

Adopted by	Board of Directors
Date	11 December 2024
To be updated	Annually and as needed
Administrator	Head of ESG

## Responsible investment policy

The Första AP-fonden responsible investment policy is adopted annually by the Fund's Board of Directors and sets out general principles for the Fund's sustainability and corporate governance efforts in the management of the Fund's assets. The policy is applicable to all the Fund's asset classes and investment strategies.

Our sustainability and stewardship activities aim to increase the long-term return on managed assets and, where possible, to contribute to sustainable development. The Fund builds trust with companies, other owners and stakeholders, and the public by being business-oriented, maintaining a long-term and transparent approach, and behaving with integrity. It also increases confidence in the public pension system.

The Fund's CEO is responsible for operationalising the contents of this policy. The Fund's Board of Directors regularly monitors the work of the management organisation. Reporting and information on responsible investment shall be readily accessible on the Fund's website and in the annual report, and in line with the AP Funds' common guidelines<sup>1</sup>.

### 1. Our mandate

In accordance with the Swedish National Pension Funds Act (2000:192), Första AP-fonden's mandate is to manage fund assets in such a manner that they provide the greatest possible benefit to the insurance for income-based retirement pensions. We shall manage capital in an exemplary way, through responsible investments and responsible stewardship. Particular attention should be paid to how sustainable development can be promoted without compromising the objective of high returns in the long term. In this work, we will collaborate with the other AP Funds on a common set of values and common guidelines for assets in

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<sup>1</sup> [ap-fondernas-gemensamma-riktlinjer-for-redovisning-av-hallbarhetsmalet](#)

which the funds do not invest, and for reporting on how the goal of exemplary asset management has been achieved.

## 2. Guiding frameworks and positions – exemplary asset management

Exemplary asset management is defined in our mandate as a management model that is efficient, results-oriented, transparent, and that contributes to sustainable value creation in the long term. Our work aims to maximise the benefits of the public income pension system over generations. The Fund's responsible investment efforts are intended to help maintain the trust of beneficiaries, improve our risk management and, where possible, lead to improved returns. No industrial policy or other political considerations are to be considered.

As a government agency, Första AP-fonden's values are based on the core values of the Swedish state, where democracy and sustainable development are key elements in accordance with the wording of the Swedish constitution. We share common core values with the other AP Funds<sup>2</sup>.

One of the Fund's investment beliefs is that sustainability-related aspects influence the ability to create value in the long term. Första AP-fonden is of the opinion that well-managed companies that maintain an integrated approach to identifying and managing strategic material risks and opportunities are more profitable over time. We believe that responsible behaviour and efficient use of natural, human and financial capital characterise investment opportunities with long-term good returns at lower risk.

### 2.1 Guiding frameworks

Our responsible investment efforts are based on the international conventions on the environment, human rights, labour law and corruption that Sweden as a state has endorsed. Furthermore, international guidelines such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises guide our work on responsible investment and as a responsible owner. The 17 Sustainable Development Goals (SDGs) of the 2030 Agenda provide a broad framework for sustainable development and a reference point for investments that are deemed, together with financial returns, to contribute to social or environmental benefits.

Första AP-fonden is a signatory of the Principles for Responsible Investment (PRI) and is committed to integrating ESG issues in the investment process and in our stewardship efforts, in line with the six responsible investment principles.

Defining the Fund's approach to complex sustainability issues, as well as identifying and monitoring relevant objectives and key performance indicators in respect of sustainability,

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<sup>2</sup> [ap-fondernas-gemensamma-riktlinjer-for-foredomlig-forvaltning-och-vardegrund](#)

shall be an integral part of the systematic work relating to responsible investment and responsible stewardship.

### **2.1.1 Climate change**

Första AP-fonden's overall climate goal is to reduce the portfolio's carbon emissions to net zero by 2050, primarily through reductions of emissions in line with the Paris Agreement at the companies in which we invest. Our initial target is to halve the portfolio's carbon footprint by 2030, compared to 2019.

As a responsible investor, the Fund aims to understand, identify and analyse climate-related risks. Material risks are to be integrated into investment decisions and addressed through our stewardship practices. As part of managing the portfolio's climate risk exposure, the Fund's Board of Directors has decided that the Fund will refrain from investing in companies that conduct significant fossil fuel activities.

## **3. Responsible investment**

Första AP-fonden invests fund capital in a broad and global asset portfolio, allocated across equities, fixed income securities, real estate, infrastructure and private equity funds. Alongside purely financial criteria, material sustainability-related risks are integrated into the management of all asset classes. Material sustainability risks include risks that can either have a financial impact on an investment or the impact that companies in which the fund invests can have on people and the environment, known as double materiality.

As a responsible investor, the investment organisation seeks to perform a holistic assessment of how different dimensions of ESG could affect the anticipated returns and risk profile of an investment. How sustainability-related aspects are integrated into the investment process and stewardship practices, and to what extent, is adapted to the respective asset class and investment strategy. Decisions should always be capable of being evaluated and reassessed as the knowledge base changes. Effort should be proportionate to the positive results expected.

Första AP-fonden is working to address ESG shortcomings in our investments. As a responsible investor, this may also involve selling assets when improvements fail to materialise, or when we discover ESG risks that we do not believe we can manage well. Selling a holding for ESG reasons involves deliberate management of high ESG risk and allows limited fund capital to be invested in equivalent assets with a better ESG profile, but this often has limited impact in terms of improving the characteristics of the investment we have divested from.

Whenever possible, the Fund capitalises on investment opportunities that are deemed to meet the Fund's requirements for expected return and risk, as well as contributing positively to sustainable development. These are known as sustainable investments<sup>3</sup>.

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<sup>3</sup> Sustainable investment is defined under the EU Disclosure Regulation as an investment in an economic activity that contributes to an environmental or social objective, provided that such investments do not

### 3.1 Assets we choose not to invest in

Together with the other AP Funds, Första AP-fonden has common guidelines for assets in which fund capital is not to be invested<sup>4</sup>. These are based on the Swedish state's core values and make it clear that the AP Funds should consider the international conventions that Sweden has ratified and the international agreements that Sweden has endorsed.

The Fund's holdings should be screened regularly to identify companies that seriously violate international conventions, or risk violating such conventions. For companies identified in the screening process, the Fund should act to encourage them to accept responsibility for the situation that has arisen and implement action to limit the adverse impact. The Fund should consider selling its holding in the case of serious violations, if the ability to influence is deemed to be limited and the company's progress is unsatisfactory. Första AP-fonden, Andra AP-fonden, Tredje AP-fonden and Fjärde AP-fonden collaborate on this work through the Council on Ethics of the Swedish AP Funds.

The Council on Ethics makes recommendations on potential exclusions of companies operating in contravention of international guidelines. The Fund may also refrain from investing in other sectors or activities. Such decisions are made by the CEO and published on the Fund's website.

## 4. Responsible stewardship

Första AP-fonden has various tools at its disposal to enable it to act as a responsible and committed owner, ranging from Board representation and voting to dialogues with companies and collaborations. The tools and questions deemed to be of greatest relevance are influenced by factors such as asset type, ownership share, number of holdings and investment strategy.

The ability to exercise stewardship differ across asset classes, as well as across markets. Första AP-fonden assumes that the companies in which the Fund invests are compliant with applicable international regulations and national legislation in the countries in which operations are conducted. It is the responsibility of each company Board to ensure that adequate processes and controls are in place to ensure that this happens.

Första AP-fonden encourages proactive dialogue with portfolio companies on current governance matters: in connection with issues of principle and prior to general meetings, for example. Given the fact that the Fund generally has a larger holding in Swedish companies, the Fund has a greater ability to influence them through direct dialogue with the company's Board or its chair, through nomination committee work and by voting at general meetings. In foreign companies, the Fund generally has a smaller shareholding and our main tools for stewardship activities include voting at general meetings and cooperating with other investors to influence the company to make positive changes.

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significantly harm any other environmental or social objectives and that the investee companies follow good governance practices.

<sup>4</sup> [AP-fondernas gemensamma riktlinjer för vilka tillgångar som fondmedel inte bör placeras i](#)

In the case of private companies in which Första AP-fonden has a significant voting interest, specific instructions in accordance with this policy are to be given directly to the company. In these companies, Första AP-fonden should have its own representation on the company's Board, and the companies should provide good role models for corporate governance issues.

The Fund shall take action when companies – both Swedish and foreign – fail to fulfil Första AP-fonden's expectations under this policy. We will take further action if a dialogue with the company does not produce the results expected by the Fund. Such actions may include voting against the Board's proposals to the general meeting, submitting proposals to the company's general meeting, or selling the Fund's holdings. The Fund may also choose to communicate its standpoints externally if other measures have failed to achieve results. The costs of the Fund's actions must be in proportion to the positive outcome that we expect.

According to Första AP-fonden's policy for managing conflicts of interest, we shall work actively to continuously identify, monitor and manage any conflicts of interest arising within the organisation. If a conflict of interest arises, it should be handled with transparency and professionalism.

#### **4.1 Eight principles of corporate governance**

Besides laws, traditions and codes, Första AP-fonden bases its stewardship efforts on eight fundamental corporate governance principles. These principles are comprehensive and apply to all companies in which the Fund has an ownership interest, regardless of domicile.

##### **4.1.1 Voting rights and right to submit proposals at general meetings**

The general meeting of shareholders is the companies' highest decision-making body. Voting rights are the most important tool that shareholders have to exercise their ownership influence. Första AP-fonden seek to ensure that this right and the right to submit proposals remain unrestricted even in jurisdictions where this right does not follow from law. We attend general meetings of Swedish listed holdings, and we vote at all general meetings, both Swedish and foreign.

##### **4.1.2 Equal treatment**

The principle of equal treatment is a cornerstone of corporate law. Första AP-fonden seek to ensure that shares with the same economic rights in the company are treated equally in financial terms. Deviations from this may only be made in accordance with the terms of the Articles of Association. It is important to ensure that the interests of minority shareholders are protected.

##### **4.1.3 Appropriate capital structure**

Companies should have an efficient and effective capital structure that supports the short-term and long-term development of the company. Different methods for adjusting the capital structure must be justified by the companies' Boards of Directors. Decisions on dividends, the issue of new shares, the repurchase of own shares and any redemption of these shares must be made by the general meeting.

### **Dividend**

Capital that a company cannot invest over the long term at a rate of return higher than its cost of capital should be distributed to shareholders.

### **Share issues**

New share issues should primarily take place with preferential rights for the company's existing shareholders. Detailed justification from the Board of Directors is required if the Board of Directors deems it justified to deviate from the preferential rights of existing shareholders, such as in the case of directed or non-cash issues.

### **Buybacks**

Share buybacks must be viewed in the context of the Board's responsibility to maintain a balanced capital structure. Proposals to buy back own shares, as well as the conditions for exercising any authorisation, should be well reasoned.

### **Takeover defence**

Proposals to introduce rules in or outside the articles of association that aim to prevent or impede takeovers are not in the interests of shareholders. Första AP-fonden act against the introduction of such obstacles and in favour of their removal.

#### **4.1.4 Effective Boards of Directors**

### **Election of the Board of Directors**

According to the Swedish Code of Corporate Governance, the election and remuneration of the Board of Directors and auditor must be prepared by means of a process that is governed, structured and openly stated by the owners and creates the conditions for well-founded decisions. Första AP-fonden seek to ensure that the nomination of a chair and members takes place by means of a clear and transparent nomination procedure. Första AP-fonden also seek to ensure that the owners' influence over the election of Board members is maintained or, in some cases, increased.

### **Nomination committees**

By responsibly utilising the position that ownership provides, Första AP-fonden participates in nomination committees in Swedish and Nordic holdings when our ownership share justifies this.

Our work on nomination committees is based on the Fund's mandate, our core values, our responsible investment policy and our view of what is best for the company in question.

Första AP-fonden is of the opinion that the Chair of the Board should not be a member of the nomination committee. Instead, they should be co-opted to the meetings of the nomination committee to an appropriate extent. The nomination committee should appoint a secretary from within the committee or use an external independent secretary.

### **Composition of the Board of Directors**

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Boards should be made up of members with the necessary expertise and experience, a high level of integrity, sound judgement, adequate availability and a strong commitment. Board members must devote the time and care required to perform their duties satisfactorily, always with the interests of all shareholders in mind.

The composition of the Board should be continuously adapted to the company's operations, environment, market and stage of development. Effective and successful Boards, where the Board works with different perspectives on issues of importance to the company, requires diversity in terms of Board composition. Therefore, Första AP-fonden seek to ensure that the recruitment base for Boards is broad and thereby achieve gender balance and a high degree of diversity in respect of expertise and experience on all Boards.

Första AP-fonden is of the opinion that the Chair of the Board and the CEO should not be the same person. The Board of Directors must have a sufficient number of members who are independent in relation to the company's management or major shareholders. The members of the Board's remuneration and audit committees must be independent of the company. This is also the case for members of nomination committees in jurisdictions in which the Board is nominated by committees within the Board. Första AP-fonden seek to ensure that the Board is elected for one year at a time.

### **Board's mandate**

The Board of Directors is appointed by the owners and should, with integrity, professionalism and wisdom, make decisions on the company's strategy, appoint and dismiss the CEO, monitor how the strategy is being implemented and the level of risk in the company in general, and report back to the owners on how the company's work is progressing, primarily through financial reporting. The purpose is to create long-term value for the owners.

This means that, in most cases, the company cannot content itself with merely adhering to the letter of the law and regulations, but should act more responsibly with a view to enhancing the long-term value of the company. The Board is responsible for ensuring that the company's operations are conducted in a financially, environmentally and socially responsible manner and that the company is transparent in its communication.

### **Remuneration to Board members**

Remuneration paid to the Chair and members of the Board of Directors should be market-based and reasonable and reflect the responsibility and engagement that the members are expected to bring to the task. Första AP-fonden is in favour of Board members owning shares in the company. To avoid conflicts of interest, Board members should not be included in incentive programmes aimed at company employees. The Board of Directors is tasked with designing, deciding on and monitoring the effects of such incentive programmes.

Companies should exercise restraint in providing compensation beyond Board fees to members for services outside their Board duties, such as consultancy assignments. If this nevertheless happens, the reporting of the circumstances should be transparent. It is

advisable for the general meeting to decide in advance on the principles governing the conditions under which compensation for such services may be granted.

#### 4.1.5 Fair and market-based remuneration

Första AP-fonden seeks to ensure that the remuneration paid to senior executives is designed to reward efforts to create long-term shareholder value and to enable the company to recruit and retain important key personnel. Remuneration must be fair, market-based and in line with “good practice” in the local market.

The Board is responsible for the design of the company’s remuneration programmes and must be able to justify and defend it to shareholders, customers and the public in general. The Board must structure remuneration, in terms of both framework and level, to maximise the company’s sustainable value creation in the long term. The Board must be able to describe how the programme contributes to the company’s business model, strategic direction and sustainable value creation. The remuneration structure must incentivise participants to achieve both financial and non-financial targets, thereby contributing to the company’s long-term value creation.

#### **Variable cash remuneration**

Any variable cash component of remuneration in addition to the fixed salary must be linked to predetermined and measurable performance requirements. Remuneration must be capped.

#### **Long-term share-based incentive programmes**

Share or share price-related incentive programmes must be adopted by the general meeting. These programmes must be limited in time and should include information on what is known as the cap and possible dilution of existing share capital. Participation in the programmes should require market-based payment or predefined performance criteria for allocation. The performance requirements should be clear and measurable and be linked to the company’s long-term value creation. Before a decision is made by the general meeting, the Board must provide a detailed account of the costs that the programmes may entail for shareholders and justify the benefit of the programmes. Previous programmes should also be evaluated as part of this disclosure. Information from the companies on remuneration programmes for senior executives should be communicated by the Board to shareholders in reasonable time for shareholders to discuss and propose amendments prior to the general meeting.

#### **Pensions**

The provision of pensions for senior executives is part of the total remuneration and must therefore be assessed in relation to all other remuneration. Pension benefits and the companies’ current and expected future pension costs must be reported in detail. Första AP-fonden is of the opinion that pensions for senior executives should be defined-contributions.



#### 4.1.6 Audit and internal control

It is in the interests of shareholders to ensure that the external audit and internal control are of adequate quality. The Board of Directors is responsible for the organisation of the Company and the management of its affairs, which includes ensuring appropriate internal control, risk management and compliance. Every company must have formalised procedures in place to ensure compliance with the established principles of internal control. The auditors are appointed by the general meeting and are the shareholders' control body. Very stringent demands must be made in respect of the independence of the external auditors from the Company, its management team and its Board of Directors.

#### 4.1.7 Climate, environmental and social responsibility

Första AP-fonden expects the companies in which it invests to respect the international conventions and agreements endorsed by Sweden, including conventions on the environment, human rights, labour law, corruption and controversial weapons, as well as initiatives such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises.

Första AP-fonden wants companies to work strategically to integrate sustainability issues into their business operations. Strategic sustainability practices involves acting responsibly and minimising the risk of negative impacts, but also seizing opportunities for sustainable value creation through innovative business models and solutions.

We expect the companies in which we invest to understand and manage their relevant climate-related risks.

The companies must adopt relevant, ambitious and credible objectives for their strategic sustainability efforts. We want the companies to adopt climate-related targets and associated transition plans to reduce carbon emissions.

#### 4.1.8 Provision of information

Companies should seek to maintain an open and continuous dialogue with their shareholders. The companies' information must be accurate, clear, factual and credible. The information provided by the companies should enable an informed assessment of the future development of the company and the factors that add value for shareholders. The companies should seek to be clear about their objectives and the financial and strategic implications of the targets defined. The companies should also describe in a transparent manner how relevant policies and guidelines adopted are implemented, monitored and evaluated. The code of conduct or equivalent, anti-corruption policy, climate policy and tax policy are all examples of relevant policies.

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