



AP6

Policy for Responsible Investment and Ownership Sixth Swedish National Pension Fund (AP6)

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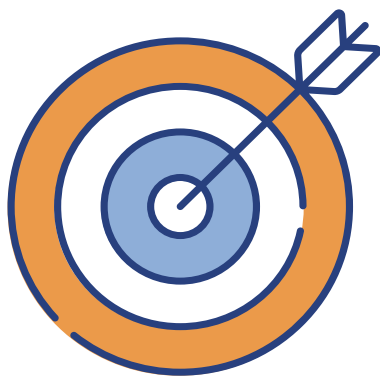


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Purpose and scope

The purpose of this policy is to describe the approach of the Sixth Swedish National Pension Fund (AP6) and its role as a long-term and responsible investor and owner. The Policy presents the overall frameworks and principles for AP6's integrated approach to responsible investment, responsible ownership and the integration of sustainability into the management of pensions funds.

The Policy applies to all AP6 investments, i.e. investments in unlisted assets, and to liquidity management. It was adopted by the AP6 Board of Directors and is revised annually.



Mission and values of the Sixth Swedish National Pension Fund

Mission

AP6's mission was adopted by the Swedish Riksdag (parliament) in the Sixth Swedish National Pension Fund Act (2000:193). The Act states that AP6 is to manage funds entrusted to it for the benefit of the public pension system through investments in the private equity market. Fund assets are to be invested such that the requirements of a long-term high return and adequate risk diversification are met. AP6 is also to manage fund assets in an exemplary manner through responsible investment and ownership. In asset management, we must prioritise promoting sustainable development without compromising the goal.

Values

To create the necessary conditions for sound management that is democratic and effective, follows the rule of law and is free from corruption, common core values exist for the Swedish public sector. They describe the principles of democracy, legality, objectivity, freedom of opinion, respect for the equal value of all people, freedom and dignity, as well as efficiency and service. The principles are based on a broad foundation of democratic values, as expressed most notably in the Swedish constitution.

The international conventions and treaties that Sweden has signed – the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights (UNGP) and the Swedish Riksdag’s Generational Goal – are also examples where values are expressed that form the basis of the core values of the Swedish state. As a state-owned pension fund, AP6 acts based on Sweden’s common core values and these also form the basis of the National Pension Funds’ shared core values.

Based on AP6’s mission and goals, and also on the six principles in the core values of the Swedish state, AP6 has developed three basic themes and key terms associated with them. These characterise how we as an organisation carry out our mission.

“The Sixth Swedish National Pension Fund (AP6) is, within the framework of what is beneficial for the income-based pension system, to manage funds entrusted to it by investing in the private equity market.

Fund assets are to be invested such that the requirements of a long-term high return and adequate risk diversification are met.

The Sixth Swedish National Pension Fund is to manage fund assets in an exemplary manner through responsible investment and ownership. In managing assets, special attention is to be paid to promoting sustainable development without compromising the goal [of a long-term high return and risk diversification].”

Extract from Sixth Swedish National Pension Fund Act (2000:193), Chapter 3 Section 1

BASIC THEMES AND KEY TERMS OF AP6’S ORGANISATION AND CULTURE



Trust

We have an important responsibility to manage the pensions of others

Respect and consideration

We care about each other and the communities in which we work



Commitment

We are committed and we develop our organisation



Basis of operations

AP6 invests in unlisted assets in the private equity market through fund commitments and co-investments. AP6 thereby has an indirect role vis-à-vis private companies, but has an active role as an owner with regards to funds and asset managers. External asset managers are responsible for the investments, including investment and divestment decisions, and for the portfolio companies' governance and value-creation. AP6's focus on responsible investment

and ownership is based on the particular conditions that apply in private equity investments. The private equity market is distinguished by, among other things, the fact that unlisted companies are not listed on a marketplace where their shares can be traded; in other words, the investment in the company is an illiquid investment. The company is instead owned by a small number of owners who operate and develop the company. If the owner/owners wish to sell the company or their shares in it, as there is no marketplace an agreement on the sale must be reached directly between the various parties in order for the sale to take place.



Definitions

Exemplary fund management

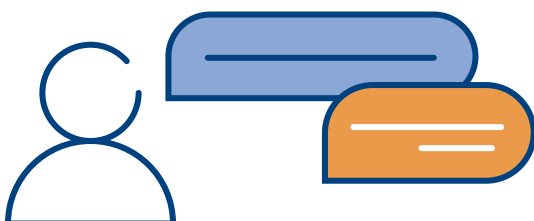
According to the Sixth Swedish National Pension Fund Act (2000:193), AP6 is to manage fund assets in an exemplary manner through responsible investment and ownership. AP6 and the other Swedish national pension funds have together defined what exemplary management means for the national pension funds. According to the funds' common definition, exemplary management means the funds must:

- Conduct responsible asset management to achieve a long-term high return at the risk level that has been set for the various national pension funds.
- Manage assets and in other regards act to maintain public trust in the national pension funds and their activities. The management of the assets must therefore be effective, result-oriented and transparent, and place special emphasis on how to promote sustainable development without compromising the return target. This will also help to ensure a high level of confidence in the public pension system as a whole.

- Integrate sustainability factors, such as environmental, social and corporate governance aspects, as well as business ethics, into all operations – within AP6's own organisation and when managing fund assets.

The Global Compact, the UN Sustainable Development Goals, the UN Guiding Principles on Business and Human Rights and the Riksdag's Generational Goal are examples of the goals and principles that are observed and applied.

- Be dedicated and responsible investors and owners, conduct a dialogue with the holdings, other owners and other stakeholders, and participate in various national and international initiatives and contexts that promote good corporate governance and sustainable development.
- Endeavour to ensure a fact- and knowledge-based approach based on science.
- Be guided by common values that are based on the core values of the Swedish state.



Sustainability, ESG and sustainable development

Sustainable development is generally defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs. The concept of sustainability is based on three pillars: economic, social and environmental responsibility. Economic value is created at the same time as negative effects on the environment are reduced, and human needs as well as social rights are respected. The UN Sustainable Development Goals (Global Goals) define a global action plan for the transition to a sustainable society. Respect for human rights and implementation of the Paris Agreement on climate change are essential in order to achieve the Global Goals.



ESG (environment, social, governance) is another way to describe sustainability. AP6 uses the terms sustainability and ESG interchangeably.

AP6 is a signatory of the UN Global Compact and its Ten Principles which are aimed at supporting companies in their efforts to integrate and pay attention to sustainability in their operations and their value chain.

In addition to encouraging companies and organisations to act responsibly and align their operations with the Ten Principles, the Global Compact also supports actors in promoting broader social goals as expressed in the UN Sustainable Development Goals.

Global Compact's Ten Principles:

HUMAN RIGHTS

- 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2: make sure that they are not complicit in human rights abuses.

LABOUR

- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: the elimination of all forms of forced and compulsory labour;
- 5: the effective abolition of child labour; and
- 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Responsible investment and ownership

AP6 bases its efforts to ensure it invests responsibly and acts as a responsible owner on the international frameworks and agreements that define sustainability and that are expressed in the Swedish Government's principles regarding human rights, democracy and sustainable development.

AP6 is a signatory of the UN Principles for Responsible Investment (PRI) and has committed itself to act according to them. The principles cover both the investment process and the ownership phase.



Six Principles for Responsible Investment (PRI):

1: We will incorporate ESG issues into investment analysis and decision-making processes.

2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4: We will promote acceptance and implementation of the Principles within the investment industry.

5: We will work together to enhance our effectiveness in implementing the Principles.

6: We will each report on our activities and progress towards implementing the Principles.



Responsible investment and ownership at AP6

Incorporating sustainability into AP6's investment and management activities helps to identify risks and opportunities to safeguard and to create value. Integrating sustainability is thus essential in order to generate long-term high returns in accordance with AP6's mission. Paying attention to sustainability factors and working actively to minimise negative impacts, while contributing to positive effects on sustainability, are also important in maintaining public trust in AP6 as a national pension fund manager. AP6 therefore works systematically, in line with the UN Principles for Sustainable Investment, to identify, analyse and take a stance on sustainability aspects in its investment activities. AP6's starting point is a materiality perspective with respect to sustainability, which means focusing on the areas that are relevant in a given situation. Different investments have different challenges and opportunities in terms of sustainability, depending on the industry and the geography in which they operate. There are also systematic sustainability challenges associated with essentially all investments.

Focus areas and long-term goals

Sustainability challenges that are systemic in nature require a systematic approach. Climate is one such systemic issue. Climate change undermines the stable climate that is needed for human activity, and therefore challenges the foundation of future economic prosperity. Climate-related risk can affect investments today, and solutions to climate-related challenges can bring opportunities to create value in the investment portfolio. AP6 is to act to ensure that external asset managers and companies manage climate risks and contribute to the climate transition in line with the Paris Agreement.

Identifying relevant long-term and short-term sustainability objectives is to be a natural aspect of systematic efforts to ensure responsible investments and ownership.

In addition to the climate, respect for human rights and greater equality and diversity are other areas that are to be included in long-term requirements and objectives.



Before investments are made

In order to be able, as a private equity investor, to achieve long-term high returns with adequate risk diversification through responsible investment, it is of the utmost importance to put together asset management teams that are well-equipped to ensure responsible value-creation. AP6's most important tool to achieve this is selection expertise combined with the ability to have an impact. AP6 is to carefully evaluate each investment based on AP6's mission.

In contacts with external asset managers and when engaging external advisors and consultants, AP6 is to clearly communicate its mission, values and principles regarding responsible investment and ownership.

Sustainability assessment

Ahead of each investment, AP6 is to carry out a sustainability assessment as part of the broader investment evaluation. This assessment is aimed at identifying and evaluating the capacity to manage sustainability-related risks as well as the potential to benefit from sustainability-related opportunities. Respect for international norms around human rights, labour, the environment and anti-corruption are clear requirements in all investments that AP6 makes. Sustainability assessment is to help provide a basis for the investment decision.

Sustainability assessment is also to look at whether an investment may be in violation of AP6's exclusion criteria as described below.

Assets in which fund assets should not be invested

Respect for international norms around human rights, labour, the environment and anti-corruption is a fundamental requirement in all investments that AP6 makes and is included in the sustainability assessment that is carried out before an investment decision is made, as well as in the investment follow-up process. Any systematic violation of international norms identified will disqualify an investment if there is no possibility of effectively remedying the situation. Suspicion of a holding's potential involvement in violation of international norms will lead to action being taken. AP6 has identified certain industries and products that AP6 considers to be by definition in violation of, or at risk of violating, international norms and which AP6 will therefore avoid investing in – both directly and indirectly. These industries and products have actors who are involved in weapons, tobacco, narcotics, pornography, thermal coal and oil sands according to definitions and boundaries described in the Appendix. An assessment of whether an investment may violate the exclusion criteria is to be part of the sustainability assessment process as described above.



Ownership phase

Managing pension assets carries a responsibility to carefully monitor the investments made. That responsibility includes monitoring on an ongoing basis the development of the investment and exercising AP6's ability to impact. AP6 is to be a committed investor that is actively involved in issues that can safeguard assets and create value in the investments, and that can contribute to sustainable development.

Models for impact and dialogue

AP6 is to maintain relevant models and methods for imposing standards and requirements, and monitoring a holding's development from a financial, commercial, legal and sustainability perspective. The ability to have an impact is to be a guiding principle when developing models for setting requirements and monitoring outcomes.

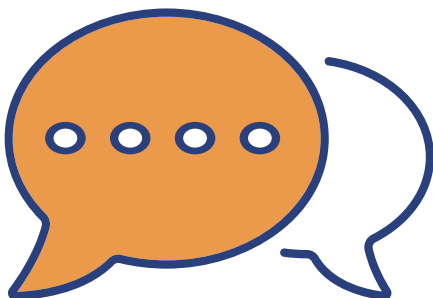
Respect for international norms is also included in ongoing portfolio reviews. If a risk of violation of international norms is identified in an existing holding, steps are to be taken. Examples of these steps are dialogue with the manager of the holding and requiring action to be taken.

Reporting and following up

The asset manager's financial reporting and reporting on sustainability aspects make it possible to constantly monitor and follow-up the development of the investment and its performance in relation to targets. AP6 is to require relevant reporting according to established reporting standards in the private equity market. Normally, reporting on the respective holdings is to take place at least once a quarter. AP6 is also to require a formal report on the holdings' development at the annual meeting and at other information meetings aimed at the investors.

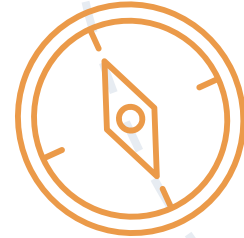
AP6 is also to monitor any incidents of a material nature in the investment portfolio, through the formal quarterly reporting or in another way. AP6 is to be provided with these reports and will take action if needed.

AP6 is to have relevant internal processes for monitoring the development of a holding and maintaining high standards in internal reporting to provide a sound basis for decisions and actions.



Liquidity management

Living up to our role as a responsible investor also applies to the investments that are made within liquidity management. AP6's process of selecting managers for liquidity management includes a review of work on sustainability and responsible investment. AP6 is to require clear processes for responsible investment and clear criteria for excluding investments in controversial industries, according to AP6's exclusion criteria. AP6 is to have a constant dialogue with managers on how their work is progressing. Unlike in private equity activities, capital can quickly be reallocated in cases where investments are not living up to our expectations.

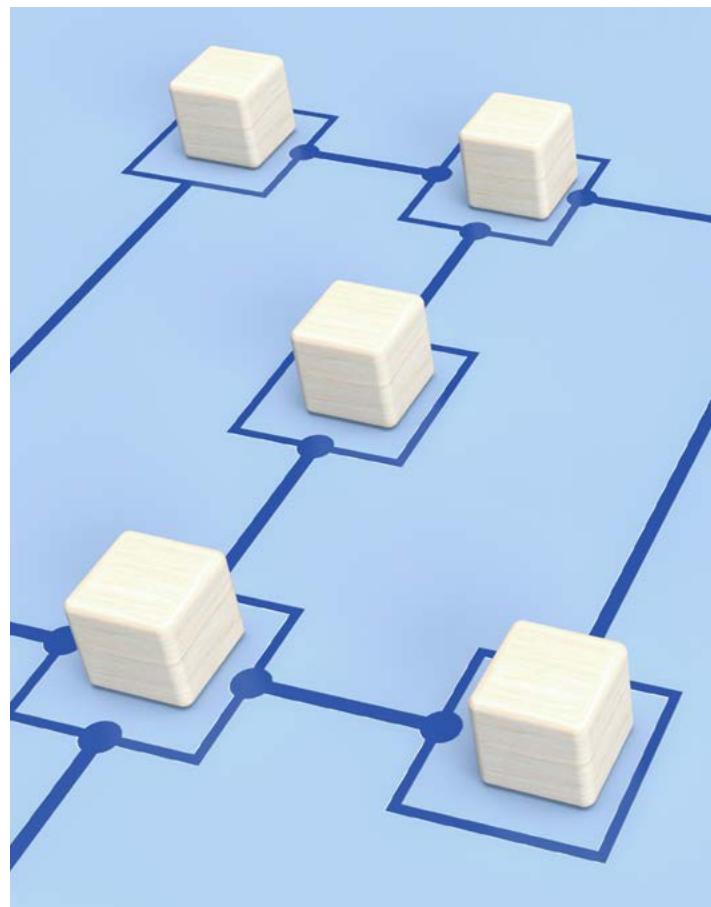


Guidance for special circumstances

In exceptional cases and based on agreements or holding a position on a board, AP6 may be able to exercise a direct impact on a company in the investment portfolio. In such cases special conditions apply. AP6 has special guidelines relating to governance, board appointments or nomination committee appointments in the case of such investments.

Listed holdings

If AP6 in exceptional cases becomes a direct owner of a company listed on a regulated market, for example when an unlisted company becomes listed, AP6 observes good stock market practices with respect to governance as well as the laws and regulations that apply on the regulated market where the company's shares are traded.



Influence through cooperation

In addition to efforts to impact individual holdings, AP6 is to work in cooperation with other investors and stakeholders to improve efforts to ensure responsible investment and ownership within the private equity market. Further developing corporate governance norms, long-term value-creation and sustainability, and promoting an exchange of knowledge and experience with other investors and industry organisations are part of AP6's responsibility and active advocacy work. Cooperation may be within the framework of investor organisations, networks or other initiatives. Cooperation in various forms regarding the investment portfolio is to be based on AP6's mission and values as set out in this policy.



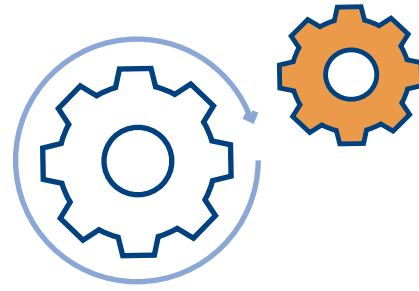
Openness with AP6's stakeholders

The effects of efforts to apply the policy are to be measured, monitored and reported on a regular basis. The monitoring methods are to be appropriate for their purpose and gradually developed to meet regulatory standards and achieve AP6's own ambitions. AP6's annual and sustainability report is to describe efforts to ensure responsible investment and ownership.

The sustainability report is to describe efforts to integrate sustainability into asset management, which goals AP6 has and to what extent these are met, as well as how sustainability work is carried out in general. The sustainability report is to comply with established international reporting standards. AP6 is to work with the other AP funds to ensure that the funds' reports are comparable to the greatest extent possible.

Although the Swedish National Pension Fund Act (2000:193) ultimately governs AP6's activities, as a national pension fund it is important to constantly pay attention to the expectations of our external environment with respect to a variety of issues, and to consider how market conditions affect our ability to generate a long-term, sustainable return. AP6 is to interact on an ongoing basis with stakeholders who are impacted by AP6's activities or who impact AP6. AP6 should periodically have a structured and in-depth dialogue with stakeholders to learn about and inform the organisation of the expectations of the external environment.

Amendments and updates



This policy is to be reviewed and adopted by the Board of Directors on an annual basis and revised as needed. AP6's Head of Sustainability is responsible for documentation and for ensuring the policy is revised as needed.



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