate sound management of this risk.

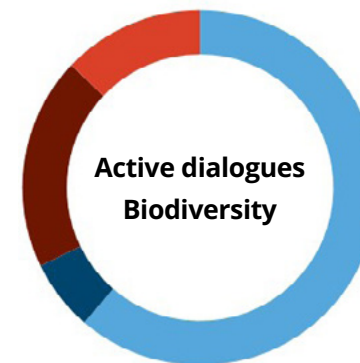
Using the deforestation model described above, AP2 identifies companies whose activities or geographical presence entail a very high deforestation risk. The most common sector is companies linked to the food value chain, as well as agricultural products with a particularly high risk, such as beef, soy and palm oil.

The next step is to analyse how companies manage the risk, for example through commitments to deforestation-free procurement, policies and processes. During the year, we developed an evaluation methodology, which we also use to follow up on developments in the company dialogues.

When a company has been identified as having a high risk, an assessment is made of the company's management of the deforestation risk based on a number of KPIs. These are summed up into four parameters – commitment, policy, process and transparency. With a weighted target achievement of at least 75 per cent, a company's management is assessed as robust, which was achieved by four high-risk companies in 2025.

AP2 aims to conduct company dialogues with all high-risk companies where we have not been able to verify adequate management of the risk. Many dialogues are conducted in collaboration with other investors within the framework of initiatives such as Finance Sector Deforestation Action (FSDA), Nature Action 100 and PRI Spring. At the end of 2025, we had active dialogues with 27 companies, directly or indirectly, through collaborations, and four are in the start-up phase.

Our engagement work is based on the Fund's deforestation policy. Read more in AP2's deforestation policy on the Fund's [website](#), which describes the expectations on companies in AP2's portfolio. The 12 companies for which we lead a dialogue had an average target achievement of 30 per cent for their deforestation risk management.



Collaboration	19
AP2 leads the collaboration	2
Own dialogue	6
Dialogue in start-up phase	4

The following illustrates our assessment of these companies based on the criteria of commitment, policy, process and transparency. At the end of 2025, half of the companies had some kind of commitment to be deforestation-free and a published policy document setting the framework for the commitment. Our assessment not only includes the existence, but also the quality of commitments and policies, for example what is covered and whether commitments are timely. We see great potential for improvement in the companies' processes to ensure deforestation-free value chains, especially in the work of achieving traceability for indirect suppliers. This is something

we often ask questions about in dialogues with the companies. Companies' transparency also has great potential for improvement, even though in recent years we have noted a positive trend in this area, not least for companies in Japan and the Republic of Korea, and by more companies reporting in accordance with TNFD.

Collaborations on deforestation

AP2 has been one of around 30 investors in the Finance Sector Deforestation Action (FSDA) collaboration, which was scheduled to be concluded at the end of 2025. Since its inception in 2021, the FSDA has been a driving force for investors seeking to manage deforestation risk. For

us, the initiative has been an important platform for sharing knowledge and experience, and for collaborating on company dialogues, with shared expectations of the companies.

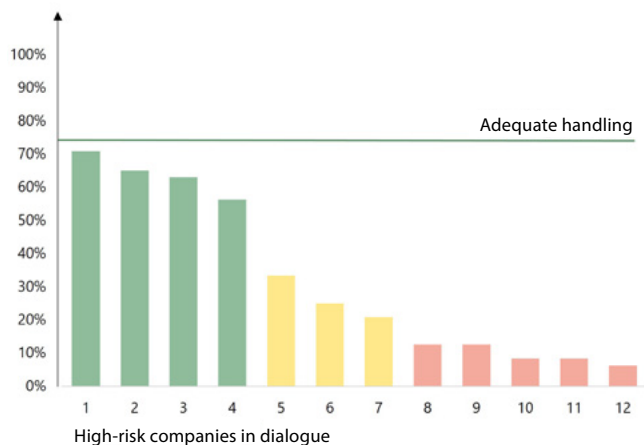
All participating investors now have policies addressing deforestation risks. Read more in AP2's deforestation policy on the Fund's [website](#).

For four years, we and the other FSDA investors have been engaged in dialogues with some 70 companies, banks and decision-makers. Among companies, we have seen progress for several of the initiatives' expectations of companies. Among other things, we have seen a significant increase in

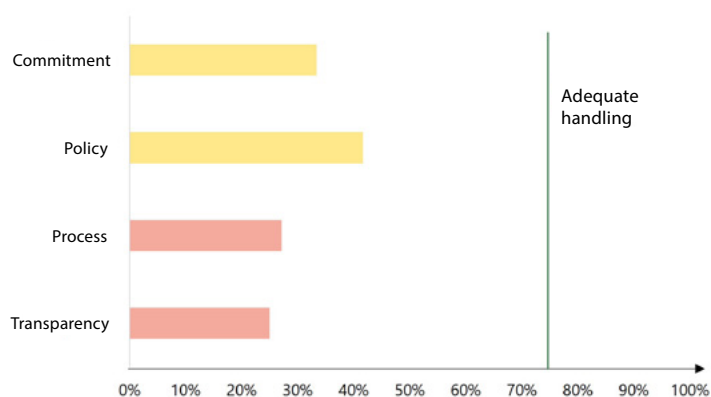
companies' reporting, that several companies have made public commitments against deforestation, and an increased number of companies that can demonstrate tracking and control of deforestation-free supply chains.

Yet there is still a lot of work to be done on this complex issue and it is important that we and other investors continue to engage. Once the FSDA is concluded, work will continue within the framework of the Deforestation Investor Group (DIG), launched in January 2026 and coordinated by the IIGCC (Institutional Investors Group on Climate Change). AP2 plans to join this initiative, with the aim of continuing to contribute to reducing financial risks linked to deforestation and ecosystem changes.

Management of deforestation risk, goal achievement as a percentage for companies in direct dialogue with AP2, December 2025



Average goal achievement as a percentage for companies in direct dialogue with AP2, December 2025



Nature Action 100 is an investor initiative with a broader approach to biodiversity, launched in 2023. The initiative has identified the 100 companies in eight sectors that are assessed to have the greatest negative impact on biodiversity. The dialogues are based on an annual benchmark that rates the companies' ambition, materiality analysis, goals, implementation, governance and commitment. Among these companies are 15 of AP2's focus companies, and we play a leading role in the dialogue.

The Investor Policy Dialogue on Deforestation (IPDD) conducts policy-level dialogues in countries with a high deforestation risk. AP2 is active in the working group for Brazil.

Taking a stand against deforestation by voting

Prior to the 2025 voting season, AP2 wrote letters to three companies with high risk and inadequate management of deforestation risk, which also was reflected in our voting with the companies.

Management of pollution risks

Pollution is the second most relevant driver of biodiversity loss for AP2, according to the materiality analysis. PFAS (per- and polyfluorinated alkyl substances) are a serious form of pollution that affects both human health and biodiversity. PFAS have many uses, from frying pans and waterproofing clothing to firefighting foam and packaging. The problem is that PFAS are “forever chemicals” that do not break down, but accumulate in people, animals, water and nature over time, and have serious consequences such as hormonal disorders and cancer.

Since 2023, the Council on Ethics has collaborated with around 60 international investors within the Investor Initiative on

Hazardous Chemicals (IIHC). The initiative is coordinated by ChemSec, which is an expert on harmful chemicals. The aim of the project is for the chemical industry to phase out the use of harmful chemicals. The project is aimed at 50 chemical companies and focuses on three concrete sub-targets, where the companies must:

- Increase transparency regarding the company's exposure to harmful chemicals.
- Publish a time-limited phase-out plan for forever chemicals.
- Develop safer alternatives to hazardous chemicals.

The companies are evaluated annually in Chemscore, a benchmark that measures progress against the objectives. ChemScore 2025 shows that a third of the companies now have plans to phase out or reduce the use of PFAS and other forever chemicals, an increase from just 8 per cent of the companies in 2021. It is also pleasing that two large companies, BASF and Ecolab, have (as 3M previously) committed to completely phasing out PFAS.



Water-repellent fabric in which PFAS is used to give dirt- and water-repellent properties.

Metrics and goals

Metrics for assessment of nature-related risks and opportunities

Using the deforestation risk identification model described above, AP2 measures the portfolio's deforestation risk within listed equities and credits, including exposure to sensitive geographies. The Fund also measures and monitors its management of the deforestation risk through engagement work.

AP2 is a signatory and member of Finance for Biodiversity, which has developed recommendations for biodiversity targets to be adopted in three stages: initiation targets, monitoring targets and portfolio targets. Since

AP2 has already completed all the steps covered by the proposed initiation targets, our work is focused on defining monitoring targets, with the help of which the Fund can monitor the progress of the companies covered by our dialogues in a structured way. AP2 is also evaluating the possibility of broader portfolio targets for high-risk sectors, but the Fund currently does not consider the data quality to be sufficient to report on this.

In 2025, we developed a model to evaluate and follow up on companies' management of deforestation risk. The companies identified as having a high deforestation risk, using the

model described above, are evaluated in a second step based on 16 indicators that are summed up into four factors – commitment, policy, process and transparency. This evaluation is conducted before the dialogue work begins and is then followed up over time, so that the results of the dialogues can be followed up on the basis of concrete measures taken by companies to meet our expectations.

Metrics for assessment of nature-related impacts and dependencies

The Fund's reporting of nature-related metrics is being developed and currently includes estimates of sector and geographical exposure to nature-related impacts and dependencies, as well as nature-related risks and opportunities according to TNFD Core.

Exposure to sectors with high nature-related impacts and dependencies

AP2 has analysed its exposure using the ENCORE tool; see the description and illustration on page 33-34. In total, 21 per cent of AP2's assets are invested in sectors identified by TNFD, under the asset classes comprising listed equities and credits, private equity funds, farmland and timberland investments and the Fund's investments in sustainable infrastructure.

Exposure to sensitive geographies

Reported for investments in farmland and timberland and for listed equities, totalling 2.2 per cent of the Fund's assets:

- 25 per cent of the Fund's investments in farmland and timberland have exposure to sensitive geographies, with 14 per cent in Brazil, in biomes particularly important for biodiversity, and 11 per cent in California, with a high risk of water shortages. In total, this corresponds to 1 per cent of the Fund's assets.
- For the listed equities portfolio, the Fund's analysis shows that 3 per cent of the companies are active in geographically sensitive areas and in sectors with a high risk of deforestation, corresponding to 1.2 per cent of the Fund's assets.

AP2 has exposure to sensitive geographies in other asset classes and aims to be able to map this exposure too.

As part of our analysis of climate scenarios, see page 21, we have also quantified the proportion of the portfolio with climate and nature-related physical and transition risks, see the table below.

Finance for Biodiversity

AP2 is committed to living up to the promise that AP2 has made as signatories to and members of Finance for Biodiversity. This promise means that we are committed to:

- Collaborating and knowledge sharing.
- Engaging with companies.
- Assessing impact.
- Setting targets.
- Reporting publicly.

See the full commitment at www.financeforbiodiversity.org

Indicators and metrics for nature-related risks and opportunities¹

Category	Metrics	AP2 reporting 2025
Risks	Assets with high nature-related transition risk.	Based on a climate scenario with an orderly transition, approximately 5 per cent of the Fund's total portfolio is estimated to be subject to high climate- and nature-related transition risk ¹ .
	Assets subject to high nature-related physical risk.	Based on a climate scenario with global warming to 3°C, and with aggressive assumptions concerning physical risks, approximately 6 per cent of the Fund's total portfolio is estimated to be subject to high climate- and nature-related physical risk ² , primarily extreme heat and flood risk.
	Fines or compensation during the year from nature-related incidents.	0
Opportunities	Investments in nature-related opportunities.	In December 2025, the Fund's total investment in climate- and nature-related sustainability solutions amounted to approximately SEK 46 billion. These are defined according to the Operating Principles for Impact Management ³ .
	Income from products and services with positive impacts on nature.	Non-applicable

¹ Includes both climate- and nature-related transition risk and physical risk.

² High risk is defined by AP2 as companies with a climate- or nature-related risk that amounts to at least 20 per cent of the company's value in a scenario analysis with data from MSCI.

³ www.impactprinciples.org

Nature-related goals and outcomes

AP2 has defined goals for nature that set the direction for the work. During the year, we continued to work to live up to the commitment by 2025 to a portfolio that does not contribute to deforestation, and processes are now in place to identify and manage deforestation risk in the portfolio.

AP2 strives to be nature positive by 2030.

There is still no consensus on what the concept of nature positive entails, and work is underway to develop a definition. Nevertheless, AP2 has chosen to use the concept as an overall objective whereby nature, with biodiversity, ecosystems and nature capital, develops in a positive direction, with AP2 contributing to this development. When the organisations working on the definition of nature positive have reached a consensus view, the Fund will review the objective on this basis.

By 2025, AP2 must have a portfolio that does not contribute to deforestation.

The Fund has defined a target for deforestation, which is the main driver of biodiversity loss and is relevant to the Fund's investments. This goal is in line with the commitment to a portfolio free of deforestation due to agricultural products made by AP2 in connection with COP26, and with the Fund's climate commitment to net zero greenhouse gas emissions by 2045. The Fund's ambition is to, by 2025, contribute to engagement work with 100 per cent of the portfolio companies identified as having a high deforestation risk and weak management of this risk.

Outcome 2025

We have achieved the goal by 2025 to have processes in place for a deforestation-free portfolio, through structured identification and management of deforestation risk. With processes in place, the work is now continuing after 2025. The goal for engagement work was also achieved in 2025, with dialogues initiated with 100 per cent of the companies identified as having a high deforestation risk and poor risk management.

4

Human Rights



Human Rights

Andra AP-fonden works with human rights in line with the UN Guiding Principles for Business and Human Rights (UNGPs). During the year, the Fund strengthened its work in conflict and high-risk areas, developed risk management in listed equities and increased transparency in human rights reporting. The work has led to new knowledge, clearer approaches and concrete process changes.

Strengthened work in conflict and high-risk areas

The world is currently experiencing an extremely high level of armed conflict. We have therefore needed to strengthen both our knowledge and our working methods for risks linked to conflict areas. The experience from the year has therefore led to several changes within both AP2 and the Council on Ethics of the AP Funds.

The Council on Ethics' efforts

The Council on Ethics has already been working on these issues on behalf of the AP Funds. During the year, the Council on Ethics prepared an updated external statement with expectations on companies in conflict and high-risk areas. The Council on Ethics also developed a model for screening risks and an analysis approach to assessing companies' risks. New data sources have been introduced to support this work. At the same time, internal guidelines were drawn

up for all AP Funds, to provide more uniform and structured support managing these issues.

AP2's efforts

For AP2, this year's experience meant that we needed to strengthen our knowledge internally. AP2 attended two in-depth workshops on the topic, which gave us new knowledge and a strong network for continued development in 2026. A review of the work of the Council on Ethics was presented to the Board of Directors and staff members. AP2's representative in the Council on Ethics also attended Red Cross training on the International Humanitarian Law.

During the year, dialogue was initiated with a company due to its risks linked to conflict areas. AP2 also divested from two companies where the risks were assessed to be unacceptably high and where dialogue was not progressing.



Advanced risk management for listed equities

The work of formalising our screening and influencing companies to manage their risks continues. During the year, we have placed particular focus on risks related to living wages in our screening, and on harmonising processes internally. For our own dialogues, AP2 has started to take a more systematic approach to follow-up. We assess and monitor the companies' work via an internal tool in categories such as policy and commitment, processes and transparency.

More information on the website

In 2025, AP2 expanded its human rights reporting on the Fund's website. The purpose is to make information more accessible and to increase transparency around our policies, values and processes. Work will continue in 2026, when a reference index for the UNGP's reporting framework also will be available on our website.



Risk management

The Fund's management of human rights

Below is a description of how the Fund ensures the responsible management of human rights in asset management. For more detailed information, see our website and the reference index for the UN Guiding Principles' reporting framework at the end of the report.

AP2's most salient risks of negative impacts on human rights can be found in AP2's portfolio, for example through our investments in companies that may have a negative impact on human rights. To manage these risks, we work on the basis of an established due diligence process – designed in accordance with the UN Guiding Principles. The process means that we regularly:

- Identify potential and actual impacts.
- Assess and prioritise risks based on severity.
- Reduce and prevent risks and harm.
- Follow up and report on progress in a transparent way.

The process is applied to all asset classes, but is adapted according to the specific asset class. We consistently focus on risk to people – not financial risk.

We distinguish between actual and potential negative impacts. Actual negative impacts, i.e. incidents that have already occurred, are handled by the Council on Ethics. Read more about the Council on Ethics' process on their [website](#).

Due diligence for listed equities

This asset class accounts for around 40 per cent of the Fund's total portfolio. We work proactively to identify and mitigate potential risks. Our due diligence process is illustrated in the figure below.

Working methods

Twice a year, AP2 identifies high-risk companies in the listed portfolio. These are companies in sectors with an increased risk of salient human rights violations, where we assess that the companies' management of the risks is insufficient. These companies are prioritised in our engagement work, where the aim is for them to strengthen their processes and reduce their potential risks.

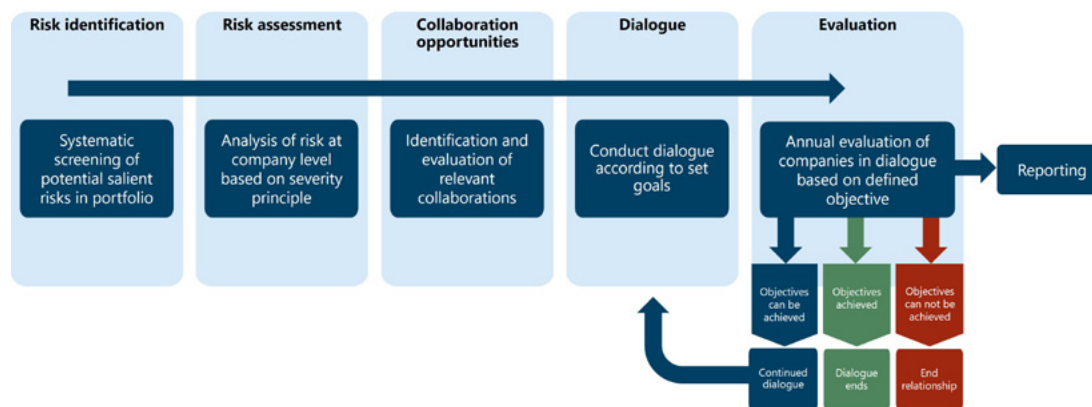
Dialogue is an important engagement tool. It can be conducted independently by us, within the framework of investor initiatives, or via the Council on Ethics. If the company is unwilling to engage in dialogue or if progress is considered insufficient, AP2 may decide to divest. We can also target engagement towards the sectors identified as being at increased risk in which our high-risk companies operate. The aim is to conduct an impact dialogue with all high-risk companies.

Results of risk identification

During the H2 screening in 2025, 34 high-risk companies were identified, several of which are new. The increased focus on living wages has broadened the work from the agricultural sector to cover the entire agricultural and food sector. The screening also shows that previously identified risks in the clothing and footwear industry, the mining sector and renewable energy remain and continue to be prioritised.

As many risks arise in the supply chains, the Fund applies a global approach that covers the entire value chain. AP2 assesses that the Fund's holdings entail a direct link to these risks and that active and proactive engagement is therefore necessary. During the year, dialogues were initiated with several of the newly identified companies, both within investor partnerships and under our own auspices.

Process for potential risks





Garment and footwear industry

The garment and footwear industry comprises companies that design, manufacture and sell clothing and footwear. It is a high-risk industry whose labour-intensive production and complex supply chains often are linked to serious human rights violations. Low wages, unsafe working conditions, lack of safety and the risk of child labour and forced labour occur at several stages. Those affected are often workers in the industry or in the supply chain.

The violations are deemed to be serious because they are widespread and to a high degree affect particularly vulnerable groups such as women, children, migrant workers and minorities.

The Fund has identified 12 high-risk companies in the industry.



Agriculture and food industry

The agriculture and food industry includes companies that produce, grow, process, distribute and sell food. It consists of global, complex value chains, where agricultural production often takes place in countries with weak legislation and lack of protection of workers. Furthermore, agricultural production is labour-intensive and often seasonal. This creates conditions for serious violations, such as forced labour, child labour, lack of a living wage, long working hours and violations of indigenous peoples and migrant workers' rights. People affected can be employees at different stages of the value chain, as well as indigenous peoples and local communities.

These risks are assessed as serious, based on the criteria of scale, scope and irremediable character. Particularly vulnerable groups such as women, children, migrants and indigenous peoples are often affected.

The Fund has identified nine high-risk companies in the industry.



Mining industry

The mining industry includes companies that extract ore and produce metal concentrates that are refined into metal. The industry is characterised by extensive health and safety issues and poor working conditions in terms of living wages, working hours and opportunities for collective bargaining. Production often takes place in regions with weak labour law enforcement. People who may be affected are primarily miners, employees in the value chain, and local communities.

The degree of severity is deemed to be high in terms of both the scale and scope of the violations, and the fact that it can be difficult or impossible to remedy any health and safety incidents. With regard to particularly vulnerable groups, there is also extensive child labour in the industry and conflicts concerning land rights that often affect indigenous peoples.

The Fund has identified nine high-risk companies in the industry.



Renewable energy

Renewable energy is a rapidly growing sector for electricity generating companies. The sector is crucial for the global climate transition, but also entails increased demand for raw materials and land, which exposes the sector to associated salient human rights risks. Violations related to land use, working conditions and lack of consultation with local communities and indigenous peoples occur in several regions. Those affected may be local communities, indigenous peoples and workers in the supply chain.

The sector's reliance on mining metals leads to a high level of severity. There are also reports of forced labour in the production of solar cells.

The Fund has identified four high-risk companies in the sector.



In-depth focus: Living wage

A living wage is a wage that is sufficient to meet the basic needs of workers and their families. These are needs such as food, clothing, housing and other day-to-day expenses for schools and healthcare.

During the year, AP2 enhanced its focus on living wages. This is because low wages are often the basic mechanism that drives other types of violations, such as child labour, debt labour and unsafe working conditions. By influencing companies to work with a living wage in a structured way, we can contribute to system changes and prevent other problems that may be more difficult to address.

The Fund's exposure to a lack of a living wage recurs in several industries. We give particular priority to working with a living wage in the garment and footwear industry, as well as the agricultural and food industry. This takes place through the Platform Living Wage Financials (PLWF) investor initiative.

Living wage in the garment and footwear industry and the agricultural and food industry

AP2 has managed risks in the garment, footwear, agriculture and food industries through the Platform Living Wage Financials (PLWF) investor initiative. Since 2024, AP2 has been a member of PLWF's steering group.

PLWF is an investor initiative consisting of 23 financial institutions, which together represent over EUR 7 trillion in managed capital. The initiative works to promote a living wage in global supply chains, with a particular focus on the agricultural and food industries, as well as the garment and footwear industry. Every year, the initiative evaluates and engages in dialogue with 50 companies. For more information, see www.livingwage.nl, as well as their annual report.

Stakeholder dialogue via PLWF

On a structured basis, PLWF has included stakeholder dialogue in its work by regularly collaborating with expert organisations in the living wage area that can also represent affected stakeholders. During the reporting period, AP2 conducted dialogues with employees, trade unions, academia, governments, UN bodies, investors, firms of auditors, trade associations and interest groups. The aim was to strengthen our understanding of human rights, especially matters relating to living wages, and to capture changes in the risk picture.

The dialogues also deepened our view of investors' role as bridge-builders between portfolio companies, employee organisations and legislators. Through our networks, we can raise employee perspectives in a way that corporate management can act on, and help decision-makers better understand how regulations affect conditions in practice. These insights will be incorporated into the work going forward.

Example from 2025

In 2025, AP2 joined forces with several portfolio companies and global trade unions to accelerate a three-party collective agreement in Cambodia (the ACT initiative) in the garment and footwear industry. This agreement has led to higher pay and benefits for employees, created a more stable basis for local producers to plan their operations, and strengthened the supply chains for the portfolio companies.

Prior to the UN's second World Social Summit in November 2025, AP2, together with other investors, portfolio companies, interest organisations and academia, presented questions and proposals for measures related to achieving the global sustainability goals. Two of these action points linked to living wages were then adopted in the political declaration at the summit.

Focus on the garment and footwear industry

AP2 has identified 12 high-risk companies in the garment and footwear industry. Six of them are covered by PLWF's work, where the Fund leads the dialogue with three of these companies. The Fund engages in dialogue independently with the remaining six companies.

Monitoring and results

In the garment and footwear industry, a total of 28 brand companies within PLWF are evaluated. The work follows an annual cycle, which includes evaluating, monitoring and supporting the companies' work to implement

living wages in their supply chains. Follow-up takes place according to a model developed together with the Mazars firm of accountants and which is in line with the UN Guiding Principles. The evaluation is performed for the following indicators:

- Policy on a living wage
- Stakeholder dialogue
- Risk assessment process
- Integrating findings
- Tracking performance
- Remedy
- Transparency





The results are published in an external report. Changes in the companies' risk of adverse impacts and their mitigation work can thereby be monitored from year to year. PLWF's reports show that living wages have improved between 2022 and 2025, but that the implementation of processes within companies is still insufficient. In 2022, many companies lacked supply chain governance and processes, and few could demonstrate that policies actually led to higher pay. The employee perspective was limited and the grievance mechanisms were inadequate.

In 2025, the issue gained greater political impact and investor pressure increased. More companies are working on a structured basis, including through social dialogue, engagement with trade unions and improved grievance mechanisms. Yet important implementation steps still remain, and half of the companies are still in the two lowest rating categories.

Among the companies with which AP2 is in dialogue, H&M has progressed to the highest, "Leading" category, Inditex remains in "Maturing", and NEXT Plc is in the "Developing" category.

Agriculture and food industry

The Fund has identified nine high-risk companies in the agricultural and food industry, some of which are new this year. To advance the work in this area, AP2 joined PLWF's working group for the industry, which also includes grocery retail companies. Eight of the high-risk companies identified are covered by PLWF's work, and the Fund has started to monitor the dialogues conducted. We also have our own dialogue with the remaining company.

Mining and renewable energy engagement

AP2 has worked with the mining industry and renewable energy companies through the Principles for Responsible Investment (PRI), via the Council on Ethics, which among other things participates in the Global Investor Commission on Mining 2030 (Mining 2030), and through independent dialogues..

Mining industry

AP2 has identified nine high-risk companies in the mining industry. Five of the companies are covered by PRI's Advance initiative, where AP2 took a leading role in two of these dialogues in 2025. The Fund is running independent dialogues with three of the companies and via the Council on Ethics for dialogue with one company. In the dialogues with the mining companies, the focus has been on understanding the risks, the risk management, how they work with safety issues, and contributing to a just transition and living wages.

Activities

Participation in PRI Advance has contributed to in-depth knowledge in several areas, strengthened opportunities for networking and given a clearer voice in company dialogues. In 2025, the knowledge-raising efforts within PRI

Advance focused primarily on The Consolidated Mining Standard Initiative. In previous years, they have considered indigenous peoples' rights to Free, Prior and Informed Consent.

In November 2025, Mining 2030 launched a vision, along with related recommendations, informed by the year's stakeholder dialogues. The vision – a mining industry that can meet global demand responsibly – and the recommendations presented are now subject to consultation for broader embedding up to the end of February 2026. The Council on Ethics, which is committed to Mining 2030, has also provided internal capacity building, to strengthen awareness of mining-related issues in our organisation.

Renewable energy

AP2 has identified four high-risk companies within renewable energy. AP2 is in dialogue with three of the companies independently and with one company through PRI Advance. The dialogues have, among other things, considered how the companies work with heightened human rights due diligence regarding activities in conflict areas, and their communication with indigenous peoples prior to establishing activities. We have also provided input to support the companies' development of relevant policies.

About PRI Advance

PRI has a collaborative human rights initiative called Advance. The initiative aims to influence companies to manage their human rights risks in accordance with the UN Guiding Principles. The initiative also supports investors with knowledge-building meetings. The company dialogues are followed up in an annual report. A total of 112 investors participate in the initiative. More information is available at www.public.unpri.org/investment-tools/stewardship/advance

About Mining 2030

Mining 2030 was established in 2022. The initiative is investor-led and brings together stakeholders from civil society, academia, trade unions and the mining industry to jointly drive development forward. The aim is to develop and promote a common vision of a socially and environmentally sustainable mining industry and to clarify the role investors can play in the transition. The Council on Ethics is part of the project's steering committee and has also contributed to the work ahead of the initiative's launch. Read more about Mining 2030 at www.mining2030.org

Monitoring and results from our own dialogues

For dialogues conducted independently in the garment and footwear industry, agricultural and food industry, mining industry and renewable energy sector, the Fund undertook a more systematic follow-up during the year. The companies' work is followed up in three main categories: policy and commitment, processes and transparency, with a total of 24 sub-categories.

The graph shows an average of the companies' level for 2025 in each main category.

In the policy and commitment category, the companies achieve an average of 70 per cent goal achievement. As many as 93 per cent have a public commitment to respecting human rights, but only 43 per cent have a clear internal structure for how the commitments are to be implemented.

Under processes, where we assess how companies manage their human rights risks,

including grievance mechanisms and remediation, the average is 57 per cent. Also, 93 per cent have a supplier code, but only 36 per cent of the codes are clear about decent wages and working hours in line with ILO conventions. Only 21 per cent report that they engage in dialogue with trade unions.

In the transparency category, we assess the companies' external reporting on human rights. This category has the greatest improvement potential, with an average goal achievement of only 23 per cent.

Country framework – country-specific risk due diligence

AP2 has implemented a due diligence process to identify and manage countries at very high risk of serious human rights violations. The process includes listed assets such as equities, government bonds and credits, which together represent approximately 68 per cent of the Fund's total assets.

Working methods

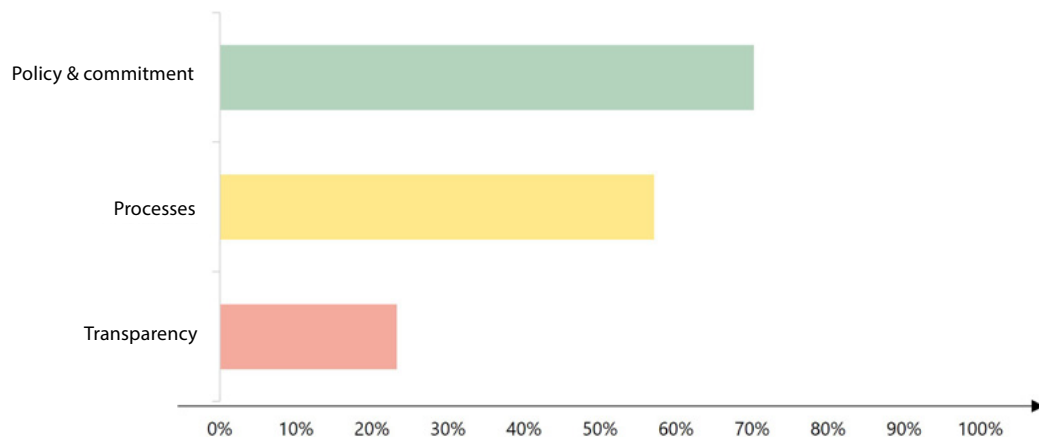
Twice a year, all countries in the portfolio are reviewed. Countries at very high risk of human rights violations are identified and assessed with the support of internal and external expertise. If a high-risk country remains included in the index, the Fund engages, where possible, with relevant stakeholders. Follow-up takes place every six months. Read more about the process on AP2's website.

Activities

During the year, the Fund's management conducted regular evaluations and follow-up. There was ongoing dialogue with experts on progress in the human rights area in several countries. The Fund has also formalised the process for re-inclusion of countries where human rights have improved.

A total of 28 countries are not included in the Fund's index due to high human rights risks, two of which were added in 2025. One country, Malaysia, remains in the index despite high risks. No countries were re-included in 2025.

Average goal achievement as a percentage for companies in direct dialogue with AP2, December 2025

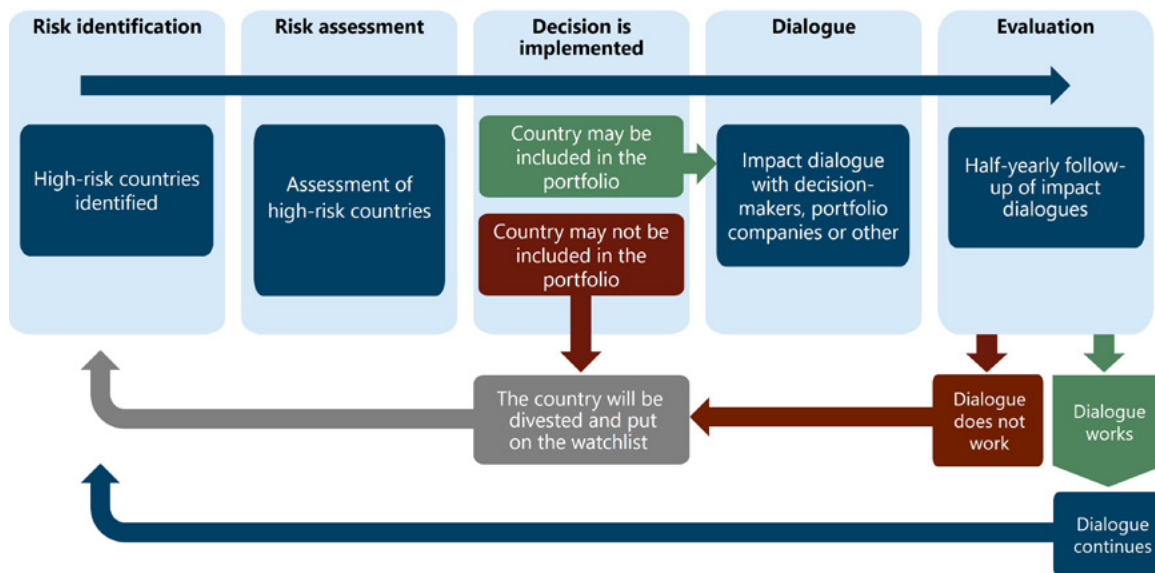


Malaysia

Malaysia is assessed to be a high-risk country due to a lack of protection for sexual minorities. The country has not ratified key anti-discrimination conventions and national legislation is weak. Same-sex relationships are criminalised and there is no protection from discrimination against sexual minorities in working life.

Malaysia was first flagged in 2023 and the risk level has been assessed as unchanged since then. The Fund has decided to keep the country in the index because it is financially significant and we consider there to be good opportunities to monitor how the issue is managed within the framework of our investments in Malaysia. We are therefore monitoring our listed holdings in the country. Furthermore, when interacting with decision makers in the country we are clear about our values as expressed in our human rights policy. In 2023, the Fund met representatives from the central bank and the government to discuss these issues.

Due diligence process for geographical exposure



Due diligence for unlisted assets

AP2's unlisted assets include real estate, timberland and farmland, sustainable infrastructure, non-listed credit and private equity, and represent more than 30 per cent of the Fund's total assets under management. In many cases, the Fund invests in unlisted assets via external managers, primarily through funds or similar structures.

When selecting a new manager or making a new investment

When investing with external managers, it is essential that the managers share AP2's values and have relevant sustainability policies and processes. Due diligence is performed to assess how the managers handle human rights. AP2 sets requirements through side letters, including that the manager must have a sustainability policy and strive for compliance with the UN Global Compact and the UN Guiding Principles. Farm managers must also adhere to PRI's guidance for responsible investment in farmland. Managers must also report any controversies to AP2. The Fund's expectations of external managers are published on AP2's [website](#).

Follow-up of existing managers

AP2 has close, long-term cooperation with its external managers. Annual monitoring is carried out through surveys and dialogue to identify potential sustainability gaps and to support improvement work.

Where necessary, human rights risks for our unlisted assets are analysed, based on sector, geographical exposure or specific holdings that are flagged. Managers with high risk and poor management are prioritised for dialogue.

Activities

In 2025, we formalised our assessment template and the follow-up of external managers' sustainability work, including their compliance with the UN Guiding Principles. Within real assets, all managers were evaluated and assessed during the year. Within private equity, the template was used for all reinvestments with existing managers and for investments with new managers. The assessment template will be evaluated in dialogue with managers during 2026.

Within private equity, an in-depth analysis linked to exposure in a high-risk country was carried out. No new investments had been made, one company was flagged and divested, and previous investments continue to be monitored. Dialogue also continued with an external manager regarding a previously flagged holding, due to exposure to a high-risk country. We also mapped our exposure to the defence industry.

There were three controversies within real assets during the year. All of these were followed up by the managers and AP2 monitors actions and results.



AP2

Corporate governance



Corporate governance

Corporate governance refers to companies manage their operations in a responsible, transparent manner, with good financial performance. As an active owner of Swedish and foreign companies, we act on issues that affect good governance and thereby, in the long term, our returns.

Key Swedish corporate governance issues during the year

Board remuneration in Swedish companies

Before this year's Swedish AGM season, there was a discussion of the level of board remuneration. The Fund bases its voting on case-by-case analysis, taking account of factors as comparable companies, the company's development phase, the need for competences and historic remuneration development. In four companies, this meant that we voted against a proposed increase in remuneration.

Updated guidelines in executive incentive programmes

In autumn 2025, the standpoint of the Swedish Institutional Investors Association (IÄF) on remuneration to senior executives was updated, supported by AP2 as a member. The focus of the update was to simplify and clarify the key messages: value-adding remuneration structure, dialogue and anchoring, and transparency. An important starting point is that incentive

programmes should be performance-based, with relevant, measurable, transparent and trackable performance requirements. While financial metrics are fundamental, long-term incentives should reflect a broader definition of corporate success. This includes the integration of non-financial targets – especially those related to environment, social responsibility and corporate governance – which are both business critical and measurable. Since share-based remuneration programmes are often complex and are adopted at AGM level, clear and early dialogue between the board and shareholders is also recommended before the proposals are made.

Global collaboration on corporate governance issues

In AP2's foreign companies, we strive for corporate governance that is largely based on a Swedish view of, for example, management structure, diversity and remuneration. However, we relate to market-specific codes and rules in order to find a constructive level for the requirements we set.

SWEDISH
CORPORATE
GOVERNANCE BOARD

The Swedish Corporate
Governance Code



“Comply or explain”

The extent to which corporate governance is regulated by legislation or voluntary regulations, called codes, varies from country to country. In Sweden, since 2004 we have had the Swedish Corporate Governance Code (the Code), which is based on the “comply or explain” principle. Our view of corporate governance in Swedish listed companies is based on this Code, and we also have the opportunity, through collaboration with other institutional owners in Sweden, to influence and express opinions on its development. To clarify what AP2 expects from companies in such areas as corporate governance, but also within various relevant sustainability issues, we publish annual voting guidelines on our website.



AP2 in favour of in-person AGMs

Among other things through its membership of the Swedish Institutional Investors Association (IÄF) AP2 expressed its support for the possibility of continued in-person AGMs, which also includes hybrid AGMs. Since a new rule in the Swedish Companies Act already allows for virtual AGMs in extraordinary circumstances, the Fund voted against proposed amendments to articles of association aimed at enabling virtual AGMs.

Voting guidelines

AP2's own voting guidelines describe, among other things, our view on remuneration issues. These have been updated to bring them in line with IÄF's recommendations, but also to clarify and exemplify our assessment criteria for more issues. During the year, the Fund voted against nine proposed incentive programmes, as these either contained subsidies without a link to performance targets or were otherwise deemed to lack relevant performance targets. So far, we have not voted against a proposed incentive programme solely because the programme lacked sustainability targets, but we do not exclude this in the future.

- >> See table on page 13 (under the stewardship section)
- >> Read the voting guidelines on the Fund's website.

IÄF

- >> The Swedish Institutional Investors Association's (IÄF) updated standpoint on remuneration to senior executives can be found [here](#).

Global landscape difficult to navigate

At a time of geopolitical and economic uncertainty, risk management is a growing core issue for global boards, and thereby also an additional perspective to consider within corporate governance. Supply chain resilience, cybersecurity and AI-driven regulatory and ethical risks are some concrete examples. Board composition was one of the most important global governance issues again in 2025. To summarise, in global terms boards have been forced to become more active, more specialised and more data-driven, while navigating an increasingly polarised and regulated global business climate. This also makes new and higher demands of investors, especially from an active ownership and corporate governance perspective. We must act as long-term, knowledgeable and consistent counterparties in our ownership role as responsible investors.

Uncertainty about shareholder proposals in the USA

For decades, shareholder proposals have been an important mechanism for investors' engagement with the companies they own. Shareholder engagement has encouraged many companies to adopt governance policies that are now widely adopted as best practice and recognised as important for long-term value creation. Resolutions on environmental and social impacts have led to important changes

such as widespread adoption of human rights due diligence, corporate codes of conduct and better management of climate risks.

At the end of the year, the US administration issued an executive order instructing federal authorities to consider measures aimed at voting advisory firms, shareholder proposals and ESG investments to a broader extent. The U.S. Securities and Exchange Commission (SEC) announced that during the 2026 AGM season, their staff would only to a very limited extent continue to guide companies that wished to exclude shareholder proposals from their AGMs, called "no-action" requests. Traditionally, companies have turned to the SEC for guidance on, among other things, the legal validity of potentially excluding a proposal.

Although the SEC's new approach seems to make it easier for companies to exclude shareholder proposals, as they no longer require approval from the SEC, it may result in more shareholder proposals at 2026 AGMs. If companies exclude shareholder proposals before the AGM, without the support of the SEC, they risk legal action from the proposers. Given the declining support for many proposals in recent years, especially social and environmental proposals, some companies may conclude that it is wiser to put the proposals to the shareholders' vote. Whether this will have a practical impact on the volume and quality of

2026 shareholder proposals to US companies remains to be seen.

As a long-term investor, AP2 is convinced that sustainability ultimately affects a company's financial performance. This makes it particularly important for us that sustainability-related shareholder proposals continue to be of high quality and are submitted to AGMs according to a well-functioning, fair process.

Voting advisory firms on US voting

The aforementioned executive order also included a call to take measures to limit the influence of the voting advisory firms that many investors use in connection with corporate voting. In practice, as owners we can already see effects in the form of significantly fewer general recommendations for 2026 from these voting advisory firms on issues relating to diversity, political contributions, human rights and climate change. This makes higher demands of our own analysis, information collection and contact with companies on sustainability issues.

Collaboration through ACGA

The Asian Corporate Governance Association (ACGA) is an association representing investor assets worth more than USD 40 trillion globally. In 2016, ACGA established a working group of institutional investors with a particular interest in Japan. AP2 has been a member of this group since its inception.



Japan

During 2025, the group continued its work on the engagement initiative aimed at conducting a targeted and structured dialogue with a selected group of major Japanese listed companies in the medium to long term. Dialogues are conducted with companies in different sectors. Each company is globally important in its sector and faces a number of strategic governance and business challenges. By building trust and understanding, the group seeks to support the development of each company's governance and sustainability practices and contribute to increasing their corporate value. AP2 participates actively in both this initiative and the working group's other activities.

The development of Japanese corporate governance has continued after previous years' launch of the Corporate Governance Code and the Stewardship Code, both important tools aimed at improving corporate governance. The Financial Services Agency (FSA) and the Tokyo Stock Exchange focus on implementing the principles for good corporate governance through concrete actions by companies and with the support of investors.

One of the development areas in Japanese corporate governance is the issue of board independence. Studies show that less than 20 per cent of listed Japanese companies had independent external board members making

up more than half of the board, but also that 25 per cent plan to achieve this, which reflects a growing trend.

South Korea

South Korean listed companies have a history of complicated corporate structures, weak protection for minority shareholders and lack of transparency, which has affected the investment willingness of international investors. ACGA has long been working to make good corporate governance recommendations to authorities and companies. This is a long process, but some adjustment has taken place, including in 2025, which is likely to have had a positive impact on the valuation of South Korean companies.

Diversity

New increase in the percentage of female board members in Swedish listed companies in 2025

The Fund's view is that diversity on boards and in management is of great importance for creating value in companies. Since AP2's Female Representation Index was introduced in 2003, the female representation on the boards of listed companies has increased steadily from 6.1 per cent in 2002 to 36.5 per cent in 2025 – the highest representation to date. Companies are approaching the level of at least 40 per cent, which is a common definition of gender balance. Less than half of the companies, 46 per cent, live up to this level, which is a significant increase from

2024, when 41 per cent of the companies had gender-equal boards according to this definition. In large-cap companies, however, female board representation exceeded the 40 per cent mark for the first time. This can probably be explained in part by the EU's gender equality directive coming into force next year. Even though clear progress has been made, there are still 14 companies with no female board members, which is the same number as last year.

Female representation in the management teams of listed companies increased slightly in this year's survey and now stands at 29.2 (28.8) per cent, which is also the highest level so far since the surveys began.

The number of female board chairs increased to 34 (32), which corresponds to 9 per cent of the 361 companies surveyed.

[>> Read more about the Index of Female Representation 2025 on the Fund's website \(Swedish\).](#)

Ninety one out of one hundred board chairs in Swedish listed companies are men



34 companies have a female board chair, which corresponds to 9 per cent of the companies, illustrated in yellow.

Diversity is important in our nomination committee work

The Fund's Female Representation Index survey also shows that female representation is higher in companies with a nomination committee. If the nomination committee has at least one female member, the female representation is higher than in companies with nomination committees without female members. Over half of the nomination committees had no female representation during the year.

The result is in line with our view that membership of nomination committees is a good way for owners to exercise active and forward-looking ownership. We take a positive view of being represented on nomination committees in Swedish companies and for many years have emphasised on the importance of greater female representation the boards of listed companies. Prior to the 2025 AGM season, we were represented on 15 listed companies' nomination committees, and prior to the 2026 season, we are active in 12 listed companies' and two unlisted companies' nomination committees.

Board composition and diversity continue to be a priority – but politically polarised

When the new US administration took office in January 2025, there was a significant change in

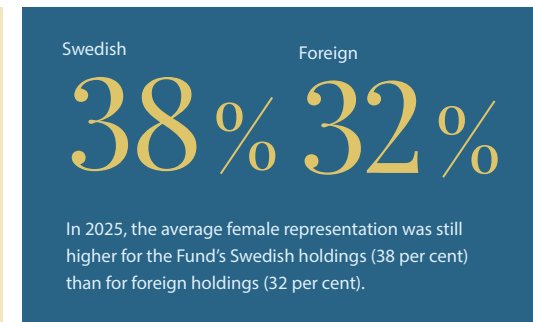
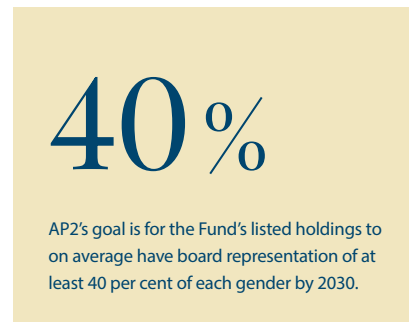
the US federal approach to diversity, equity and inclusion (DEI). The approach changed from the previous proactive promotion to the total discontinuation of DEI in federal bodies. Even though the executive orders were directed at the federal sector, the effects quickly spread and US companies also began to scale down their DEI programs, due to fears of legal risks, lack of clear guidance and concerns about regulatory changes. DEI was no longer communicated as a value-adding factor, but the focus in external communication has instead been on more traditional factors such as competence, efficiency and independence. However, this change in disclosure does not necessarily mean that companies have abandoned their internal DEI-related work. On the contrary, we believe that several of the companies are reformulating their commitments and reducing public exposure, but still integrating diversity in governance and human capital management.

However, reduced transparency in the form of fewer visible DEI goals in external reports, and reduced reporting of diversity statistics, as well as reduced links between DEI and management remuneration, are effects that have had a direct impact

on us as owners and our ability to assess a company's long-term work on competence as a value-adding factor.

AP2 has not mitigated its previous requirements on diversity on boards of

directors, but retains its view that it is still of great importance in boards and management, to create value in all companies, so that we continue to use voting as a tool to emphasize whether diversity is taken into account.



Nomination committees	2025	2024	2023
Swedish nomination committees on which AP2 has served, number	15	11	12
Female representation on Swedish company boards on whose nomination committees AP2 has served, %	33	27	42
Newly elected female representation on Swedish company boards on whose nomination committees AP2 has served, %	67	17	40



Appendices

Reference index TCFD

Area	Disclosure	Page reference
Governance	A The Board's oversight of climate-related impacts, dependencies, risks and opportunities.	Website
	B Management's role in assessing and managing climate-related impacts, dependencies, risks and opportunities.	Website
Strategy	A Climate-related impacts, dependencies, risks and opportunities identified by AP2 in the short, medium and long term.	Pages 20-23 / website
	B Effects of climate-related risks and opportunities on AP2's investment strategies.	Pages 21-25 / website
	C Resilience in AP2's strategies for risks and opportunities in various climate scenarios.	Pages 21-22
Risk management	A Process to identify and assess climate-related impacts, dependencies, risks and opportunities in the portfolio.	Pages 6-10, 23 / website
	B Process for managing climate-related impacts, dependencies, risks and opportunities.	Pages 6-10, 23-26 / website
	C Integration of climate-related risks in the overall risk management.	Website
Targets and metrics	A Metrics used to assess climate- and nature-related risks and opportunities.	Page 7 / website
	B Reporting on Scope 1, 2 and 3 greenhouse gases.	Pages 27-30
	C AP2's goals for managing climate-related impacts, dependencies, risks and opportunities, and outcomes in relation to these.	Page 31

Reference index TNFD

Area	Disclosure	Page or comment
Governance	A The Board's oversight of nature-related impacts, dependencies, risks and opportunities.	Website
	B Management's role in assessing and managing nature-related impacts, dependencies, risks and opportunities.	Website
	C Human rights: Policies, supervision and engagement for human rights in relation to indigenous peoples, local communities and nature.	AP2's work is based on its human rights policy. The Fund has committed to following the UN Guiding Principles on Business and Human Rights. Compliance with these principles is overseen by the Board of Directors and management in the same way as the Fund's work on climate and nature. Indigenous peoples' rights are also addressed in AP2's deforestation policy and in the Fund's expectations of its portfolio companies.
Strategy	A Nature-related impacts, dependencies, risks and opportunities identified by AP2 in the short, medium and long term.	Pages 33-34
	B Effects of nature-related risks and opportunities on AP2's investment strategies.	Page 35
	C Resilience in AP2's strategies for risks and opportunities in various nature scenarios.	Page 36
	D Geographical location of activities and of assets and activities in AP2's portfolio.	AP2's own operations are based in Gothenburg and employ around 70 people. Through its global investment portfolio, the Fund has significant geographic exposure. Work to map this exposure is ongoing, but remains challenging due to limitations in the availability and quality of data on companies' supply chains. Through its investments in farmland, the Fund has assets in two environmentally sensitive geographic areas under the TNFD framework. These are located in Brazil and California and account for around 1 percent of the Fund's total assets. In the listed equity portfolio, the Fund's analysis, using the model described above, shows that 3 percent of the companies in the Fund's listed equity portfolio — representing 1.2 percent of the Fund's total assets — operate in geographically sensitive areas and in sectors with high deforestation risk.

Reference index TNFD

Area	Disclosure	Page or comment
Risk management	A Process to identify and assess nature-related impacts, dependencies, risks and opportunities in the portfolio, according to indicator A(ii), with focus on AP2's investment portfolio.	Pages 6-10, 37
	B Process for managing nature-related impacts, dependencies, risks and opportunities.	Pages 6-10, 37-39
	C Integration of nature-related risks in the overall risk management.	Nature-related risks are part of the fund's existing risk categories, which are continuously monitored and reported to the management team and the Board of Directors: <ul style="list-style-type: none"> - Financial risks linked to transition risks and physical risks - Operational risks in the form of reputational risk and reduced trust - Impact risks arising from the investments' impact on nature
Targets and metrics	A Metrics used to assess nature-related risks and opportunities.	Page 40
	B Metrics used to assess and manage nature-related impacts and dependencies.	Pages 40-41
	C AP2's goals for managing nature-related impacts, dependencies, risks and opportunities, and outcomes in relation to these.	Page 41

Reference index reporting framework for the UN Guiding Principles on Business and Human Rights

Section of the Framework

Page or comment

A. Governance of Respect for Human Rights

What does the company say publicly about its commitment to respect human rights?	A1	Website
How has the public commitment been developed?	A1.1	Website
Whose human rights does the public commitment address?	A1.2	Website
How is the public commitment disseminated?	A1.3	Website
How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	A2	Website
How is day-to-day responsibility for human rights performance organized within the company, and why?	A2.1	Website
What kinds of human rights issues are discussed by senior management and by the Board, and why?	A2.2	Website
How are employees and contract workers made aware of the ways in which respect for human rights should inform their decisions and actions?	A2.3	Website
How does the company make clear in its business relationships the importance it places on respect for human rights?	A2.4	Website: Expectations of portfolio companies Website: Expectations of external managers
What lessons has the company learned during the reporting period about achieving respect for human rights, and what has changed as a result?	A2.5	Page 43

B. Defining a Focus of Reporting

State the salient human rights issues associated with the company's activities and business relationships during the reporting period.	B1	Page 45-46
Describe how the salient human rights issues were determined, including any input from stakeholders.	B2	Website
If reporting on the salient human right issues focuses on particular geographies, explain how that choice was made.	B3	Page 44, 50-51
Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human right issues, and explain how they have been addressed.	B4	The Council on Ethics of the AP Funds' Annual Report

C. Management of Salient Human Rights Issues

Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	C1	Website
How does the company make clear the relevance and significance of such policies to those who need to implement them?	C1.1	-
What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	C2	Website
How does the company identify which stakeholders to engage with in relation to each salient issue, and when and how to do so?	C2.1	-
During the reporting period, which stakeholders has the company engaged with regarding each salient issue, and why?	C2.2	Page 47
During the reporting period, how have the views of stakeholders influenced the company's understanding of each salient issue and/or its approach to addressing it?	C2.3	Page 47
How does the company identify any changes in the nature of each salient human rights issue over time?	C3	Website
During the reporting period, were there any notable trends or patterns in impacts related to a salient issue and, if so, what were they?	C3.1	Page 51
During the reporting period, did any severe impacts occur that were related to a salient issue and, if so, what were they?	C3.2	-
How does the company integrate its findings about each salient human rights issue into its decision-making process and actions?	C4	Website
How are those parts of the company whose decisions and actions can affect the management of salient issues, involved in finding and implementing solutions?	C4.1	-
What tensions arise between the prevention or mitigation of impacts related to a salient issue and other business objectives, how are these tensions addressed?	C4.2	Website
During the reporting period, what action has the company taken to prevent or mitigate potential impacts related to each salient issue?	C4.3	Page 47, 49, 50, 52
How does the company know if its efforts to address each salient human rights issue are effective in practice?	C5	Website
What specific examples from the reporting period illustrate if each salient issue is being managed effectively?	C5.1	Page 48, 50
How does the company enable effective remedy if people are harmed by its actions or decisions in relation to the salient human rights issues?	C6	Website
Through what means can the company receive complaints or concerns related to each salient issue?	C6.1	Website
How does the company know if people feel able and empowered to raise complaints or concerns?	C6.2	-
How does the company process complaints and assess the effectiveness of outcomes?	C6.3	-
During the reporting period, what were the trends and patterns in complaints or concerns and their outcomes regarding each salient issue, and what lessons has the company learned?	C6.4	-
During the reporting period, did the company provide or enable remedy for any actual impacts related to a salient issue and, if so, what are typical or significant examples?	C6.5	During the reporting period, AP2 has not provided direct remedy, as the Fund has not caused or contributed to any negative actual impact. In cases where AP2 is directly linked to negative actual impact, the Fund works through the Council on Ethics to enable remedy from the parties responsible. Read more in the Council on Ethics's Annual report.

Stakeholder dialogues

Stakeholder dialogues	Stakeholder groups	Impact on/by AP2	Dialogue/format	Material issues	Examples of dialogues in 2025
For those for whom we perform our mission	Principals: Swedish Parliament, Swedish Government and the pensions group.	AP2 is affected by legislation, Board appointments and evaluation.	Dialogue with Government evaluator for annual reporting. The evaluator's conclusions and suggestions for improvement are taken into account.	Returns, exemplary management, reporting, the pension system.	Meetings and exchange of information in connection with the Government's annual evaluation of the AP Funds. Meetings with coordinators in connection with the investigation of the AP Funds. Collaboration with the Government's coordinator, information to the Ministry of Finance and consultation comments in connection with the implementation of the Swedish Parliament's decision on the incorporation of AP6. Information to the Finance Committee on the investment in Northvolt. Consultation comment on proposal for gas in the pension system.
		AP2 makes an impact through annual evaluation, dialogue and feedback.	Meetings with representatives of principals on specific issues.		
	General public: Current and future pensioners.	AP2 is affected by the expectation of high returns and sustainable management.	Detailed external financial and sustainability reporting, meetings with representatives, website.	Returns, exemplary management, the pension system.	Ongoing dialogue with interested parties via info-email regarding a variety of issues, mostly concerning holdings in the portfolio.
		AP2 makes an impact by contributing to a robust pension system.			
With those with whom we perform our mission	Employees: Current and future employees.	AP2 is affected through engagement and participation.	Regular employee surveys to create continuous improvements in the working environment. Daily dialogue with employees, performance appraisals and incident follow-ups. Speaking and participating in seminars. Website, annual report and social media (LinkedIn).	Remuneration, conditions, working environment, development opportunities, responsible investor.	Ongoing communication and opportunity for feedback via weekly meetings and staff conference with all employees, departmental meetings and performance appraisals. Seminars for students and discussions on skills needs and students' views on future work together with the University of Gothenburg School of Business.
		AP2 makes an impact by being an attractive employer.			
	Portfolio companies and external managers: Majority-owned companies, listed/non-listed directly owned companies, indirectly owned companies under external management, external managers.	AP2 is affected by the companies and managers contributing to the Fund's return and sustainability targets.	Regular dialogues with external managers on returns and sustainability matters. Annual evaluation, voting at general meetings, participation in nomination committees and boards.	Returns, sustainability targets, strategies, stewardship.	Sustainability meeting with majority-owned property companies. Participated in nomination committees and boards. Dialogues with Swedish companies in cases where AP2 votes against AGM proposals. Communicated the Fund's voting guidelines. Dialogues with companies linked to sustainability focus areas.
		AP2 makes an impact through dialogue and active ownership.			
	The financial sector: Financial service providers, counterparties, partnerships.	AP2 is affected through services and partnerships.	Regular dialogues. Networking with Swedish and international industry colleagues to pursue common issues and exchange expertise, e.g. Council on Ethics, PRI, IAF.	Reporting, sustainability data, implementation of sustainability policy.	Ongoing dialogue with counterparty analysts. Dialogue on counterparty evaluation. Enhanced collaboration with the Council on Ethics on voting issues. Dialogue with Swedish banks. Numerous partnerships with international investors. Frequent dialogue with custodial bank and proxy voting advisor.
		AP2 makes an impact by setting requirements.			
		AP2 makes an impact through engagement.			
	Suppliers: Office, administration and IT services.	AP2 is affected by the price/quality of goods and services.	Meetings, contracts and monitoring. Information from suppliers is used in the Fund's sustainability work. Important source of information for development in the field.	Contract terms, quality, sustainability.	Ongoing dialogues with suppliers and deeper dialogue in the context of procurement. In 2025, fruit, and fire protection were procured for the office.
AP2 makes an impact by setting requirements in procurement.					

Stakeholder dialogues, cont.

Stakeholder dialogues	Stakeholder groups	Impact on/by AP2	Dialogue/format	Material issues	Examples of dialogues in 2025
Those who are affected by our investments	Civil society and nature: Stakeholder organisations, local community, academia.	AP2 is affected by organisations drawing the Fund's attention to challenges and opportunities.	Dialogues with organisations and experts with knowledge of the issues and local conditions.	Sustainability work, reporting, standpoints, research, new insights.	Ongoing collaboration and dialogue with organisations with expertise, such as FAIRR, Global Canopy, ChemSec, Ceres, Shift and Investor Alliance for Human Rights. Annual meeting via the Council on Ethics with Swedish stakeholder organisations. Collaboration with academia through, among other things, BIOPATH in biodiversity, thesis collaboration with students from Chalmers and the University of Gothenburg School of Business, the CEO's board involvement in FinansKompetensCentrum, the University of Gothenburg School of Business' Advisory Board and MISUM.
		AP2 makes an impact via investments in companies and thematic engagement with the companies.			
		AP2 is affected by scientific facts.			
Other stakeholders	Media: Swedish and foreign media.	AP2 is affected by reviews of its operations and business intelligence.	Meetings, press releases, social media posts. Answers to questions from journalists.	The AP Funds' mission and role in the pension system, returns, sustainability work.	Ongoing contact with journalists. Press releases, news articles, interviews, posts on LinkedIn.
		AP2 makes an impact through interviews, press releases, meetings, financial reports.			

Stewardship

Summary of AP2's voting on individual issues at Swedish general meetings in 2025

Issue	Board's proposals			Shareholder's proposals		
	Number	AP2 for	AP2 against	Number	AP2 for	AP2 against
Board of Directors	231	226	5	-	-	-
Incentive scheme/remuneration	137	126	11	-	-	-
Adoption of financial statements, appointment of auditors, etc.	308	308	-	-	-	-
Capital structure, organisation, acquisitions	152	152	-	-	-	-
Environment and health	-	-	-	3	-	3
Corporate governance	128	128	-	8	-	8
Social issues and human rights	-	-	-	-	-	-
Total	956	940	16	11	-	11

Summary of AP2's voting on individual issues at foreign general meetings in 2025

Issue	Board's proposals			Shareholder's proposal		
	Number	AP2 for	AP2 against	Number	AP2 for	AP2 against
Board of Directors	8 524	7 478	1 046	142	52	90
Incentive scheme/remuneration	1 797	1 125	672	45	21	24
Adoption of financial statements, appointment of auditors, etc.	2 316	1 850	466	71	29	42
Takeover defence	96	59	37	-	-	-
Capital structure, organisation, acquisitions	1 098	796	302	8	5	3
Environment and health	6	5	1	62	45	17
Corporate governance	296	275	21	70	47	23
Social issues and human rights	59	59	-	135	79	56
Total	14 192	11 647	2 545	533	278	255

Voting by region, incl. Sweden 2025

North America	37%
Asia	31%
Europe	26%
South America	3%
Africa	2%
Oceania	1%



Nomination committees in which AP2 participated prior to the 2025 AGMs

Company	Women on the Board, %	Number of newly elected women	Net change in number of women compared to previous year
Alcadon	20	0	0
Arise Windpower	17	1	0
Bufab	43	1	1
Coor Service Management	57	1	0
Evolution	33	0	0
Ferrocamp	25	0	0
Genovis	20	0	0
IAR Systems	40	1	0
Kambi	29	1	1
LumenRadio	40	0	0
MilDef	29	1	0
NCAB	50	2	1
Plejd	33	0	0
Promimic	33	1	1
Xspray Pharma	29	1	1
Fifteen nomination committees in total	33	10	5

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