



# Annual and Sustainability Report 2023



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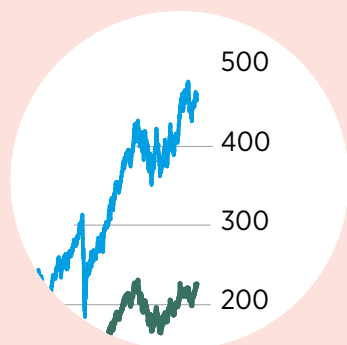
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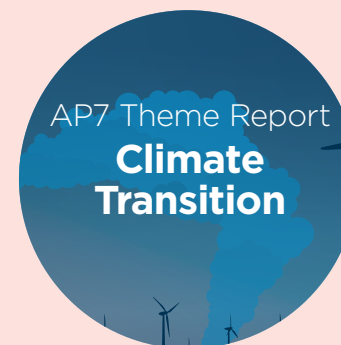
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# AP7 manages the premium pension for more than 5 million Swedes

## AP7's vision

A global role model for responsible pension solutions.

Since year 2000, AP7's mission has been to manage the premium pension capital in the state pre-selection option.

Managed assets

**1,100**

billion SEK

## AP7's mission

Good pension from generation to generation.

AP7 is the only public actor in the premium pension system. Our asset management is exclusively focused on the interests of the pension savers.

More than

**5.5**

million savers

## AP7's return goal

Continual savings in the pre-selection option should generate a long-term annual return at least 2 percentage points higher than that of the income pension.

With investments in 3,000 companies around the world, we can act as owners on a broad front and with a long-term perspective.

Investment portfolio: more than

**3,000**

companies around the globe

2000-2023

**10.4%**

average annual capital-weighted return

All figures at December 31, 2023

# Letter from the CEO

## 2023 ended on a positive note and the future looks exciting

**Once again, just in time for New Year's Eve, our savers could get up from the couch and look back on a year of good returns on the funds that we at AP7 have been entrusted to manage. During 2023, the average saver has seen their premium pension with AP7 grow by as much as 18.4 percent. If we look back even further, we can conclude that it has been a really good journey for those of us who have not made an active choice for the premium pension.**

Considering AP7's successful history, it was with great humility, and not without some concern, that I accepted the Board's request to take over as the Fund's CEO last June. In a way, the conditions could not have been better. With a high level of responsibility, AP7 has created a good return for its savers through a few simple and clear investment convictions. It is about adapting the level of risk-taking to different generations where young savers can and should bear high, or even very high, risk – a level that is gradually lowered as the saver grows older. It is also about creating a well-diversified portfolio, not least geographically. And also, having an active ownership strategy with a focus on actively influencing companies to act in the desired direction.

At the same time, the Fund's conditions are more challenging today than in a long time. The geopolitical development creates much more uncertainty than just a couple of years ago. Interest rates are significantly higher and global sustainability challenges are growing. Thus, if we look 20 years ahead, we cannot take for granted that a well-diversified equity portfolio will generate the same high risk-adjusted return as it has during the last two decades. At the moment, we see no reason to reconsider our investment strategy with a broad global diversification, but we must carefully analyse the conditions and, if necessary, be prepared to adjust the asset management.

### Growing capital in a maturing pension system

The Swedish premium pension system has been around for more than 20 years, and as the system has matured, the managed capital has grown significantly. During 2023, for example, the capital in AP7 Fixed Income Fund increased by some 20 percent through a large inflow, and the fund now amounts to over SEK 110 billion.

A growing capital places new demands on the fund's management, which will undergo a modernisation during the next few years. The Riksdag has also raised its expectations on AP7's operations, through the changes in the AP Funds' Act that came into force in January 2023. As mentioned, the Fund has worked successfully with responsible ownership for many years, but the requirements for investing responsibly have now been clarified in the law. This places more extensive demands on how the investment decisions are made and followed up.

Another change in the law has made it possible for AP7 to invest up to 20 percent in alternative assets, such as real estate, shares in venture capital funds, and in infrastructure. This creates opportunities for us to further diversify the portfolio and thereby create a better risk-adjusted return for our savers. At the same time, these types of investments require new competence as we need to transfer significant amounts of capital from management forms that have been well established for many years, to new asset classes that place new demands on analysis and management competence, but also on administrative and control functions.

### Value creation with clear focus on the savers

In 2023, we have started to adapt the Fund's management to the new conditions – a both challenging and exciting work in which our employees are highly engaged. What is important in terms of objectives, when we take on this task?

First of all, we must ensure the obvious – that with every change we consider making, we focus on the benefit for our savers. In the preparatory work for the changed law, it was clarified that AP7 must continue to be designed as a generation portfolio, rather than being divided into an earnings and a payout portfolio.





## In 2023, we have started to adapt the Fund's management to the new conditions – a both challenging and exciting work in which our employees are highly engaged.

I mentioned earlier that the entire premium pension system is maturing and that it is therefore becoming more important to understand how the allocation and investment decisions we make affect different generations. Thus, we need to become even better at analysing, understanding and ensuring that the improvements we are considering in asset management do not benefit one generation at the expense of another.

As we develop the management, we must also ensure that we maintain high efficiency and low administrative costs, something that is also central to the savers' benefit. When AP7 started 23 years ago, with a small managed capital compared to today, outsourcing most of the asset management activities to external suppliers was a logical decision. Today, the capital is more than 60 times larger than at the end of the Fund's first operating year, which completely changes our opportunities to create economies of scale internally and thus keep costs down for savers as the capital grows.

### Sustainability fully integrated in asset management

Taking responsibility in management and active ownership has always been central to AP7. During the year, this has been further integrated into the asset management through the transition portfolio that is part of our climate action plan. The pace will increase further, by developing and testing new working methods and strategies, but also by ensuring that the competence and ability we have built up in responsible ownership is fully reflected in our investment process. As we move into new asset classes, the demands on our ability to analyse the investments from a sustainability perspective increase, which places increased demands on both our investment process and our active ownership. See page 15, where I answer questions on sustainability, the Paris Agreement and active ownership.

### A professional manager of alternative assets

As mentioned, the mandate to grow the share of alternative assets brings an opportunity to diversify the portfolio and thus create a

better risk-adjusted return for our savers. Over time, the fund may invest significant amounts in these assets and it is therefore important to continue to develop a robust internal organisation that can manage these assets in a responsible manner. The Fund's Board has clearly expressed the importance of building this long-term and in an orderly manner. This means that we will build on the many years of experience in private equity investments that already exists, and that we will develop the real estate portfolio with an initial focus on the immediate geographical area.

### An attractive employer

A decisive explanation for AP7's success has undoubtedly been our skilled and loyal employees. There is invaluable experience in the form of individual employees who have been here for a large part of, in some cases almost the entire, history of the Fund. As I have stated clearly, the Fund will need to further broaden and increase internal capacity. Here, it is of the utmost importance that we continue to be an inspiring and attractive workplace where we make use of existing employees' rich experiences and have the ability to attract and welcome new employees to an open and inclusive workplace, where we – in accordance with the Fund's mission – create a good pension from generation to generation. This is an assignment that we are really proud of.

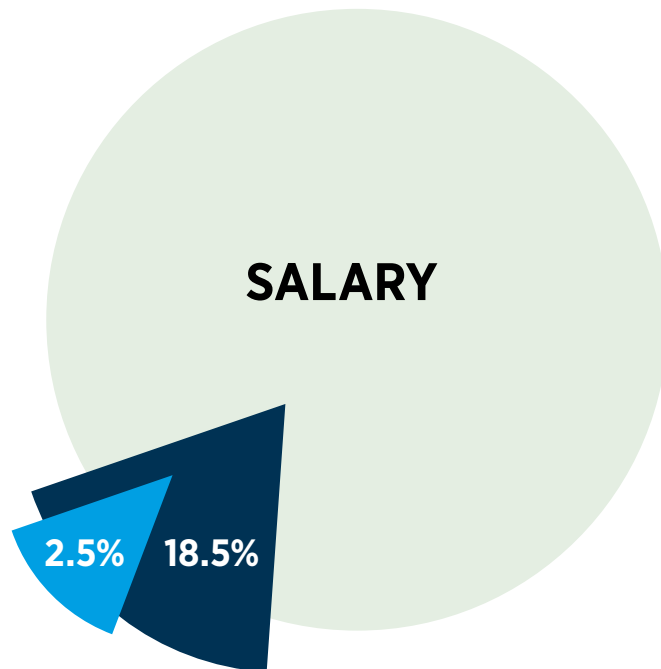
### Exciting challenges ahead

AP7 has a good starting position, but also faces challenges. For my part, I look forward to several exciting and challenging years and, just over six months into my new job, I am happy and grateful to have been able to take over the relay baton from the Fund's two former CEOs, Peter Norman and Richard Grötthelm. They have left a fine legacy which I, along with all colleagues at AP7, look forward to manage and develop further.

Pål Bergström, CEO AP7



# About AP7



## The state pension

Each month, employers pay **18.5 percent of an individual's salary** (up to 7.5 times the income base amount) to the state pension. Of these payments, **2.5 percentage points goes into the premium pension** while the remaining 16 percentage points goes to the income-based pension.

## The Seventh AP Fund (AP7) manages the pre-selection option, AP7 Såfa, for savers who do not select funds themselves.

In the state pension system, part of the pension contribution goes to the premium pension. The premium pension system is administered by the Swedish Pensions Agency, which in this context serves as a fund insurance company.

### Our mission

AP7 is a public agency, whose mission has been to manage the premium pension capital in the state pre-selection option since the system's introduction in 2000. As the pre-selection option, we offer an efficient and responsible saving scheme that increases savers' pension, while contributing to a well-functioning financial market and sustainable development. Everybody needs an asset manager they can trust, regardless of their income, education, and interest in financial matters.

### Our values

Our operations are to be carried out in a professional and impartial manner, observing legislation and directives. In accordance with the new legislation on exemplary management, we coordinate our work with the other AP funds, with joint governing documents on values and sustainability reporting. We also have common guidelines, with AP1–AP4, for which assets not to invest in. In addition, AP7 has the ambition to take a leading position, especially when it comes to the development of standards and active ownership linked to the climate and biodiversity.

AP7's work with responsible investments is based on the norms and international conventions Sweden has signed, with regard to human rights, labour rights, the environment and anti-corruption. These norms are consistent with our role as a public agency and we assume that they reflect the values of the broad population group that the savers make up.

### Our role as owners

AP7 is a universal and long-term owner and invests broadly on the global equity markets. With more than SEK 1,100 billion invested in 3,000 companies around the world, AP7 can act on a broad front and with a long-term perspective, considering the interests of our savers. For savers, the combination of high diversification and low fees generates financial value that makes a big difference over a period of 40–50 years.

The asset management strategy also affects our active ownership work. We will transparently use all relevant tools to drive our investments in a sustainable direction, and continually develop new knowledge and methods.



# Everybody needs an asset manager they can trust, regardless of income, education and interest in financial matters.

## Building block funds are the basis

In 2010, the Premium Savings Fund and the Premium Choice Fund were discontinued and replaced by the AP7 Equity Fund and the AP7 Fixed Income Fund. By combining these two funds, AP7 can offer six investment alternatives to premium pension savers, of which AP7 Såfa ('Statens årskullsförvaltningsalternativ') is the pre-selection option. Alongside the building block funds, the other three alternatives are AP7 Offensive, AP7 Balanced, and AP7 Cautious. These combine the building block funds in a way that suits savers who wish to choose their own risk level. The funds can be chosen separately or in combination with other funds in the premium pension system.

**AP7 Equity Fund** The majority of AP7's managed capital is invested in the AP7 Equity Fund – a diversified global fund with risk-increasing elements and a clear sustainability profile. The global equity portfolio is the main pillar, with investments in 3,000 companies, widely spread geographically and across sectors, combined with financial instruments that raise the level of risk and expected return. Diversification means that AP7 Equity Fund spreads the risk-taking by investing in assets that complement the global equity portfolio. Read more on pages 9–13.

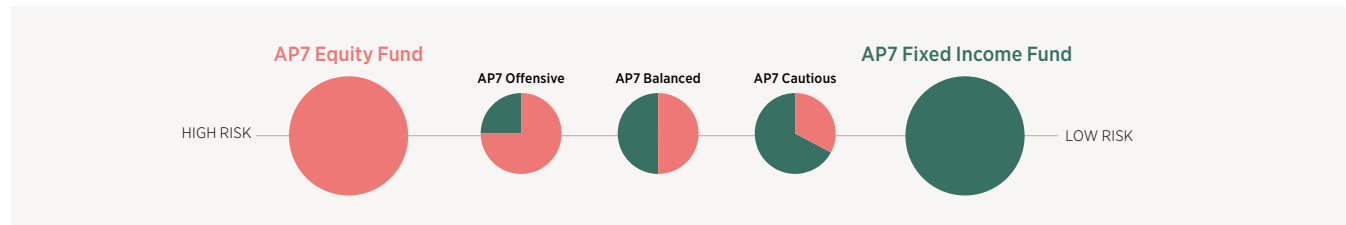
**AP7 Fixed Income Fund** A smaller, but rapidly growing part of AP7's managed capital, is invested in interest-bearing securities. The Fixed Income Fund is a low-risk fund that invests in green bonds with low credit risk, and mortgage, municipal and government bonds in Swedish kronor. Read more on pages 11 and 16–17.

**AP7 Såfa** A fund portfolio package comprising AP7 Equity Fund and AP7 Fixed Income Fund, where the distribution between the funds is adapted to the saver's age. AP7 Såfa is suitable for those

who do not wish to, or who cannot, choose funds themselves. Anyone not making an active choice has their pension money automatically invested in AP7 Såfa. The ambition is that continual saving in AP7 Såfa throughout a person's working life will generate a long-term return that is at least 2 percentage points higher per year than the income pension.

Combining the building block funds based on the saver's age

gives AP7 Såfa a profile that adapts the level of risk to the number of years remaining before the saver retires. This means that savers' pensions are invested in the Equity Fund up until the age of 55. Between the ages of 56 and 75, 3–4 percent of the money is transferred each year to the Fixed Income Fund and, after 75 years of age, two-thirds of the money is kept in the Fixed Income Fund for the remainder of the saver's lifetime.



## AP7 Såfa is the pre-selection option in the premium pension system

Those who do not themselves choose a fund automatically save in AP7 Såfa.

Up until 55 years of age, the saver's pension is invested solely in the AP7 Equity Fund.



From 56 years of age, 3–4 percent of the savings is annually transferred to the lower-risk Fixed Income Fund.

After 75 years of age two-thirds of the capital is kept in AP7 Fixed Income Fund for the rest of the saver's life.

The saver's age → 55 yrs 56 yrs → 75 yrs →

AP7 Såfa gradually adapts the level of risk according to the saver's age from the age of 56. After that, the proportion in the Fixed Income Fund increases, and the proportion in the Equity Fund decreases.

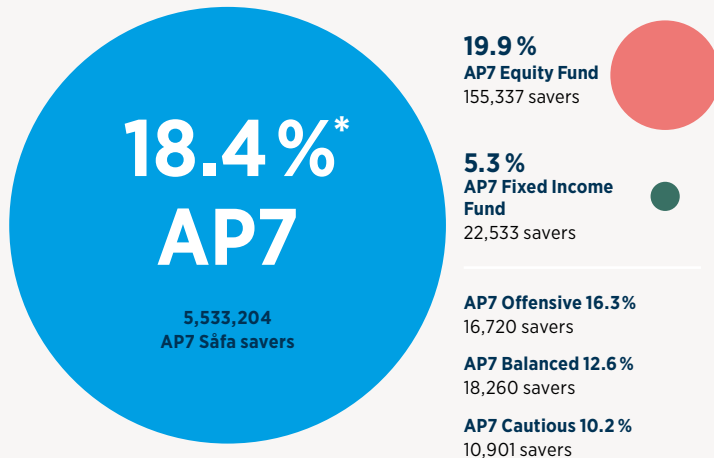
**The National Pension Insurance Funds Act as of 1 January 2023**

AP7 manages funds for the purposes set out in the provisions on premium pensions in the Social Insurance Code. The asset management should be focused solely on the interests of the pension savers. The funds that the Seventh AP Fund manages must be invested so that a high long-term return is achieved at the selected risk level.

The capital in the funds managed by AP7 must also be managed in an exemplary way through responsible investments and responsible ownership. AP7 must pay particular attention to promoting a sustainable development without renouncing the goal of achieving long-term high returns at the chosen risk level.

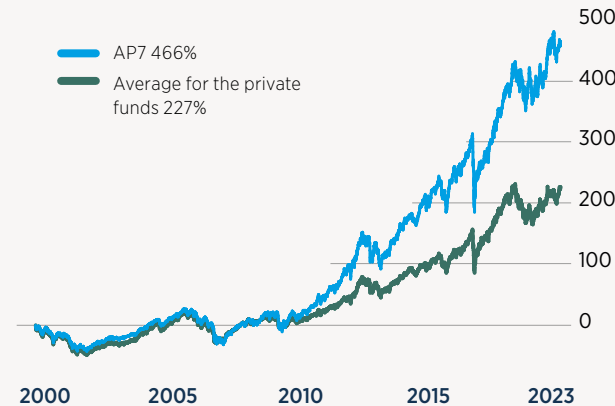


**Return 2023**



\* The return for the average AP7 saver in 2023 was 18.4 percent, with the majority of savers in AP7 Såfa. In the same period, the average return for the private premium pension funds was 16.7 percent. From the start in autumn 2000, until year end 2023, the return of the pre-selection option was 466.0 percent, corresponding to 7.8 percent per year in time-weighted return. In the same period, the return in the private premium pension funds was 226.8 percent, and an average annual return of 5.3 percent.

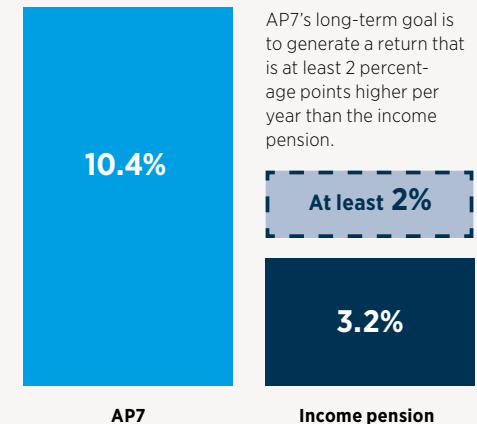
**Return 2000–2023 in percent**



On behalf of AP7, the Swedish Pensions Agency calculates an index that reflects the development of the funds available on the Swedish Pension Agency's fund market, excluding AP7's pre-selection option. The index does not include discounts that the funds offer in the premium pension system.

**Average return 2000–2023**

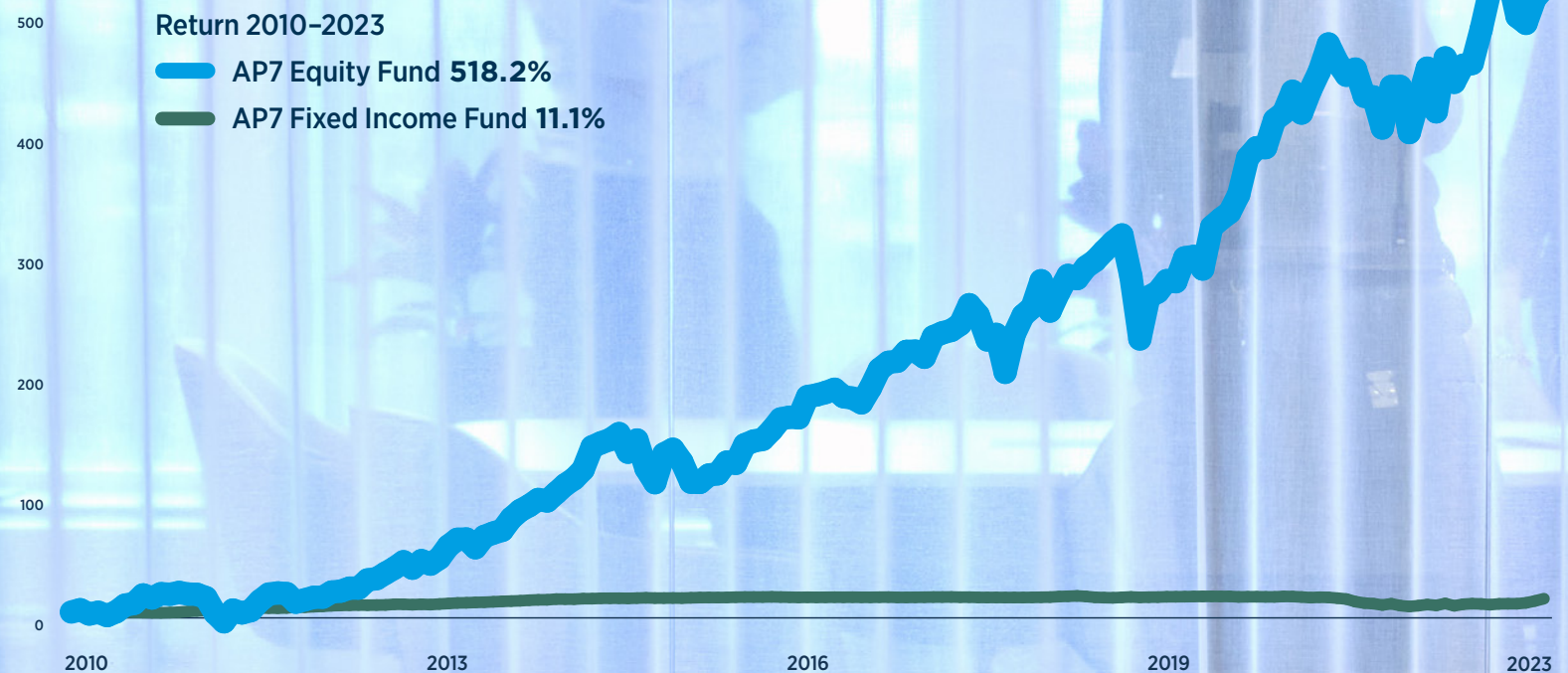
Capital-weighted return



Continual saving in AP7 Såfa throughout a person's working life should generate a long-term return that is at least 2 percentage points higher per year than the income pension. So far, the pre-selection option has exceeded this ambition. Since 2000, the capital-weighted return has, on average, been 10.4 percent per year, compared with the return in the income pension of 3.2 percent per year.

# AP7's asset management builds on a long-term approach

2023 was yet another volatile year for the stock markets, where the high inflation and the central banks' interest rate increases were in focus. For AP7's savers, the year summed up to a return of 18.4 percent. Within AP7's asset management, the sustainability work was intensified, with the transition portfolio and a sharp increase in investment in green bonds.





### US technology stocks led the way

2023 was yet a year with relatively large movements on the world's stock markets, but despite the volatility, a positive return was noted for the year as a whole. The development was largely characterised by the world's central banks continuing their tightening measures to combat high inflation, which caused a sharp rise in long-term interest rates through October.

"Many stock markets started the year strongly, supported among other things by optimism linked to the reopening of the Chinese market after the pandemic. The world economy was relatively resilient, despite the high inflation and interest rates, and many companies managed to keep their profits up," says Lena Fahlén, Head of Asset Management and Vice President at AP7.

The world has continued to be affected by geopolitical unrest. Alongside the war in Ukraine, the relationship between the US and China remained tense, as well as between China and Taiwan. During the autumn, the conflict in the Middle East also flared up.

"Offshoring has been a theme since the pandemic and many companies have started to look at the possibilities of withdrawing from China as a result of the geopolitical situation – either to move production closer to their home countries or to other emerging markets," says Kristina Styf, Senior Portfolio Manager at AP7.

The stock markets then retreated in connection with the spring banking crisis that started in the United States, but spread to Europe where UBS more or less was forced to take over the Swiss bank Credit Suisse. After that, the stock markets recovered strongly. The US market, which weighs heavily in the global index, was mainly driven by the rise in the technology sector which benefited, among other things, from the great interest in artificial intelligence (AI).

### Paused interest rate hikes supported the development

After a strong first half of the year, the global stock market turned downwards at the end of the summer. Again, marked by concerns over high interest rates as the central banks continued to rapidly raise their policy rates. Some interest-sensitive sectors such as real estate were affected. Meanwhile, China's economy showed signs of stagnation.

In the autumn, however, there were signals that inflation was on the way down, and when the actual figures were presented the market breathed a sigh of relief. The US central bank was the first to pause its interest rate hikes, followed by the European central bank and then the Riksbank. Falling inflation and long-term interest

rates supported the stock markets. In December, it was announced that the US central bank plans to lower the key interest rate in 2024, which further contributed to strong stock markets.

"The fact that the American economy has been resilient has contributed to a relatively positive stock market throughout the year. Households have continued to use their savings to consume, employment has held up and no recession occurred. Now, however, there are signs that the Americans' savings surplus is about to run out and the economy is weakening," says Christer Wanngård, Senior Portfolio Manager at AP7.

At the end of the year, however, it could be stated that Sweden had entered recession as growth fell for the second quarter in a row. The Swedish economy is sensitive to interest rates, and the real estate industry and construction industry are two sectors that have been hit hard by the Swedish central bank's interest rate increases. However, falling inflation and thus falling interest rates at the end of the year have caused the market to expect as much as five interest rate cuts already in 2024. If that should happen, it would be very positive for the Swedish economy.

### Positive returns for AP7's funds

All in all, the year was summed up with a good development for both stocks and bonds. The total return for AP7 amounted to 18.4 percent.

The return in AP7 Equity Fund amounted to 19.9 percent. The majority of the capital in the Fund is invested in line with the global

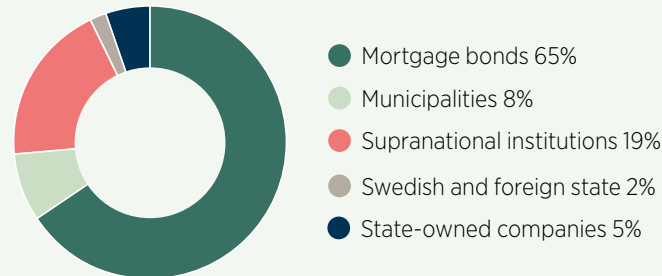
### Long-term perspective and risk spreading

A long-term perspective and diversification are two pillars in AP7's asset management strategy. Diversification involves risk spreading in several tiers. One approach involves investing in 3,000 companies around the world, widely spread geographically and across sectors. This is supplemented with investments in emerging markets, smaller companies (small-cap), risk premiums, and in asset types such as private equity. As of 1 January 2023, AP7 can also invest in illiquid asset classes such as real estate and infrastructure.

Diversification also involves a time perspective, since new premium pension capital is allocated every year, which spreads the investments and thereby the savers' risk over their entire working life. The risk level in AP7 Såfa is also adjusted based on the saver's age, from a higher proportion in shares, and thereby higher risk at a younger age, to an increased share in bonds as the saver approaches retirement.

### Issuers in AP7 Fixed Income Fund

In 2023, the investments in green bonds increased to 37.5 billion SEK, corresponding to 33 percent of the AP7 Fixed Income Fund.



index. The global equity portfolio made a positive contribution to returns, mainly thanks to the rise in US shares. During the year, we have worked to streamline the index-based management, which has contributed to reduced costs for AP7.

Of the Equity Fund's risk-spreading elements, emerging markets had a weaker development than the rest of the world. Even holdings in illiquid assets, such as private equity, as well as risk premiums (stocks selected for specific characteristics) developed negatively compared to the global index. Small companies had a relatively weaker development than large companies.

The Swedish krona hit a record low in August, the lowest so far against the Euro. The weakening of the krona contributed positively to the return until the summer, due to the large proportion of US shares in the fund. For the year as a whole, the currency effect was negative as the Swedish krona strengthened at the end of the year.

For AP7 Fixed Income Fund, whose task is to stabilize the risk and secure the return in AP7 Såfa, the return amounted to 5.3 percent. The positive return is due to the fund selling government securities at the beginning of the year when it became clear that the Riksbank would extend its quantitative tightening by selling long-term bonds. During the fall, the interest rate fell sharply and the fund then had a slightly longer duration, which also benefited the return. The Fixed Income Fund consists of bonds issued in Swedish kronor with a medium-term duration of approximately 2.8 years. The return was pressured by the high long-term interest rates during the first half of the year. As the market, during the autumn, began to predict future interest rate cuts from the Riksbank, long-term interest rates fell back, which was favorable for the Fund.

### Increased share of green bonds

AP7's climate action plan is an important starting point for how asset management should contribute to the goal of net zero emissions. In line with the action plan, AP7 continued during the year to increase the proportion of green bonds in the Fixed Income Fund, i.e. bonds earmarked for various environmental projects. The share increased from 10 to around 33 percent at the end of the year. The ambition is to increase the share further to 50 percent by 2025.

The investments were made in green bonds with a high credit rating issued by, among others, supranational organisations, such as the World Bank and the European Investment Bank, as well as some state-owned companies. To finance the purchases, mainly Swedish government bonds were sold, as these have become relatively expensive, but also regular mortgage bonds were sold.

"We have a high ambition regarding the share of green bonds and these are mainly supplied on the international market. Until now, we have bought fixed income securities quoted in Swedish kronor, but we are preparing to also start trading in bonds in other currencies, such as euros and dollars. Since liquidity is higher abroad, we save money on each transaction," says Ulrika Lindén, manager of AP7 Fixed Income Fund.

### Increased investments in the transition portfolio

AP7 has accelerated the work with the transition portfolio that was created in 2022 and which is also based on the climate action plan. The investments are made in companies that currently have high emissions, but where there is a will and a plan to adapt operations in accordance with the international climate goals. The first investment was made at the end of last year.



### Lena Fahlén, new Head of Asset Management

Lena Fahlén is new Head of Asset Management at AP7 as of September 2023. She has held various positions at Handelsbanken, most recently Head of Interest and Currency Trading at Handelsbanken Markets, and previously, Head of Analysis, Head of Allocation Management and Head of Interest Management at Handelsbanken Fonder. Lena is an economist from Stockholm University and started her career at the Riksbank.

#### What do you look forward to in your role as Head of Asset Management?

– AP7 has had an impressive development, so I look forward to developing asset management to continue that journey. I have joined a very competent and professional asset management organisation, so that together with the team, building up the portfolio for alternative assets and being involved in contributing to the high ambitions AP7 has in the area of sustainability, feels very exciting.

#### What will be in focus in 2024?

– AP7's managed capital has grown strongly in recent years. Our new mandate together with our ambitious sustainability goals, requires that we develop management. We are reviewing and modernising our investment processes, developing a strategy for alternative investments, and we have ambitious plans to integrate sustainability even more into our asset management.

As part of the transition portfolio, during the year AP7 entered a partnership to develop a transition strategy together with the global asset manager Legal & General Investment Management (LGIM). The basis of the strategy is to combine active asset management with active ownership, aiming to have a positive effect on both the companies' transition and value creation. The investments in the strategy will be made gradually over several years.

"The overall aim of the transition portfolio is to contribute to reduced emissions globally, while at the same time creating a good return. Therefore, we are looking for companies that are currently lagging behind in their climate work, but where we can contribute as active owners by accelerating the companies' transition. The ambition is that these companies will eventually act as forerunners and catalysts in their respective industries," says Carl Fredrik Pollack, responsible for sustainability integration in asset management at AP7.



### Increased opportunities for diversification

Spreading risks, or diversification, is central to AP7's ambition of building a resilient portfolio with a high return in relation to the risk-taking. On January 1, 2023, a new law came into force that expands AP7's mandate for investments in unlisted assets to 20 percent of AP7's managed capital. AP7 already has holdings in private equity, but the new law also makes it possible for AP7 to invest in real estate and infrastructure. In view of AP7's long-term investment horizon, this enables even greater risk diversification, as the value development of these assets does not move in line with the stock market.

"During the year, we made the first real estate investment in collaboration with AMF Fastigheter. We are now conducting intensive analysis work to identify how we will continue to expand our unlisted assets over time. But as time diversification is key, we will expand our holdings in alternative assets over several years," says Per Olofsson, Deputy Head of Asset Management and Head of Alternative Investments.

Investments in illiquid assets align well with AP7's sustainability ambitions. There we will develop sustainability goals as a clear part of the investment process to achieve a positive impact over time.

### The economic situation remains uncertain

For the coming year, most factors suggest that the central banks' tightening is over, but the inflation needs to come down if further increases are to be avoided. The situation with high interest rates brings uncertainty to the market.

"Interest rate increases work with a delay and the economy, employment and companies' profit development will be in focus. We look forward to a year where we will continue to develop and build on our new expanded mandate, further develop our transition portfolio and increase our investments in green bonds. And above all, we will continue to focus on how we best manage the responsibility we have for our more than 5 million savers' pensions", concludes Lena Fahlén.

## AP7's transition portfolio

**The transition portfolio is part of AP7's plan to contribute to achieving global net zero emissions by 2050. The portfolio is based on a close collaboration between the investment team and active ownership with the aim of maximising both the impact and the financial value creation.**

The basic belief is that there should be no contradiction between companies' transition potential and their commercial opportunities. Rather, there should be long-term opportunities for companies to reduce their emissions while at the same time increase future shareholder value.

The need for transition affects a large proportion of companies globally in all types of industries. Therefore, AP7 has identified different approaches with the aim of investing in companies that are important to the climate transition.

### New investment strategy

One approach is that AP7 during the year entered a partnership with the asset manager Legal & General Investment Management (LGIM) to develop an investment strategy focusing on climate transition. The strategy is based on combining active asset management with active ownership, and making investments in large and medium-sized global companies that currently have high emissions, but where there is great potential for reducing these emissions. The first investment within the strategy was made in 2023.

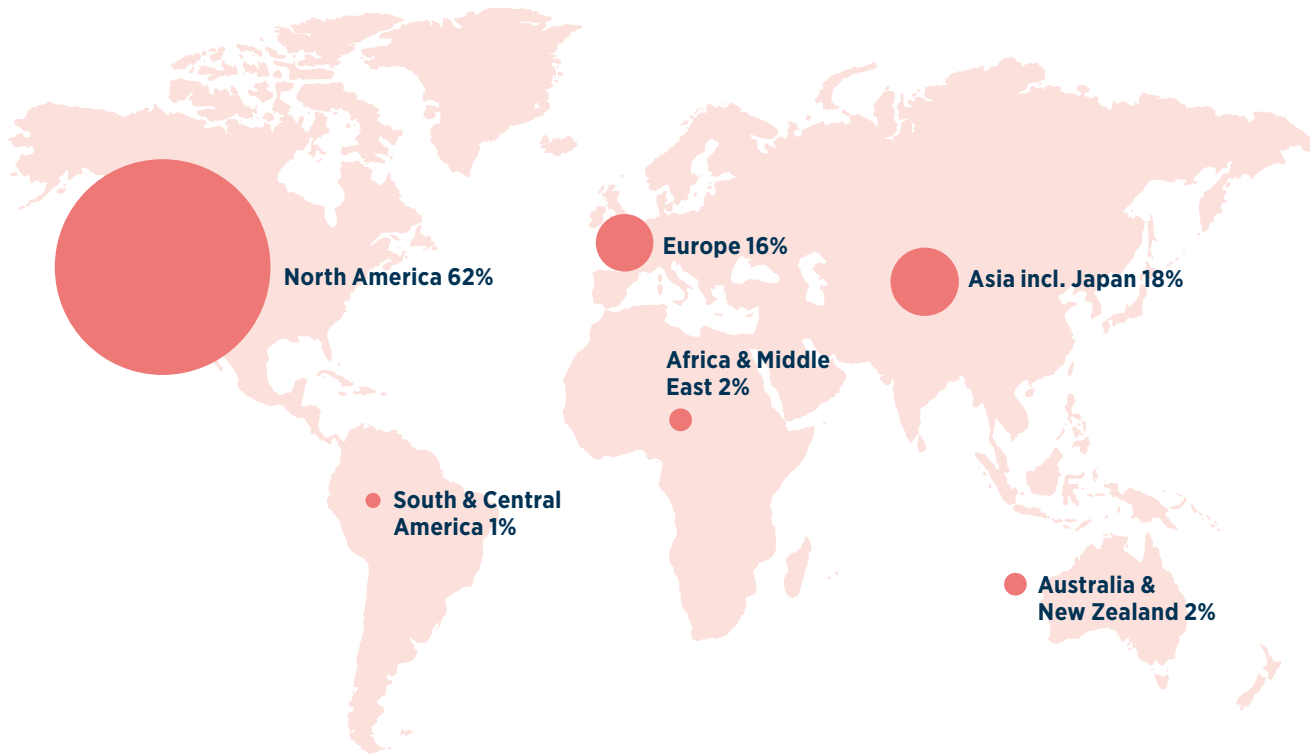
The strategy aims to accelerate the transition in several areas of society where the climate impact is significant, for example in power supply and energy systems, and in the construction, food and transport industries.

**The investment strategy's selection process is based primarily on three classifications of companies:**

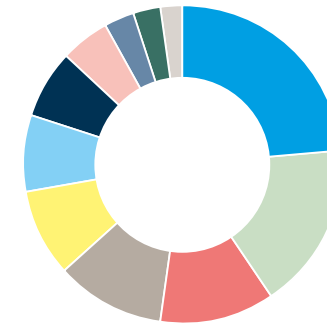
- Companies that are lagging behind in their transition.
- Companies with a strong transition plan but that are underestimated by the market.
- Companies with special potential to act as catalysts to accelerate transition.

### Regions in the AP7 Equity Fund

The dominating sectors and regions in the AP7 Equity Fund depend on their global market weighting. The US is the Equity Fund's biggest market, with 62 percent of its holdings, due to the size of the market value in global indexes. For the same reason, information technology is the dominating sector.



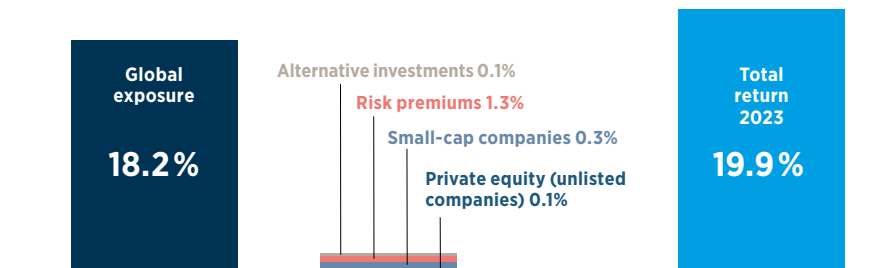
### Sectors in the AP7 Equity Fund



- Information technology 24%
- Consumer staples 7%
- Finance 17%
- Materials 5%
- Consumer durables 12%
- Energy 3%
- Health care 11%
- Power supply 3%
- Industrial goods 9%
- Real estate 2%
- Telecom operators 8%

### Contributions to return in the AP7 Equity Fund

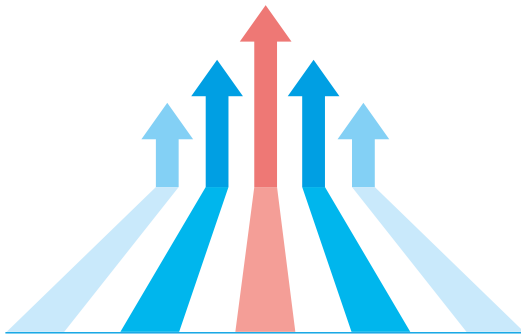
The return of the Equity Fund was 19.9 percent in 2023. The majority of its capital is invested with global index exposure, which had the largest effect on returns. Of the fund's diversified elements, all contributed with marginal but positive return. Illiquid assets include private equity and real estate and alternative strategies include green equity mandates.



# AP7's role in sustainable development

Using AP7's mission and investment philosophy as a point of departure, we contribute to sustainable development mainly through three roles: as active owner, as enabler, and as knowledge builder. We collaborate with other investors on developing norms, guidelines, and standpoints for responsible ownership.

The primary objective of AP7's sustainability work is to bring about changes in the real economy.



AP7's sustainability work is based on our role as a long-term universal owner.

When engaging with companies, AP7 uses several integrated methods – primarily combinations of dialogue, voting, blacklisting, and legal processes.

AP7 develops sustainable norms in collaboration with other global investors.

AP7 applies a scientific approach.

AP7's promise to the savers is to generate good return in a responsible way. All of AP7's managed capital is subject to requirements for responsible management based on standards for human rights, working conditions, the environment and anti-corruption.

As a long-term and global investor, we can provide most benefit by being an active owner and by investing in companies that offer solutions to sustainability challenges. This is in line with the new legislation on exemplary asset management and responsible ownership. Together with other investors, we engage with companies and develop norms to bring about real effects in society. We also coordinate our work with the other AP funds.

Climate change is one of the most pressing sustainability issues of our time. We therefore have the ambition to work in an exemplary manner, especially in norms development and active ownership regarding climate and biodiversity issues. We pay special attention to the overarching objective of reducing global emissions. Read more about our climate action plan and goals, and our view on climate-related risks, on pages 15–21.

## AP7 as active owner

With a diversified and global portfolio, AP7 can act broadly as owners and with a long-term perspective. Our ambition is to use active ownership, in collaboration with other investors that share our values, to contribute with solutions to societal challenges. In this way, we secure the financial interests of both current and future savers. In our active ownership work, we engage with companies by combining different methods: dialogue, voting at general meetings, blacklisting, and legal processes. Read more on pages 24–27.

## AP7 as enabler

As investors, we can provide funding for businesses that contribute with solutions to various sustainability challenges, such as companies specialising in climate innovations. We have green mandates in all asset classes, and in year 2020 we set a goal to double the

proportion of green investments by year 2025, a goal we have already fulfilled this year. Read more on pages 16–18. To contribute to achieving global net zero emissions, we have also developed a transition portfolio. The starting point is to identify and invest in companies that are lagging behind in their climate work, but with the potential to adjust in line with the Paris Agreement with the support of active ownership. Read more on page 12.

## AP7 as knowledge builder

In our role as knowledge builder, we work to generate and disseminate knowledge, and bring together different actors, such as decision makers, the business community, experts and investors, in a constructive, public dialogue on sustainability issues. We also want to help bridge the gap between research and practice in the field of sustainable investments. Read more on page 33.

Through our themes we examine at depth areas that are linked to our sustainability ambitions, and collaborate with actors who operate and have expertise in the area. Read more on pages 29–32.



# Five questions about sustainability and active ownership to Pål Bergström, CEO of AP7

## How do you view AP7's role as owner?

Our ownership is based on our long-term strategy where we invest in the global stock index MSCI ACWI, which gives us a small ownership stake in some 3,000 companies worldwide. This allows us to offer our savers a well spread risk and low costs, which contributes to higher pensions.

However, through our strategy, we become owners of companies that may have various sustainability-related challenges. The question is whether we serve our savers best by leaving companies with such challenges or whether we should continue to be invested and influence them to conduct their business activities in a more sustainable way.

At AP7, we are convinced that active ownership is the best way for us to contribute to a sustainable development. As the world needs to transition from a heavily fossil-based economy to a carbon-neutral one, we therefore believe that we can best contribute to this change through the companies we own. In companies we do not own, our influence is non-existent.

## How do you work with the climate issue in your active ownership?

We have a range of tools – such as conducting direct dialogue with the companies or through voting and proposals at general meetings. As a last resort, if nothing else works, we conduct an intensified dialogue that may be followed by us blacklisting the company.

In 2022, AP7's Board adopted a climate action plan that entails an intensified focus on the fund contributing to achieving global net zero emissions by 2050, which is in line with the

Paris Agreement. With some 3,000 companies in our portfolio, however, it is critical to focus on the companies with the greatest negative climate impact. Initially, we focused on coal companies, since coal is the fossil fuel that causes the greatest damage to the climate. In this work, we have had an intensified dialogue with around 70 companies about their transition plans. Half of them have been blacklisted, while the other half have drawn up plans that we continue to follow up as part of our active ownership work.

## What is your view on oil and other fossil fuels in the transition work?

We have another workstream focused on oil companies, which has so far led to us blacklisting five companies involved in the extraction of oil sands. We are now moving forward by tightening our requirements for transition plans in other oil-producing companies as well. This will lead to more companies being subject to intensified dialogue and possibly also blacklisting.

Among other things, we assess whether the company's board expresses a clear ambition to comply with the Paris Agreement, whether the company transparently reports on, for example, its investments in existing and new extraction of oil, and whether it shows through its investments or other actions, that it is moving forward in line with the Paris Agreement.

Put together, this gives us an overall picture of whether or not it is worth maintaining the dialogue with the company. Blacklisting is the last resort in our active ownership work, which means that we end our ownership and thus our opportunity to have an impact. It is therefore very important that we closely follow our

processes and routines to ensure that we have done everything we can to influence companies before blacklisting them.

## With a small ownership in very large corporations – is it really possible to influence them in a sustainable direction?

It is true that AP7 is a small owner among many in most of our portfolio companies. In our active ownership work, we therefore focus on collaborating with like-minded asset owners to achieve a larger impact than if we all work on our own. In particular, I would like to highlight our commitment within Climate Action 100+. Here, together with other asset owners and managers, we have set a clear agenda with a focus on the 170 listed companies in the world that together constitute the greatest threat to the climate.

Within this framework, a lead investor is appointed for each of the 170 companies, dedicated to coordinating the work according to an agreed method and with the Paris Agreement as a starting point. In addition, transparent data on each company's development is published annually, so that all stakeholders can follow how the work progresses. In this way, together with other asset owners, we can achieve an efficient division and coordination of the work and a transparent reporting of the results.

## How do you see AP7's sustainability work going forward?

We continue to implement our climate action plan by tightening our requirements on companies' transition plans, by being an active participant in Climate Action 100+, and by continuing



Pål Bergström, CEO of AP7, describes how he believes AP7 can take responsibility as asset owners.

to develop our capacity for sustainable investments in our asset management. The fund also has a rapidly growing portfolio of green, and in the long term sustainability-linked, bonds which are also excellent tools in actively influencing transition companies.

AP7's basic viewpoint remains firm: active ownership is the fund's best opportunity to contribute to a sustainable development. To ensure that our savers can feel confident that their funds are invested in a long-term sustainable way, we will continue to be concrete and transparent in the development of our methods for active ownership and sustainable investments.

# Sustainability goals

Our sustainability work is based on the norms reflected in Global Compact's ten principles and the UN 2030 Agenda for Sustainable Development. These are also reflected in our sustainability goals. Climate change is one of the most urgent sustainability issues. In 2023, we published an updated climate action plan that describes how we will contribute to global net zero emissions in 2050. Read more on page 19.

<p><b>GOAL: Contribute to a secure pension</b></p> <p>Continual savings in the pre-selection option should generate a long-term return that is at least 2 percentage points higher per year in relation to the income pension.</p>	<p><b>Follow-up</b></p> <p>Since 2000, the capital-weighted return has, on average, been 10.4 percent per year, compared with the return in the income pension of 3.2 percent per year.</p>
<p><b>GOAL: Be an active owner</b></p> <p>AP7 will be an active owner and engage with companies to drive them in a sustainable direction.</p> <p>AP7 will vote at a minimum of 95 percent of the general meetings of the companies in the equity portfolio.</p>	<p><b>Follow-up</b></p> <p>AP7 voted at 4,353 of 4,409 possible general meetings (99 percent).</p> <p>We engaged with more than 250 companies through our strategic collaborations within CA100+, Food Emissions 50, IIGCC Net Zero Engagement Initiative, among others. Within these, we actively participated and/or took a leading role in about 100 of the dialogues.</p> <p>AP7 had blacklisted a total of 106 companies at the end of 2023.</p> <p>Together with other institutional investors, AP7 was engaged in 17 ongoing legal processes at the end of the year.</p>
<p><b>GOAL: Active ownership for climate transition</b></p> <p>In 2025, all prioritised companies* in AP7's portfolio will be subject to deepened active ownership, with the goal of attaining net zero emissions by 2050.</p> <p>In 2025, at least 50 percent of the prioritised companies* in AP7's portfolio will conduct credible transition work. Until the year 2030, the goal is 100 percent.</p>	<p><b>Follow-up</b></p> <p>In 2023, 84 percent (69 percent in 2022) of the prioritised companies were subject to deepened active ownership, of which 65 percent (56 percent in 2022) of the prioritised companies with the highest emissions.</p> <p>In 2023, 36 percent of the prioritised companies with the highest emissions were conducting a credible transition work.</p>
<p><b>GOAL: Investments</b></p> <p>AP7 will have green mandates in all asset classes that we invest in.</p> <p>By 2025, the proportion of green investments will have doubled compared with 2020.</p> <p>AP7's transition mandate will make up 10 percent of the Equity Fund by 2025. The first investment should be made in 2022.</p> <p>Increase the proportion of green bonds to 50 percent of the Fixed Income Fund by 2025.</p>	<p><b>Follow-up</b></p> <p>Green bonds: SEK 37.5 billion (SEK 9.2 billion in 2022) Green mandate in listed equity: SEK 3.6 billion (SEK 3.2 billion in 2022) Green investments in private equity: SEK 1.2 billion (SEK 1.5 billion in 2022)</p> <p>The goal was fulfilled ahead of time.</p> <p>The first investment was carried out in 2022. In 2023, a partnership was established with LGIM on a transition strategy. Read more on page 12.</p> <p>The share of green bonds in the Fixed Income Fund increased sharply in 2023 and reached 33 percent of the fund (10 percent in 2022).</p>
<p><b>GOAL: Establish sustainable norms</b></p> <p>AP7 will be involved in driving the development of sustainable norms and active ownership in national and international collaboration forums.</p>	<p><b>Follow-up</b></p> <p>In 2023, AP7 was an active member of CA100+, Cambridge Universal Ownership Initiative, Ceres, FAIRR, ICGN, IIGCC, Nature Action, PRI, Swesif, SISD, TNFD and TPI.</p> <p>AP7 was member of the TNFD steering group, and the framework was launched in 2023. Read more on page 21.</p>
<p><b>GOAL: Contribute to more knowledge</b></p> <p>AP7 will disseminate knowledge about sustainable investments and active ownership.</p>	<p><b>Follow-up</b></p> <p>The theme Climate Transition was concluded with the publication of a report and a discussion about the subject, see page 28.</p> <p>We have ongoing dialogue with researchers and continue to support FinBio (finbio.org) in their research on biodiversity and the financial system.</p> <p>AP7 produces Ägarpodden (Ownership Pod) and Tänkonomipodden. Researchers and fund companies discuss strategies for sustainability and responsibility, and rational behavioral economics, see page 33.</p>

\* The prioritised companies with the highest emissions make up at least 70 percent of the carbon footprint of our portfolio (scope 1 and 2). In addition, we conduct deepened active ownership with companies that, despite a lower footprint, have a significant climate impact through, for example, their emissions within scope 3. The list of prioritised companies is updated yearly based on full-year figures.

# AP7's climate work

**The aim of our climate work is to drive a transition of the economy, through active ownership and investments in enterprises that contribute to reduced climate risks.**

AP7's long-term mission, to generate good returns for our savers, is dependent on the implementation of the Paris Agreement and on a long-term sustainable development in the global market. As a universal, long-term asset owner and state pension fund, AP7 is in a better position than many other investors to develop norms and methods for the market, and to pursue their implementation at companies around the world. In addition to engaging through our ownership, AP7 can contribute to financing of climate solutions.

In order to contribute to reaching net zero emissions by 2050, AP7 adopted a climate action plan in 2022. The plan is based on the IPCC's scenarios and IEA's Net Zero Roadmap 2050, which shows how the energy sector (accounting for three quarters of today's emissions) should reach net zero by 2050. The plan includes goals for our active ownership and investments, and is available on [ap7.se](https://ap7.se).

## Active and focused ownership

Climate change is one of AP7's focus areas, and we work actively for the implementation of the Paris Agreement in all ownership processes. We believe we can contribute the most by exerting pressure on companies to adapt their operations and reduce emissions.

Although our portfolio consists of thousands of companies, the absolute majority of the climate impact comes from only a few hundred of them. We prioritise these companies in our dialogues since one of the goals in our climate action plan is to engage in more comprehensive active ownership with companies whose activities have a large climate impact. Another goal is that the proportion of companies in our portfolio that conduct credible transition work in line with the Paris Agreement should continually increase.

At general meetings, we generally vote in favour of climate

proposals, and against the board of companies that underperform on climate issues. We also submit our own shareholder proposals. On our website we report how we have voted at all general meetings.

By including the Paris Agreement in our norms-based screening, we are part in defining the boundaries for acceptable conduct regarding the climate issue. Through our blacklisting process, we exclude companies whose activities conflict with the Paris Agreement. In 2020, we extended this to companies that continue to expand their fossil-based activities in coal production and power. In 2022, we further raised our requirements on companies with fossil-based activities, and now exclude coal companies that cannot present credible transition plans and oil companies who do not have the intention to discontinue their oil sand extraction.

## Greater impact through collaboration

Collaborating with other investors with similar ambitions as AP7, such as within the investor collaboration CA100+, is vital when we engage with companies and support them in adapting their strategies to align with the Paris Agreement. In 2022, we launched a global standard for reporting and assessing corporate climate lobbying, together with other investors worldwide.

## Financing of climate solutions

The systemic change that we are facing requires innovations and investments in most sectors. In AP7's active asset management, we make use of the opportunity to finance businesses that focus on innovations and solutions to climate challenges. While contributing to the climate transition, this also increases our exposure to businesses that may benefit from the transition to a fossil-free economy.

AP7 has 'green mandates' in the management of all asset classes (equity, fixed income, and private equity). At the end of 2023, the total value was SEK 42.5 billion. During the year, we increased our investments in green bonds to SEK 37.5 billion, corresponding to 33 percent of AP7 Fixed Income Fund.

SEK 1.2 billion of our private equity is made up of cleantech. We also have two green investment mandates in listed equity totalling SEK 3.6 billion.



### Transition portfolio

In 2022, the first investment in AP7's transition portfolio was carried out. The portfolio includes several strategies which aim to contribute to global net zero emissions. Amongst others, active management is combined with active ownership in large and medium-sized companies with the potential to adapt their operations and reduce their emissions. Read more on page 12.

### Examples of projects financed by green and blue bonds

Through the SEK 37.5 billion worth of green bonds in the Fixed Equity Fund, investments have been made in, among other things, the expansion of public transport and environmentally efficient buildings in Sweden. During 2023, AP7 also invested in green bonds issued by development banks such as the World Bank, the European Investment Bank and the African and Asian Development Bank.

An advantage of green bonds is that the risk is lower than with, for example, project financing. When financing a green project, such as a solar park, the risk does not need to be linked to the specific project but to the company's or the state's total credit risk.

When a development bank, such as the World Bank, issues a green bond, it has a better credit rating as several countries stand behind it. In this way, AP7 can be involved in financing environmental projects in Africa, for example, and other poor parts of the world, where the needs and climate benefits are greatest, but where the risks have previously been too great.

Through green bonds issued by the African Development Bank, AP7 has invested in, for example, the restoration of forests in the Sahara through "The Great Green Wall" project, which focuses on limiting desertification. The goal is to restore 100 million hectares of degraded land and thereby sequester 250 million tonnes of carbon, and also to create 10 million green jobs by 2030.

AP7 has also invested in so called blue bonds, including in Asia, where the aim is to clean the oceans of plastic. The bond includes both the ICMA Green Bond Principles framework and Sustainable Blue Economy Finance Principles that the UN Environment Programme Finance Initiative stands behind. The project aims to reduce the environmental impact and promote circularity by increasing the capacity of plastic recycling facilities in India, Indonesia, the Philippines and Thailand, while creating employment and avoiding greenhouse gas emissions. Development banks are issuers also in this project, and thus holds the financial risk.

### THE ROLE OF THE FIXED-INCOME MARKET IN CLIMATE CHANGE

The fixed-income market has an important role for the green transition, not least considering that it is three times the size of global equity markets and financing reaches more actors, such as governments, state-owned and unlisted companies. The bond market has a direct impact as access to loans affects companies' cost of capital, in contrast to shares that are traded on stock exchanges, which are secondary markets outside the company.

Stock and bond markets therefore complement each other well; shareholders can vote at the general meeting, while bondholders can place demands on companies when they provide financing.

The market for green bonds started in 2007 in Sweden as a voluntary initiative from the financial market. The basic idea is to finance companies' climate-positive solutions – that is, the money is earmarked for green projects. The companies report both how the capital has been allocated and what the climate benefits are. Risk and return for the bondholder is the same as for non-green bonds; the benefit for the company is the opportunity to present its sustainability work while finding new financiers. Surveys also show that issuers of green bonds generally reduce their emissions at company level more than other issuers.

### ASSESSMENT OF AP7'S CLIMATE LOBBYING

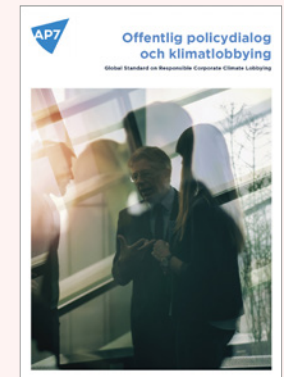
**Through organisations and alliances, AP7 can act and influence decision-makers on climate matters.**

In 2023, we summarised our work with social political dialogue and climate lobbying based on the Global Standard on Responsible Corporate Climate Lobbying – a standard we ourselves have been involved in developing.

The standard consists of 14 criteria, some of which have been difficult to apply on AP7 as a public agency, as the standard was developed for multinational companies. Carrying out the review nevertheless gave us increased insights.

In addition to reviewing the interest organisations AP7 is a member of, we made a proposal for how to handle the organisations based on our influence and their respective positions on the climate issue.

→ [Read the full report "AP7 Public policy dialogue and climate lobbying"](#)



### AP7'S CLIMATE-RELATED GOALS

AP7 has signed the Net Zero Asset Owner Commitment within the Paris Aligned Investment Initiative. In accordance with our commitment, we will work actively to ensure that our portfolio companies reach net zero emissions by 2050.

### GOALS FOR ACTIVE OWNERSHIP

#### Activity goals:

– In 2025, all prioritised portfolio companies with the largest emissions\* will be subject to deepened active ownership, in addition to voting. In 2023, this share was 65 percent.

#### Result-oriented goals:

– In 2025, at least 50 percent of the prioritised companies with the largest emissions\* will conduct credible transition work. In 2023, the share was 36 percent.

\* The prioritised companies, with the highest emissions, make up at least 70 percent of the carbon footprint of our portfolio (scope 1 and 2). In addition to these companies, AP7 conducts deepened active ownership with companies that, despite a lower footprint, have a significant climate impact through, for example, their emissions within scope 3.

Read more in our Climate Action Plan



# AP7's climate action plan for net zero emissions



**AP7's climate action plan describes how we should work to integrate climate aspects into our active ownership and our investments to contribute to net zero emissions by year 2050.**

The Climate Action Plan is based on the scenarios of the UN Climate Panel, IPCC, and the International Energy Agency's Net Zero Roadmap 2050. Among other things, it includes time-specified goals for AP7's investments and active ownership. As part of the climate action plan,

we have mapped the companies' climate impact. 4 percent of the companies in the total portfolio, corresponding to 10 percent of the managed capital, account for 70 percent of the carbon dioxide emissions (scope 1 and 2). These companies are prioritised in our active ownership.

We evaluate companies' transition plans, based on public data sources and guidelines, and have developed a plan to increase the proportion of companies with credible transition plans through investments and active ownership, for example through our transition portfolio, see page 12.

Our goal is that by 2025 at the latest, at least 50 percent of the portfolio companies with the highest emissions should conduct a credible transition work. For year 2030, the goal is 100 percent. Active ownership, through for example investor collaboration and bilateral dialogue with the companies and actions at annual general meetings, is the main opportunity to reach these goals.

→ [Read more in our climate action plan.](#)

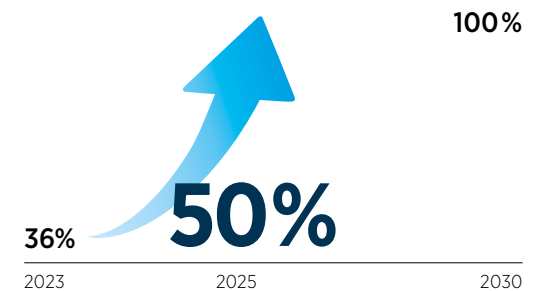
## CREDIBLE TRANSITION WORK TOWARDS NET ZERO EMISSIONS

AP7 has carried out a review of the portfolio based on the Net Zero Investment Framework, by categorising the companies based on the degree of maturity of their climate work. The companies have been classified on a scale from Not aligned to Achieving net zero. The review forms the basis of AP7's goal linked to the companies' transition work and makes it possible to follow their climate performance over time. Our analysis is based on the publicly available sources CA100+ Net Zero Benchmark and the Transition Pathway Initiative. Access to public data sources has great value as it enables transparency for AP7 and comparability between asset owners. It also creates an opportunity for companies to learn from the results and implement improvements. We published the evaluation method, the results and our reflections in the Paris Aligned Asset Owners 2022 Progress Report, with the intention of encouraging other asset owners and managers to test the method, which is a good complement to other metrics.

Not aligned	Committed	Aligning	Aligned	Achieving
- Companies that have not yet started their transition	- Long-term net zero ambition	- Emissions disclosure - Short- and medium-term targets - Decarbonisation strategy (at least partial)	- Emissions performance - Decarbonisation strategy - Capital allocation alignment	- Current emissions close to net zero - Business model in line with net zero

**Our goal is that by 2025, at least 50 percent of the companies with the highest emissions in our portfolio should conduct a credible transition work. For year 2030, the goal is 100 percent.**

In 2023, **36 percent** of the prioritised companies in our portfolio conducted a credible transition work towards net zero emissions. **24 percentage points** of these have made a net zero commitment and **12 percentage points** have started their transition work.



# AP7's climate risks

**With a large and global ownership, across industries and regions, AP7's sustainability risks are largely the same as those of the global economy as a whole.**

AP7's managed assets total more than SEK 1,100 billion and, as responsible owners, we must review and analyse how our investments are affected by issues such as climate change, biodiversity, human rights and corruption. We manage these risks through our active ownership work, which is described on pages 24–27.

## Climate risks

The risks relating to climate change are often divided into two main categories: physical risks and transition risks.

### Physical risks

One of the major risks to AP7's mission, that is to generate returns and provide our savers with a good pension, is that we fail to keep the global temperature rise below two degrees, and preferably below 1.5 degrees. The economic values at stake if the climate risks are not managed successfully are very large. Physical risks to businesses are the effects of rising global temperature, rising sea levels, and more frequent occurrences of extreme weather events.



### Transition risks

Transition risks are those deriving from the transition to a low-carbon society, with shifting consumption patterns and attitudes, where new products replace old, and climate policy is sharpened. These risks are considered to be financial, as the value of certain companies will decrease when, for example, measures are implemented to phase out fossil fuels. At the same time, the value of other companies, that develop or apply new technologies enabling the transition, will increase.

The transition will favour some companies in AP7's portfolio, and be unfavourable to others. Considering that we invest in a large number of companies in a wide variety of sectors and countries, our savers' exposure to each individual company's risks is reduced. In our blacklisting process, we exclude companies that conduct activities conflicting with the Paris Agreement, including companies that are expanding their fossil fuel activities and do not have credible transition plans. Our assessment is therefore that our exposure to transition risks is lower than that of our comparison index.

### Climate scenario analysis

AP7 has carried out an analysis based on three main scenarios of global warming and their effect on different asset classes:

1. Transition in line with the Paris Agreement
2. Disorderly transition to the Paris Agreement
3. Failed transition to the Paris Agreement

The effects of an orderly and disorderly transition will vary between different asset classes, sectors, and companies, since the political decisions create different transition effects and physical effects in the real economy. In the third scenario, with no transition, the transition effects will be limited, but this scenario will have major negative consequences for the global economy as a whole.

Scenario analyses are built on assumptions, but the outcome can be used as forecasts and support decision-making. Large pension companies and global asset owners are exposed to the

global economy. They will find it difficult to avoid transition risks if the global economy is put under pressure by the physical risks and climate change. Consequently, our most important contribution to reaching the climate goals and managing the risks, is to be active owners together with other investors, and engage with companies on the entire market and encourage them to adapt their operations.

→ **Read more in our Climate action plan on [ap7.se](https://www.ap7.se)**

### Climate reporting supports decision making

Transparent reporting on companies' climate-related risks and opportunities forms an important basis both in our investment decisions and in the company dialogues. The Task Force on Climate-related Financial Disclosures (TCFD) provides guidance on how to identify and report climate-related financial risks and opportunities. Reporting in accordance with the framework increases companies' understanding of their climate impact and how it can be managed. AP7 supports TCFD and strive to increase transparency from our portfolio companies.

### AP7 measures the carbon footprint

AP7 measures and reports the carbon footprint of the AP7 Equity Fund, as part of our broader climate work. The footprint provides an estimate of the amount of direct emissions from the underlying portfolio companies. It forms one of several bases when we identify companies for deepened active ownership, whereby companies that together make up 70 percent of the footprint are included.

The objective of AP7's climate work is for the companies we own to reduce their emissions. The portfolio footprint can be an indicator of changes in emissions. At the same time, it is affected by changes in equity holdings, which in itself does not impact the actual emissions. Consequently, the total change is divided into emission changes and changes in holdings.

The table shows that the overall emissions from AP7's portfolio decreased somewhat in 2023. Changes in the companies' emissions contributed to a decrease of two percentage points, while changes in our holdings had a negligible impact on the fund's footprint.



Transparent reporting from companies about climate-related risks and opportunities forms an important basis both in our investment decisions and in the company dialogues.

AP7's holdings in power supply and the materials industry account for the largest share of the portfolio emissions. A prerequisite if we are to be able to reach the 1.5 degree target is that the companies adjust their operations to the Paris Agreement.

The footprint analysis provides information about the companies we need to focus on to generate most benefit as owners, i.e. those that have the largest emissions and thus pose the greatest risk that we will not reach the targets in the Paris Agreement. The analysis is carried out by S&P, and covers emissions corresponding to scope 1, 2 and 3 according to the GHG Protocol. See more information about the AP funds' common methodology on [ap7.se](https://ap7.se).

### Sustainable impact measurement

In addition to measuring carbon footprint, AP7 wants to contribute to the development of other measures that may support investors and companies in managing sustainability-related risks and opportunities. The work has taken place within the framework of our theme Sustainable impact measurement.

→ [Read more: ap7.se](https://ap7.se)

AP7's carbon footprint for listed equity	2023	2022*
Total emissions of equity portfolio (Scope 1 and 2) (million tonnes CO <sub>2</sub> e) <sup>1)</sup>	4.3	4.4
AP7 compared with MSCI ACWI (%)	-3.1%	-3.4%
Change in portfolio's total carbon emissions (Scope 1 and 2) in relation to previous year (%)	-2.6%	1.3%
- of which change caused by changes in portfolio holding (%-points)	-0.2%	0.7%
- of which change caused by changes in companies' emissions (%-points)	-2.4%	0.6%
Carbon emissions (Scope 3) (million tonnes CO <sub>2</sub> e)	32.5	32.8
Relative carbon emissions (Scope 1 and 2) (tonnes CO <sub>2</sub> e/SEK million) <sup>2)</sup>	4.7	5.7
Portfolio-weighted carbon intensity (Scope 1 and 2) (TFCD) (tonnes CO <sub>2</sub> e/SEK million) <sup>3)</sup>	12.2	17.0
Market value of the fund's directly owned listed equity portfolio included in the analysis (SEK billion)	912	766
Proportion of market value for which reported CO <sub>2</sub> e data is available (Scope 1 and 2) (%)	99.9	99.9

\* The figures for 2022 have been updated in connection with the change of supplier to S&P.

<sup>1)</sup> Total carbon emissions: Sum of the owned proportion of each portfolio company's carbon emissions.

<sup>2)</sup> Relative carbon emissions: Sum of the owned proportion of each portfolio company's carbon emissions in relation to the portfolio's market value.

<sup>3)</sup> Portfolio-weighted carbon intensity: Sum of each portfolio company's carbon intensity, i.e. a company's carbon emissions in relation to its revenues, weighted according to each company's proportion of the portfolio.



# Nature-related risks and TNFD-analysis

**Nature and biodiversity have risen quickly to the top of the ESG agenda. Investors need to be able to understand and compare companies' dependencies and impact on these existential conditions. The launch of the TNFD provides for the first time a global framework for these assessments.**

Nature-related issues have become central for businesses and a strategic risk management issue alongside climate change. The launch of the Taskforce on Nature-related Financial Disclosures (TNFD) has therefore been a milestone supporting investors in overviewing the risks and in their active ownership.

## Transition and physical risks

In order to gain an overall perspective on nature-related issues, AP7 sees advantages of a double materiality analysis, where both the impact on nature and the dependency on nature are taken into account. The risks can be divided into transition and physical risks.

The physical risks concern nature-related changes in ecosystems that affect or are affected by the company. These also include the systemic risk of affecting entire ecosystems with consequential effects on other ecosystems as well as communities and companies.

Examples of transition risks are legal or political changes that affect the possibility of continued operations. Companies with operations in sensitive areas are also exposed to reputational risk if they are involved in activities that damage the environment.

For companies operating in ecologically protected areas, for example, regulatory risks may arise as countries consider implementing stricter legislation. This has become a more likely scenario after the Kunming-Montreal Framework was established at the UN Con-

ference COP15 in 2022. Within the global biodiversity framework, countries agreed to protect 30 percent of the world's lands, oceans and coastal areas, as well as inland waters, by 2030. The countries also agreed to restore 30 percent of all degraded ecosystems.

## Measuring several different parameters is challenging

TNFD is based on the reporting format for climate, TCFD. In climate reporting, however, greenhouse gas emissions is the only parameter evaluated, and they have a global impact regardless of where or within which industry they occur. Biodiversity and ecosystem services, on the other hand, are location-specific and the dependencies as well as impacts differ between companies and industry sectors. The measurability thus varies between locations and sectors. TNFD therefore takes multiple realms into account, to cover the whole of nature – ocean, freshwater, land and atmosphere – as well as drivers of nature change beyond climate change. This allows for a comprehensive approach to corporate reporting in line with both the Paris Agreement and the Kunming-Montreal Framework.

## TNFD analysis of AP7's portfolio

In summary, the analysis of AP7 Equity Fund shows that the majority of the portfolio's assets have a great dependency and impact on nature and its services. Our analysis of nature-related issues is based on data from listed companies that make up 93 percent of the managed capital in the equity fund. The analysis carried out with support from S&P Global SustainableI is based on the ENCORE tool but has been expanded with site-specific data. 86 percent of the portfolio's investments are highly dependent on nature's ecosystem services and this applies to nearly all GICS\* sectors. However, companies in different sectors are dependent on different ecosystem services and therefore need to manage different risks. Mass stabilisation and erosion control, bio-remediation and flood and storm protection are the ecosystem services most sectors

\* GICS is an industry classification system developed by the MSCI and S&P Dow Jones Indices.



Double materiality is the starting point for nature-related risks, considering both impact on nature and dependency on nature.

## FRAMEWORK FOR NATURE-RELATED RISKS

**Taskforce on Nature-related Financial Disclosures (TNFD) is a framework for managing and reporting nature-related issues. The framework was launched at the Climate week in New York in autumn 2023.**

After two years of development, on September 18, 2023, TNFD launched the final recommendations for nature-related risk management and reporting. The framework is structured like TCFD and the intention is to broadly integrate the analysis of nature-related risks and opportunities in companies' strategy and in financial decisions.

An important aspect of TNFD is the dual perspective of focusing on how businesses are affected by, as well as their dependency on, nature and biodiversity in the short and long term. The goal of the framework is to enable clearer management, reporting and action on nature-related dependencies, impacts, risks, and opportunities. The TNFD taskforce, which AP7 has been a part of since 2021, has consisted of around forty members worldwide representing financial actors and companies from a wide range of sectors.

– Establishing the framework and uniting multiple perspectives of different industries and interests has taken a lot of work. Dependency of, and impact on, nature poses risks for companies and investors. But also business opportunities with a positive effect on nature. It is therefore very welcome that we have TNFD in place so that companies can achieve deeper insight into its nature-related issues and create uniform reporting, says Flora Gaber, responsible for ESG analysis AP7.



[→ Read more at TNFD](#)

depend on. Utilities and the materials sectors had the highest nature-related dependencies in the analysis. A total of 37 percent of the analysed capital is invested in the sectors prioritised according to TNFD, which are considered to have material nature-related dependencies and impacts.

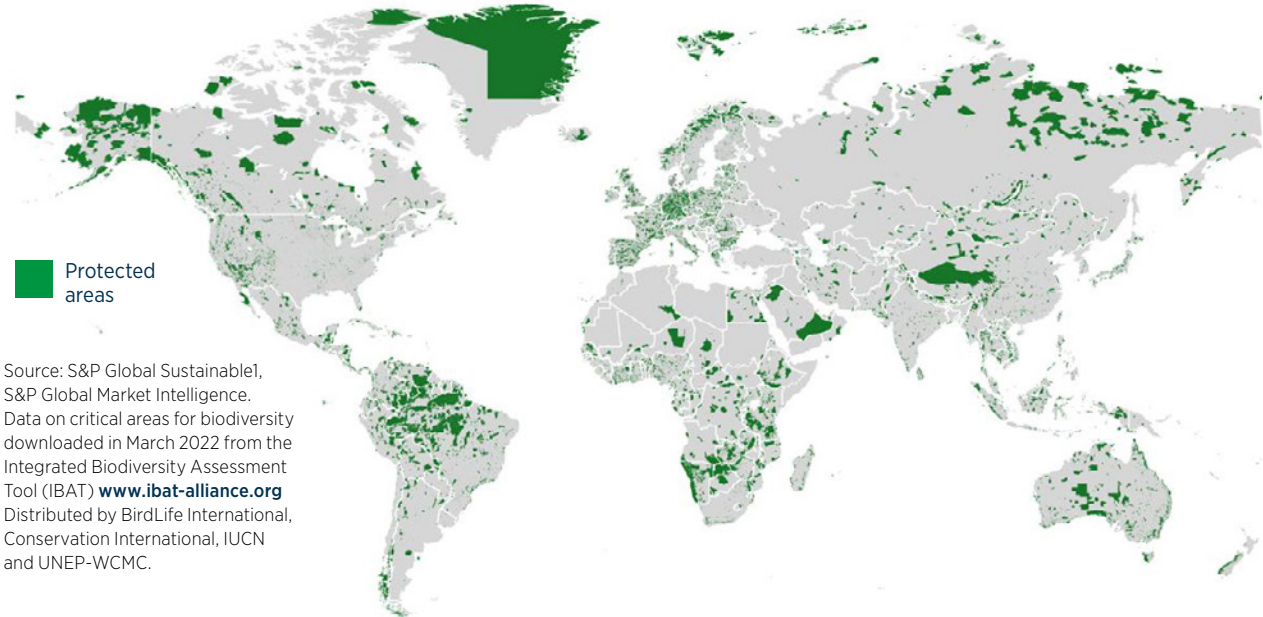
Companies corresponding to 80 percent of the analysed capital in the portfolio have at least one asset in protected areas or key biodiversity areas. In terms of total land area, the portfolio companies in the utilities and real estate sectors have to the greatest extent assets located on land in protected areas or key biodiversity areas. The IT companies also stand out as they make up a large share of the managed capital. The analysis only takes companies' direct operations into account, not their value chains.

**Development of AP7's active ownership work**

Overall, the TNFD framework helps AP7 prioritise which companies to focus on in our active ownership. Central questions are which ecosystems have high natural value and which companies influence them the most and are most dependent on them. Since AP7 is a universal owner with a long-term perspective, the mapping of physical risks is important, as changing ecosystems affect large areas with effects on communities as well as on companies. With a diversified global equity exposure, financial systemic risks cannot be avoided through tactical choices of sectors or regions. Instead, the risks need to be managed through investor collaboration and active ownership. So far, AP7's asset management has treated nature risks in the same way as other risks that investors face. We will now seek a deeper understanding of both the risks and opportunities linked to nature and biodiversity, and based on this, we intend to develop goals and action plans.

**TNFD analysis based on ecologically important areas**

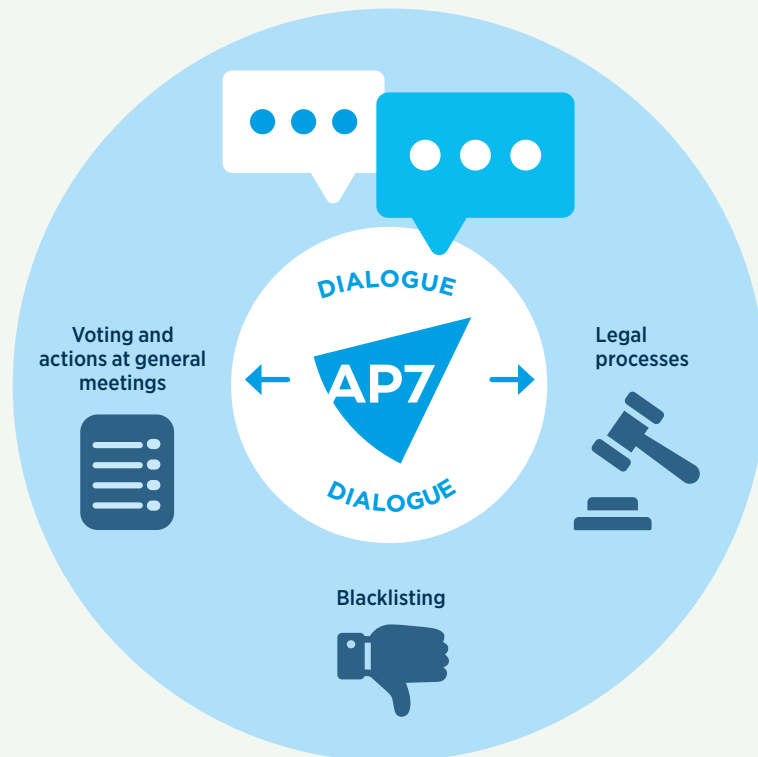
AP7's TNFD analysis is based on ecologically important areas that are protected or key biodiversity areas according to the TNFD framework. Companies corresponding to 80 percent of the analysed capital in the portfolio have at least one asset in such areas.



# AP7 as driver for sustainable development

**A global and diversified portfolio, with holdings in many countries and sectors, sets the framework for AP7's active ownership. As a universal and active owner, we aim to influence the entire market in a sustainable direction over the long term.**

## AP7's methods for active ownership



### Engagement dialogue

Dialogue with companies is fundamental for all active ownership activities. Our experience is that we get the best results from engagement dialogue when it is combined with one of the other active ownership methods.

### Actions at general meetings

Voting at general meetings is our main tool for influencing portfolio companies. Submitting own proposals is an effective way to get the company boards' attention for a change we want to bring about. In 2023, AP7 voted at 4,353 out of 4,409 possible general meetings, which corresponds to 99 percent.

### Legal processes

AP7 makes use of the option to drive legal processes, through class actions, against companies that have mistreated shareholders. At the end of 2023, AP7 was involved in 17 ongoing legal processes.

### Blacklisting

AP7 does not invest in companies that violate international norms. In December 2023, a total of 106 companies were blacklisted. During the year, AP7 conducted in-depth engagement dialogue with 130 companies about 193 verified or potential norm violations in total, aiming to persuade the companies to act responsibly.

In order to attain sustainable and responsible asset management, AP7 works with several methods to engage with companies: taking action at general meetings, engagement dialogue, public blacklisting, and legal processes. Company dialogues are a component in all engagement work. The methods are often combined in an escalation process, in order to achieve the best effect. We base our work on the norms regarding human rights, labour rights, environment and anti-corruption enshrined in the international conventions that Sweden has signed. Our norm-based work is supplemented with thematic in-depth work in selected areas, see page 28.

One example of how our tools complement each other is the National Grid case, where we achieved impact through a combination of dialogue and our stated intention to vote at the company's general meeting. Read more on page 26.

### Actions at general meetings

The general meeting is a company's highest decision-making body, offering an opportunity for shareholders to actively exert influence on the company's governance. Voting at general meetings is AP7's principal tool for engaging with the absolute majority of the companies in the fund's portfolio and for driving our principle-based position on various sustainability issues.

In some countries, we can file our own shareholder resolutions at the general meetings. To increase impact on particularly pressing issues, AP7 collaborates with other investors to influence a jointly owned company.

According to the AP Funds Act, AP7 can not vote at general meetings in Sweden, but since 99 percent of our shareholding is outside Sweden, we can still vote at virtually all meetings. To increase transparency, we publish on ap7.se how we voted on all agenda items at the more than 4,300 general meetings.

### General meeting season 2023

In 2023, AP7 voted at 4,353 of 4,409 possible general meetings, corresponding to 99 percent. At 46 percent of these meetings, AP7 voted against the board's recommendation or in favour of a shareholder resolution that the board itself did not support. AP7 voted at

general meetings in 53 different countries. China, the US and Japan dominated, as 62 percent of the meetings were held here.

During the year, AP7 voted on a total of 428 resolutions on sustainability issues, compared to 499 in 2022. We supported a majority of these, 69 percent, abstained in 6 percent of the cases, and voted against 25 percent. AP7 has, among other things, voted for companies to take responsibility for working conditions, human rights and improved climate reporting.

## INCREASED FOCUS ON THE CLIMATE DURING THE VOTING SEASON

**AP7 votes at over 4,300 general meetings each year. In general, we vote for proposals on improved climate strategy or against the boards of companies that underperform when it comes to managing climate risks and opportunities. During the 2023 general meeting season, AP7 placed extra focus on holding boards responsible for the companies conducting a credible climate transition.**

Already in 2022, we tightened our voting policy for companies within the CA100+, the investor collaboration aimed at the world's largest corporate greenhouse gas emitters. Together, roughly 170 companies account for nearly 80 percent of the global business world's emissions of greenhouse gases. Currently, the investors within CA100+ have secured commitments from more than 80 of the companies to reach net zero emissions by 2050.

During the year, we further tightened our voting policy and voted against board members, auditors or against the approval of the company's annual report if the companies could not demonstrate sufficient improvements before the general meeting. Among the reasons were that companies showed a poor readiness for climate transition, insufficient handling of climate lobbying or weak emission reduction targets, or a high risk of deforestation in the supply chain.

The criterion has resulted in AP7 opposing the re-election of board members and voting against agenda items at the general meetings of 129 companies, including Bunge, Colgate-Palmolive and Saint-Gobain.

Read more  
on [ap7.se](https://ap7.se)



During the year, AP7 updated the voting policy with increased focus on companies with large emissions that do not show sufficient ambitions to contribute to climate transition. This includes companies that, despite active ownership, have not carried out a review of their climate lobbying. The criterion has resulted in AP7 voting against board members and agenda items at the general meetings of companies such as Bunge, Colgate-Palmolive and Saint-Gobain.

### Engagement through dialogue

The dialogue with the companies permeates all our active ownership work. AP7 is engaged in a large number of ongoing dialogues concerning reported violations of norms. In 2023, AP7 conducted in-depth dialogue with 130 companies on a total of 193 cases of verified or potential violations of norms, with the aim of persuading the companies to act responsibly. In addition, a large number of dialogues were conducted regarding reported incidents, and dialogue with some 100 companies within the frame of our theme work. In order to increase impact in the dialogues, AP7 works in collaboration with other investors.

### Blacklisting of companies

We expect that the companies we invest in follow the international norms enshrined in the UN Global Compact's ten principles regarding human rights, labour rights, environment, and anti-corruption. The Paris Agreement was included in 2016. We also blacklist companies that participate in the development and production of nuclear weapons. AP7 does not invest in companies if there is verified information that they violate these norms. This is our lowest acceptable level and the basis for blacklisting.

By publishing the names of the companies AP7 has blacklisted, together with the reason, we want to exert pressure and motivate them to change their conduct. The exclusion applies for five years, and our ambition is to be able to invest in the company again if they can demonstrate that the violations have ceased. The method is mainly incident-based, which means that we blacklist companies whose violation of these international norms has been verified.

The climate aspect in our blacklisting process is continually being developed in line with research within the area. Research has shown that the single most important measure for mitigating climate change is to stop using coal as a source of energy. Since 2020, we

have therefore been blacklisting companies with a large absolute climate impact in coal production and coal power, and that are planning to expand their fossil fuel-based activities. Since 2022, our blacklisting also includes coal companies that cannot show credible transition plans, and oil companies that have no intentions of discontinuing their oil sand extraction. This has resulted in a total of 45 companies being blacklisted since December 2020.

### Blacklisted companies in 2023

In December 2023, a total of 106 companies were excluded from AP7's investment universe. The complete list is presented at the end of this report and on [ap7.se](https://ap7.se).

During the year, nine companies were added to our blacklist – all as a result of developments in the blacklisting method based on the climate goals in the Paris Agreement. Seven companies were taken off the list during the year.

### Legal processes

AP7 makes use of the opportunity to drive legal processes, through class actions, against companies that have misled shareholders or influenced the share price negatively, for example by withholding information. The purpose is primarily to draw attention to and deter the companies from irregularities, but also to compensate the shareholders. The majority of the cases usually result in a settlement. Thus far, the legal processes in which AP7 has participated have returned more than USD 15 million to our savers. Regulations are applied, in all cases, to ensure that AP7 is not liable for costs, regardless of outcome.

In 2023, two new processes were initiated, against Silicon Valley Bank and Signature Bank. Two new settlements were reached, with Steinhoff and Kraft Heinz. Read more about the latter on page 26. At the end of 2023, AP7 was involved in 17 ongoing legal processes, together with other institutional owners, of which ten processes in the United States: Activision Blizzard, Cobalt Energy, Coinbase Global, General Electric Company, Goldman Sachs Group, Lucid Group, Signature Bank, Silicon Valley Bank, Rivian Automotive and Qualcomm. In addition, there were ongoing processes against Toshiba, Mitsubishi and Nissan in Japan, Vivendi in France, Deutsche Bank – Postbank and Volkswagen/Porsche in Germany, and BHP in Australia.

# Examples of active ownership activities in 2023

## NATIONAL GRID – DIALOGUE AND VOTING COMBINED

Climate lobbying is a widespread problem that over the years has prevented new legislation to achieve an orderly transition with reduced carbon dioxide emissions.

Therefore, it is important that companies have a clear overview of their lobbying activities so that they can take action if it does not align with their own climate goals.

At the beginning of 2023, AP7 and the Church of England Pensions Board initiated a dialogue with National Grid. The ambition was to get the company to commit to reviewing and reporting on its climate lobbying. However, the company did not show any willingness to cooperate, whereby AP7 announced our intention to vote against the company's chairman and CEO at the annual general meeting in July.

Ahead of the meeting, National Grid announced that it had made a decision to regularly review and report on its climate lobbying. Thus, AP7 was able to adjust our voting decision and approved the chairman and CEO. This case demonstrates the strength of the combination of dialogue and other active ownership tools, such as voting.

→ [Read more about National Grid](#)

## VOTING FOR GENDER EQUALITY

Each year, AP7 votes against board members in companies with a lack of gender equality and single-gender boards. The vast majority of companies with single-gender boards are based in Asia. In 2023, AP7 also supported proposals in a number of US companies regarding increased transparency on unequal pay and measures to prevent discrimination.

## VW'S FIRST CLIMATE LOBBYING REVIEW PUBLISHED AND LEGAL CASE CLOSED

2023 was the year when Volkswagen published their first trade association review. The report is one of the key engagement points pursued by Climate Action 100+'s lead investors for several years.

It was Volkswagen's persistent unwillingness to publish such a report that led to the filing of a legal case against the company. The purpose was to clarify if the company has the right to refuse to include an issue, proposed by investors, on the AGM agenda. The case was brought by AP7 together with Church of England Pensions Board, AP2, AP3, AP4 and Akademiker-Pension.

In 2023, the case was dismissed by the higher regional court of Braunschweig, Germany. We are disappointed that the ruling did not lead to any clarification regarding the rights of shareholders to bring key issues to the agenda at German AGMs. However, we are proud to have played a central role in bringing the first investor-driven climate-related case against a European company and we understand that this judgment is not binding when it comes to future cases.

We are also pleased that VW, after the case was brought, has published its first trade association review. The report is also a step forward for Volkswagen, which has announced that it contributes to the company's efforts to achieve its climate goals.

As long-term investors AP7 will continue to make the case for transparency on corporate policy advocacy. We will encourage companies to report in accordance with the Global Standard on Responsible Climate Lobbying, which is now closely incorporated into the updated Climate Action 100+ Net Zero Benchmark.

## KRAFT HEINZ COMPENSATES SHAREHOLDERS

In 2023, the American food company Kraft Heinz agreed to pay 450 million dollars to settle a class action in which AP7 was the lead plaintiff. The case was about the severely misleading statements made in connection with the merger between Kraft Foods and Heinz in 2015. Among other things, the company pointed to significant synergy effects that would increase the company's profits. Instead, cutbacks were made that eroded Kraft Heinz's earnings and damaged the brand.

The attempts to rebuild trust in the brand, along with further cost-cutting, led to a drop in the share price, which affected investors such as AP7. The settlement is the 41st largest in a class action ever, in the US, and an example of how AP7 uses the opportunity to pursue lawsuits against companies that have treated shareholders incorrectly, and contribute to the shareholders being compensated.

→ [Read more about Kraft Heinz](#)

## ACTIVE OWNERSHIP AGAINST AMR

Antimicrobial resistance (AMR) is, according to the World Health Organization (WHO), one of the top 10 global public health threats, causing more than one million deaths per year. Although it is a serious situation, the possibilities of finding solutions to the problem are good. In 2023, AP7 broadened our active ownership work on AMR.

The routine overuse of antibiotics in livestock production is cited as one of the main drivers – two-thirds of the world's antibiotics are used for this purpose. As investors, we can use our influence to work for a responsible use of antibiotics in the sector and advocate more sustainable methods.

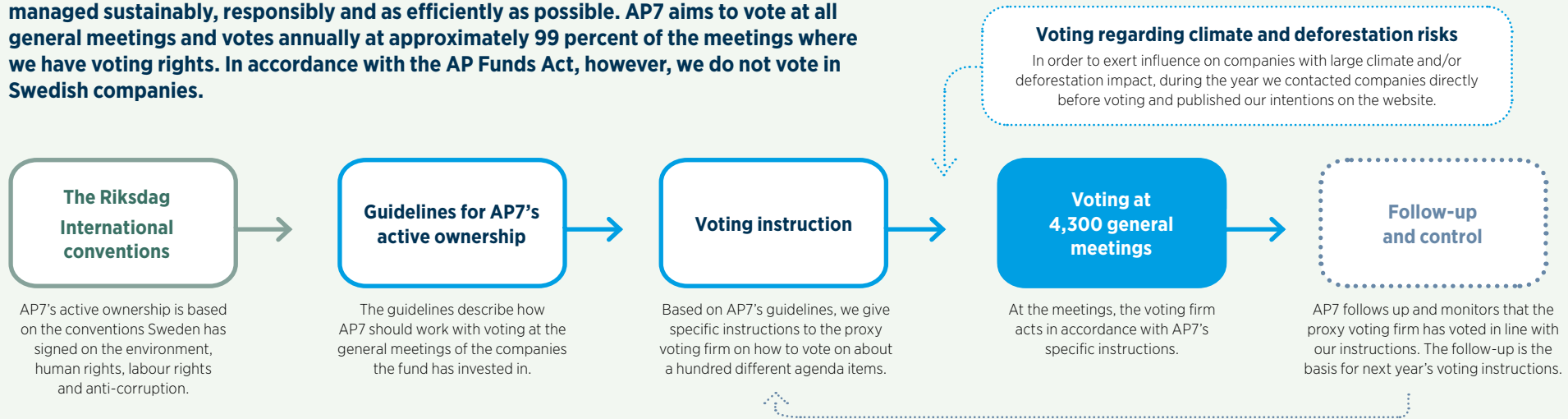
In 2023, we supported shareholder resolutions at Hormel Foods', Tyson Foods' and McDonald's general meetings, demanding the companies to comply with WHO's guidelines. We also initiated discussions with our external asset managers and a proxy voting research advisor to learn more about their views on AMR risk.

AP7 also supports several initiatives coordinated by the FAIRR Initiative, and we address the issue as part of the Cambridge Universal Ownership Initiative. The work will be developed further in 2024.

→ [Read more about AMR](#)

# This is how AP7 votes at more than 4,300 meetings

**Voting at general meetings is one of AP7's tools to influence the companies the fund has ownership in. The overall purpose is to ensure, with savers in focus, that companies are managed sustainably, responsibly and as efficiently as possible. AP7 aims to vote at all general meetings and votes annually at approximately 99 percent of the meetings where we have voting rights. In accordance with the AP Funds Act, however, we do not vote in Swedish companies.**



## Guidelines and international conventions

To be able to vote at over 4,300 general meetings in some 60 countries, AP7 uses proxy voting via a voting firm. AP7's instructions to the voting firm are based on our guidelines for active ownership, which in turn are based on the conventions Sweden has signed on the environment, human rights, labour rights, and anti-corruption – such as the UN's Global Compact, the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, the UN Principles for Responsible Investment, and the UN's Agenda 2030.

## Process for voting at more than 4,300 general meetings

The process starts with an external analysis and an evaluation of the previous year's voting, which lay the foundation for the programming of this year's instructions in roughly 400 areas. The voting firm then votes at the more than 4,300 meetings according

to the instructions. After the general meeting season, the voting is followed up by analysing and checking that the voting was conducted according to the instructions.

## Voting principles

AP7's voting instructions cover a number of sub-issues. Among other things, the voting principles are based on the importance of transparency. For example, AP7 supports shareholder resolutions that require companies to report on compensation and compensation principles, environmental risks and liabilities, their donations to political parties or lobbying organisations, and on their gender equality work or climate impact.

AP7 also votes on corporate governance issues that deal with board composition, remuneration issues and capital structure, as well as issues relating to business conduct, such as anti-corruption and taxes.

AP7 supports an even gender distribution and increased diversity in the companies boards as well as at all levels in the companies. AP7 usually votes in favor of shareholder resolutions that demand the nomination of more women and minorities to the board, improved reporting on measures for diversity and equality in the operations, and the introduction of guidelines against discrimination.

In the voting instructions, AP7 works to ensure that companies support and respect human rights and good working conditions throughout their own operations and in the supply chain.

AP7 also works for companies to strive to reduce their negative environmental and climate impacts and promotes the development and spreading of climate-smart business solutions and technology.

In order to influence companies with a large climate impact or deforestation impact, during the year AP7 has conducted direct dialogue and voted against relevant board members if the company did not meet basic requirements to handle the issues responsibly.

# Three questions on AP7's active ownership

## 1. What have been the major events within AP7's active ownership in 2023?

– One of this year's major events for AP7, as member of the TNFD steering group, has been to develop the TNFD framework for evaluation and reporting of nature-related risks. Publishing together, the final recommendations for nature-related risk management and reporting, after two years of development has been a milestone.

## 2. Has there been any method development?

– AP7 has long had an ambitious voting policy on climate issues, but during the year we raised the requirements for companies with large climate impact that are lagging behind in their transition work. We have made clear our minimum requirements, and if the companies do not reach them, we have indicated that AP7 has no confidence in the board by voting against re-election of the chairman of the board or of the board member who has special responsibility for climate issues.

– Our newly established collaboration within our transition portfolio, with the asset manager LGIM, is also a method development. The aim is to find synergies between active ownership and active management. Our basic belief is that companies need to transition, but that this will also benefit them financially, and AP7 can contribute to the transition by being active owners.

## 3. What trends do you foresee in the area in the coming year?

– With TNFD in place, we believe that nature-related risks may step out of the shadow of the climate issue, as biodiversity and ecosystems are at least as important issues and strongly connected to climate change. It is becoming increasingly clear that we need to pay attention to these issues and include them in the overall climate work.

– AMR, antimicrobial resistance, is another major systemic problem, however somewhat invisible. In 2023, AP7 started collaborating with the Cambridge Group around AMR. People will become increasingly aware of the overuse of antibiotics, which is a serious threat to humanity. On the positive side there are solutions with joint efforts.

– Investors can make demands regarding food producers' use of antibiotics and impact companies over which they have direct influence. We can also influence pharmaceutical companies that are to develop new types of antibiotics to collaborate with governments and intergovernmental institutions. We see that several Swedish investors have drawn attention to the issue, such as the AP funds' Council on Ethics. This ensures that the issue will be widely entrenched among investor groups.



Johan Florén, Chief ESG and Communication Officer  
Charlotta Dawidowski Sydstrand, Head of ESG



One of this year's major events for AP7, as member of the TNFD steering group, has been the development of the TNFD framework.

# AP7's thematic work

Here you will find our lessons learned from previous theme works

Read more at ap7.se



**At AP7, we complement our active ownership work by exploring specific themes in three-year blocks. This is a way to engage ourselves in particularly important areas. In 2023, our theme work on Deforestation and Biodiversity was concluded.**

By focusing on a few themes in parallel, we can examine at depth complex areas that are relevant to our sustainability priorities and where we can have an impact by increasing our knowledge.

When a new theme is selected, a number of clear criteria are considered. To start with, the area must be relevant to AP7's holdings and asset classes. We must also be able to make a reasonable difference in a resource-efficient way, and there should be suitable partners to collaborate with on generating and spreading knowledge and driving the work forward.

The theme affects our prioritisations for its duration and has consequences both for our dialogue with portfolio companies and our work at general meetings. We also collaborate with other actors on advancing standards and norms related to the area.

In 2023, we concluded the theme on Deforestation and Biodiversity and decided that the theme for the period 2024–2026 is Nature. The choice is based on the fact that the global loss of biodiversity is one of the biggest threats to humanity, alongside climate change. Our other ongoing themes are Universal Active Ownership (2022–2024) and Board Responsibility (2023–2025).

## Previous themes

Private equity, Climate, Fresh water, Corporate climate lobbying, Working conditions in food supply chains, Sustainable impact measurement, Climate transition

## CURRENT THEME WORKS

Deforestation and Biodiversity 2021–2023

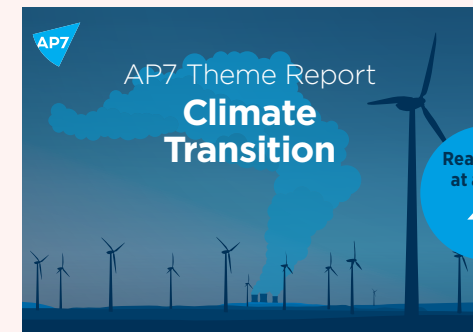
Universal Active Ownership 2022–2024

Board Responsibility 2023–2025

Nature 2024–2026

## HOW CAN PENSION CAPITAL CONTRIBUTE TO CLIMATE TRANSITION?

In connection with the conclusion of AP7's three-year theme Climate Transition, Johan Florén, Chief ESG and Communication Officer at AP7, conducted an initiated conversation with Ylva Wessén, president and CEO Fokksam, Svante Axelsson, national coordinator Fossil Free Sweden, and John Hassler, Professor of economics at Stockholm University and the government's investigator on Sweden's climate policy and its alignment with the EU's Fit for 55 climate package.



Read more at ap7.se



**The theme Climate Transition was concluded in 2022** and we published a report in 2023 summarising the work and our conclusions.

# Theme work 2021–2023

## Deforestation and Biodiversity

**Alongside climate change, the loss of biodiversity is one of the major threats to humanity. AP7's thematic work, which was concluded during the year, has focused on norms development and on strengthening our active ownership in order to protect forests and biodiversity.**

The theme of deforestation and biodiversity concerns two interconnected global crises: climate change and the loss of biodiversity. These should be dealt with in parallel according to a joint report from the intergovernmental organisations IPBES and IPCC.

One purpose of the thematic work has been to develop AP7's active ownership work in order to contribute to the conservation of forests, such as the Amazon in Brazil. The ambition has also been to contribute to the development of guidelines and standards for the evaluation and management of biodiversity.

### Reporting framework – TNFD

Since 2021, AP7 has been member of the Taskforce on Nature-related Financial Disclosures (TNFD), which has developed a framework for companies' reporting of nature-related risks and opportunities, as well as their impacts and dependencies on nature. The overarching purpose is to steer capital away from operations with a negative impact on nature to those with a positive impact. The final version of the TNFD framework was launched in September 2023 at the Climate Week in New York, where AP7's CEO Pål Bergström was present.

AP7 will continue to be an active member of TNFD's taskforce during 2024 and we intend to gradually develop our own reporting according to the framework.

### Active ownership in collaboration

Collaborating with other investors and asset owners is central to AP7's active ownership, and we have been actively involved in, among others:

▶ **Ceres:** An initiative for investors who wishes to increase their commitment against deforestation. AP7 became members in 2022 and joined the collaboration "Food Emissions 50", which aims to

accelerate the transition towards net zero emissions in the food industry. Within the Ceres framework, in 2023, AP7 initiated a new dialogue focusing on banks that contribute with financing to companies involved in deforestation or in the oil and gas sector.

▶ **Sustainalytics:** AP7 has participated in meetings, hosted by Sustainalytics, with companies in the food industry and banks to discuss how they deal with loss of biodiversity. Particular emphasis has been placed on the companies' governance and risk management, goal setting, and their plans to report in accordance with the new TNFD framework. The dialogues with banks have been about the requirements they place on food producers in their lending.

▶ **Nature Action 100** is a global investor initiative that works to counteract the loss of nature and biodiversity. The initiative was launched in autumn 2023, with AP7 as one of the signatories. A dialogue will be held with 100 multinational companies, where the investors will express their expectations that the companies should protect nature.

▶ **The Cambridge Universal Ownership Initiative:** Through this initiative, AP7 and other asset owners collaborate with researchers at the University of Cambridge, to identify and manage systemic risks through active ownership.

### Influence through voting

During 2023, AP7 conducted a dialogue with four companies with significant shortcomings in terms of their deforestation risk management. The companies were selected based on FAIRR's Protein Producer Index. AP7 voted against the board of these companies as they could not demonstrate any policy for dealing with deforest-



“ The final version of the TNFD framework was launched during the year and we will gradually develop AP7's own reporting according to the framework.

Flora Gaber,  
Manager ESG analys at AP7

ation. The outcome of the dialogues will form the basis for the development of AP7's voting policy.

### Supporting research in the area

AP7 also works to promote research into how the financial sector can contribute to sustainable development and increased natural values.

▶ **SISD15** is a Sida-led forum for investors. Flora Gaber at AP7 is chair of a reference group that supports the Mistra FinBio (Mistra Biodiversity Finance Programme) research project, whose aim is to increase the financial sector's ability to contribute to a nature-positive economy. The program started in autumn 2022.

### Continued cooperation and integration of knowledge

Biodiversity is one of AP7's sustainability focus areas and we will continue to evaluate investor initiatives and collaborations that are relevant for us to participate in. The lessons learned from the theme Deforestation and Biodiversity have been gradually integrated into our active ownership and asset management, and this work will continue. AP7's final report, which describes the thematic work 2021–2023, including the main results and conclusions, will be published in 2024.

**Our contribution to Agenda 2030 and the global goals for sustainable development.** Through our theme work Deforestation and Biodiversity we contribute to goal number 15 on preservation of ecosystems and biodiversity.



# Theme work 2022–2024

## Universal Active Ownership

**As a universal owner with a broad portfolio of global holdings, active ownership is AP7's primary means of achieving real world impact in the global economy.**

The theme Universal Active Ownership is a platform for investigating how we can make best use of our role as a global owner and our resources. The theme provides a testing ground to further develop and refine our ownership activities, such as voting, and to test and evaluate new tools and methods. What is the role of universal owners in the market? How does AP7 best use its role as universal owner to achieve real results?

### Working with our peers

Engaging with other large asset owners is an important starting point for discussing working methods and tools, and finding common interests. Usually, we share the same goals, but we have found that our working methods often differ. To increase our knowledge we follow academic research in the field. In 2023, AP7 participated in a Universal Owner Summit convened by Cambridge University which brought together academics and asset owners to discuss systemic risks and develop actions to address them.

### Partner dialogue

There are many types of actors which play a part in delivering the work of the global financial system. Pension funds, such as AP7, and other asset owners work in partnership with asset managers, banks and service providers amongst others to deliver a service – in our case responsibly-managed pension savings. Sometimes it may be more impactful for AP7 to engage on systemic risk with our financial system partners than with individual companies.

This year we sought to test this approach through engagements with fund managers and service provider partners. Our discussions, which were sometimes bilateral and sometimes undertaken with like-minded asset owners, were centred on the topics of anti-microbial resistance and on aligning voting policies with net zero ambitions.

We are learning more about the driving forces and the limitations of our financial sector partners, and strive to identify common ground and solutions which can lead to more responsible action on systemic risks across the financial sector. This can, for example, involve refining shareholder resolutions to achieve maximum support, increasing analysts' attention to critical new topics, and illuminating any shortcomings in voting research at fund managers.

### Theme work integrated with active ownership

The theme work Universal Active Ownership does not take place in isolation, but is integrated with AP7's active ownership work to develop new tools and ways of working. Some examples of this during 2023 are:

#### ▶ Targeted actions against companies

- National Grid committed to publish a review of its climate lobbying activities after dialogue and voting escalation by AP7 and the Church of England Pensions Board. Read more on page 26.
- Volkswagen finally published their first climate lobbying review, a result which AP7 and Climate Action 100+ investor leads have been pursuing for many years. Read more on page 26.
- Amidst growing concern about management of labour and human rights issues at Tesla, AP7 joined 16 investors in signing an open letter to the company directors urging stronger governance of executive management and an overhaul of the composition of the board. AP7 has since co-filed a shareholder proposal to the 2024 AGM, requesting transparency regarding Tesla's measures to prevent harassment and discrimination against its employees, and the results of these efforts.



” The theme provides a testing ground to further develop and refine our ownership activities, such as voting, and to test and evaluate new tools and methods.

Emma Henningsson,  
Manager Active Ownership at AP7

▶ **Climate voting** In 2023 we further tightened our expectations on portfolio companies regarding climate change and took steps to manage deforestation risk through our voting policy. Read more on page 24. The market for proxy voting services is very concentrated and AP7, along with other investors convened by IIGCC, has been public in calling for the development of net zero-aligned proxy voting advice.

**IIGCC** Our work ▾ Our members News ▾ Resources

**36 investors sign letter calling on proxy advisor to enhance climate advice**

31.08.23

- Led by IIGCC's Proxy Advisor Working Group, 36 investors have supported a letter to ISS calling on it to further integrate climate into its proxy advice service.
- The letter sets out clear investor asks for 2024 and coincides with ISS's Benchmark Policy Consultation.
- The letter also recognises that environmental and climate-related factors are material to investors' stewardship and voting decisions as part of their fiduciary duty to mitigate financial risk and protect long term shareholder value.

▶ **Read more about the work on the development of net zero aligned proxy voting at IIGCC.**

# Theme work 2023–2025

## Board Responsibility

**As the outside world becomes increasingly complex, the demands on company boards increase. Within the theme Board Responsibility, AP7 will work to promote better corporate governance by holding boards accountable when they do not act in the best interests of the shareholders and manage sustainability risks. Ultimately, the goal is to secure the value development of our savers' money.**

Good corporate governance is crucial for managing a company's significant sustainability risks and for running a sustainable business. The board is also the link between shareholders and the company's operations, and as ultimately responsible, increased focus has been directed towards the responsibility of the boards.

In recent years, the issue of the boards' role has become increasingly central in AP7's active ownership. The purpose of the theme work is to develop AP7's methods for active ownership with a focus on the board's responsibility for good corporate governance. We also look into the possibility of contributing to increased knowledge about the role of boards for sustainable development. In 2023, voting at general meetings and legal processes were central to the theme work.

### Legal processes – a tool to demand accountability

Within the theme work, AP7 examines how owners can use legal processes to push for better corporate governance. Since 2006,



AP7 has used the opportunity to pursue legal proceedings against companies that have treated their shareholders incorrectly, as well as against senior executives who have damaged their companies and their value. Under the right conditions, and for a universal owner like AP7, this is an effective method to promote compliance in the market.

In addition to compensating AP7's savers for losses, the purposes of our legal proceedings are to deter companies from wrongdoing, to hold companies and boards accountable, and to achieve better corporate governance. In particular, we focus on promoting compliance in the financial industry, the rights of minority owners, and cases relating to violations of standards for human rights, the environment and corruption.

Over the years, AP7 has been lead plaintiff in a number of legal cases in the US. Among other things, we have pursued so-called "derivative cases" where we have brought charges against individual board members or senior executives who have harmed the company and its shareholders.

### Voting at general meetings

The boards' composition is central to a company's ability to manage its sustainability risks and to run a sustainable business. AP7 votes at more than 4,300 annual general meetings (99 percent). The theme work includes investigating how AP7, as a universal owner, in collaboration with other owners can hold individual members or entire boards accountable through our voting procedure.

We have previously marked our dissatisfaction by voting against the chairman of the nomination committee in companies with single-gender boards, or against the chairman of the board or chairman of the audit committee in companies that do not report on their climate work. In 2023, special focus was placed on holding boards responsible for the companies carrying out a credible

climate transition. Research suggests that this can be an effective method for bringing about change, see below.

### Collaborations with researchers

In the theme work, AP7 collaborates with, among others, Ellen Quigley, who does research in universal ownership at Cambridge University. Her research shows that voting against the re-election of individual board members can be effective, as many members are concerned about their reputation and may see opposition as a loss of prestige. AP7 also collaborates with Emma Sjöström, at the Stockholm School of Economics, who is conducting a research project on the role of boards of directors for climate change.

In addition to collaborations with researchers and like-minded universal asset owners, AP7 collaborates with, among others, ISS (International Shareholder Services), and ICGN (International Corporate Governance Network).

### SUCCESSFUL LEGAL CASES

Over the years, AP7 has reached settlements with several well-known companies, contributing to creating norms in the market. After suing Google's parent company Alphabet, following reports of widespread sexual harassment and the board's failure to address the issue, AP7 reached a settlement with the company in 2020. Alphabet was sentenced to invest the equivalent of SEK 2.8 billion in measures to improve diversity and inclusion within the group. AP7 was also the driving force in a class action against Facebook that resulted in its founder Mark Zuckerberg giving up his plans for a preferential issue of voteless class C shares that would have resulted in financial loss for AP7's savers.

# On our savers' terms

**Savers in the pension system are at a disadvantage in terms of information, and many lack interest in the subject. AP7 works to provide information about pensions and savings in a way that is adapted to our savers' terms.**

The pension system is complex and exploring the field requires a certain level of engagement. Many savers feel that pensions is a complicated area, and for those with many years left before retirement it can be hard to take an interest in the subject.

The pension system is designed so that savers are responsible for investing their premium pension, with a wide range of funds to choose from. To make an informed decision, they need access to objective and fact-based information, which the Swedish Pension Agency provides at its website. For those who do not make an active choice, the money is automatically placed in AP7 Såfa.

## Effective communication

By spreading information about personal finance, the pension system, and AP7 Såfa, we want as many people as possible to have access to the best possible information in order to make informed decisions about their premium pensions. However, nobody should feel forced to make a choice. Based on our mission, we also communicate about sustainability issues and responsible investments.



– Owning more “brown” companies in order to enable climate transition?

– What expectations do pension funds have of politicians?



– How can pension capital contribute to climate transition?

– What is the role of technology development in climate change?

The prime target group for our communication is our over five million savers. Surveys have shown that many of our savers have a lower than average income and level of education. This is partly because many young people automatically have their money invested in the pre-selection option when they enter the workforce.

To reach our savers, digital channels are most resource-efficient. On our blog Förvalt we offer nuanced and accessible information about pension savings, behavioral economics, and sustainability.

## Double podcast series for increased knowledge

In our podcast Ågarpodden we have in-depth conversations with researchers and asset owners, to learn more about sustainability and how asset owners can take responsibility and have a positive impact. During the year, we published new episodes with conver-

sations with asset owners such as AMF, Länsförsäkringar and KPA, which were added to the previous ones with researchers at the Stockholm School of Economics and the Universities of Gothenburg and Stockholm. The discussions concern various opportunities for asset owners to influence companies to take responsibility for ESG issues, such as contributing to reduced carbon dioxide emissions.

In Tänkonomi, our new podcast series, we explore the borderland between psychology and economics, and challenge preconceived notions about personal financial decisions. The purpose is to help listeners understand and reflect on the mechanisms behind their own financial decisions.

→ [Read more at ap7.se/tankonomi](https://ap7.se/tankonomi)



**AP7 Förvalt**  
About pensions, savings and other life choices

**Psykologen: Så sätter du mål inför din pension**

Att lyckas med sparande är ofta synonymt med hur lyckade mål du har satt upp. Men hur sätter jag rätt mål för pensionen som kanske är 30-40 år bort? Per Carlbring, professor i psykologi, ger här sina tips.

# Employees

**In a small organisation like AP7, the competence of each employee is crucial for us to fulfill our mission. By offering a workplace that is characterised by humility, responsibility, freedom, and collaboration, employees can enjoy working with us, while at the same time having the opportunity to develop and feel involved.**

## Competence development

In AP7's knowledge-intensive business, the competence of the employees is crucial. Competence development takes place both through external training and through internal seminars and knowledge sharing between colleagues. The need for competence development is based on, among other things, changed conditions for AP7 and individual plans developed during annual appraisal interviews. In 2023, all employees had at least one appraisal interview with their immediate supervisor.

In 2023, mandatory trainings were held for AP7's employees in data privacy and GDPR, anti-corruption and anti-bribery, work environment, and CPR (cardiopulmonary rescue).

## Diversity and gender equality

Different experiences and perspectives are important for an innovative work climate, and we see diversity as a strength. AP7 works actively for an even gender distribution within the organisation, and diversity is included as a parameter in recruitments. We also work proactively to prevent all forms of discrimination.

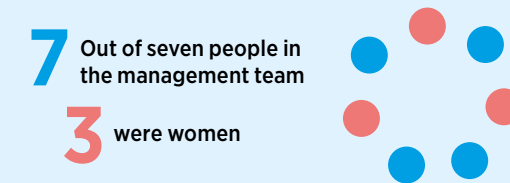
At the end of 2023, the total number of employees in AP7 was 49, of which 22 were female. All employees are covered by the collective bargaining agreement, BAO-JUSEK (SACO). The management team comprises seven people, three women and four men. In 2023, seven people were recruited, and three employees left the organisation. AP7 conducts an annual salary mapping to ensure that there are no unreasonable differences in salary between men and women in the organisation.



Employee data	2023	2022
Number of employees, average	46	42
– of which women, %	45	48
Number of members of the management team, average	7	7
– of which women, %	43	43
Average age	47	49
Employee turnover*, %	6	2.5
Sick leave, %	1.3	1.0

\* In 2023, AP7 recruited seven employees and three people left the organisation. In 2022, two people joined AP7 and two people left the agency.

## Employee data 2023



\* In 2023, AP7 recruited seven employees and three people left the organisation.

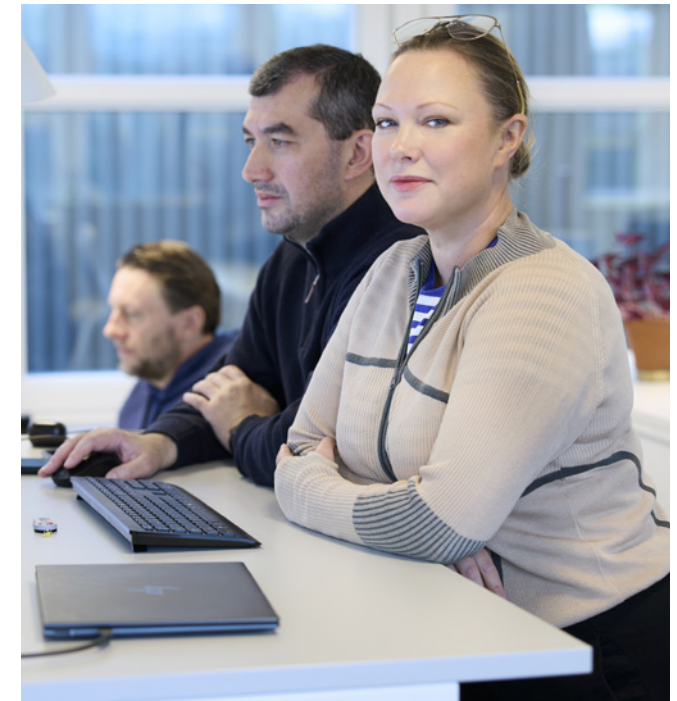
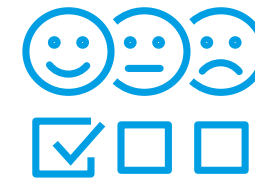
### A sound work environment

A healthy work environment, both physical and psychosocial, is central to promoting health and wellbeing among AP7's employees. We work systematically and continuously to improve the work environment. The work environment policy, action plan, risk assessment, and procedures, are followed up annually by the management together with the safety representative, and revised when necessary.

A continual dialogue is important for improving the work environment, and we expect all employees to participate in the work. Health promoting initiatives are prioritised, such as a wellness allowance, voluntary health insurance, health examinations, team-building, and social activities. Another important part is that our employees feel they have flexibility in their work and that they can maintain a balance between work and leisure time.

AP7 conducts monthly pulse surveys to collect continuous feedback from employees on their wellbeing and how they experience the work environment. Based on these measurements, we can quickly act on changes and take measures when necessary. To discover more long-term trends we also conduct an employee survey every two years. The most recent survey was conducted in December 2022. Based on the results, we have worked on areas for improvement and to maintain the level in areas with good results. The outcome of the survey was communicated internally at the beginning of 2023 and has during the year been handled within the respective departments, as well as across the entire organisation.

**Regular pulse surveys provide continuous feedback from our employees**



# Work of the Board and fund governance

## AP7's activities are governed by the National Pension Insurance Funds Act. The Board of Directors is responsible for the fund's organisation and asset management.

The Seventh AP Fund is a public agency tasked with managing premium pension funds for the Swedish population. AP7's activities are governed by the National Pension Insurance Funds Act (AP Funds Act), which states that the AP Funds have independent boards that are responsible for the fund's organisation and asset management. Unlike other Swedish agencies, AP7's operations are not governed by other government directives.

The Swedish Government annually approves the AP Funds' income statements and balance sheets. The Government also commissions an annual evaluation of the AP Funds' activities. This evaluation is presented in a written submission to the Government.

### Composition of the Board

The Seventh AP Fund's board is appointed by the Government and consists of nine members. The members are appointed on the basis of their competence to promote the fund's management and they must be Swedish citizens. The CEO of the Fund is not a member of the Board. Normally, the board members serve for a maximum of eight years. In 2023, Tonika Hirdman was replaced by Elisabeth Frayon as board member.

### The Board's tasks and responsibilities

The Board has the ultimate responsibility for AP7's operations and organisation, and for the management of the fund's assets. Responsibility for everyday management is delegated to the CEO, through the Board's instructions. Where the Board's work is not governed in the AP Funds Act, it is governed primarily by the internal rules of procedure that the Board approves annually.

The Board annually approves the operational plan, including the investment targets and guidelines, risk management plan, ownership policy, and the budget in accordance with the AP Funds Act. The Board also makes decisions on overall policies and governing documents, takes a position on strategic issues, ensures that decisions are implemented, and that the operation and its risks are followed up and controlled in an appropriate manner. The Board is

also responsible for recruiting the CEO and, if deemed necessary, the Executive Vice President.

Once a year, the Board evaluates the CEO's performance at a meeting where the CEO is not present. The Board also carries out a review of its own performance each year, with the aim of developing the Board's working methods. An assessment of the quality level of the Board's material also takes place annually.

### The Board's work in 2023

The Board held six scheduled meetings in 2023. At each ordinary meeting, the Board reviews the asset allocation of the portfolio and any changes in this, as well as the fund's development and the management's expectations regarding the market development. In addition, the operational managers and AP7's control positions submits a written report to each meeting. During 2023, much of the Board's work has been focused on alternative assets. AP7's changed mission from 1 January 2023, enables investments in alternative asset classes, which is largely a new area for AP7.

The CEO participates in the board meetings, and other employees may also be called in as experts on different matters. The Fund's regulatory manager is the Board's secretary.

In addition to the ordinary meetings, members of the Board held meetings in committees: the Executive Committee, Asset Management Committee, and Audit Committee. The table below shows the Board members' attendance at these meetings.

### Fees to board members

Fees and other payments to the Board are determined by the Government. Annual payments remained unchained at SEK 200,000 to the Chair, SEK 150,000 to the Vice Chair, and SEK 100,000 for other members. For committee work and other assignments, the Government has decided on an annual framework of SEK 100,000 to be divided between the board members. Based on this, the Board has decided on SEK 9,000 as compensation for work in the Audit Committee and Asset Management Committee, with double payment to the chair in each committee. No payments are made for work in the Executive Committee.

### Board committees

The Board of AP7 has set up three committees: Executive Committee, Asset Management Committee, and Audit Committee. The committees prepare matters for the board to consider.

### Attendance at board meetings and board committee meetings

Board member	Board meetings	Executive Committee	Asset Management Committee	Audit Committee
Per Frennberg, Chairman	6/6	9/9	4/4	
Emma Ihre	6/6	9/9		6/6
Susanne Ekblom	6/6			6/6
Elisabeth Frayon*	4/6		2/4	
Henrik Saxborn	6/6		4/4	
Mikaela Valtersson	6/6			6/6
Magnus Vesterlund	6/6			5/6
Roine Vestman	5/6		4/4	
Anders Wihlborn	6/6		4/4	

\* In 2023, Tonika Hirdman was replaced by Elisabeth Frayon

**Executive Committee:** The Committee prepares the Board’s work, and decides twice a year on exclusions of companies from investments. The Executive Committee also constitutes AP7’s remuneration committee. In matters of remuneration, the CEO does not participate in matters relating to himself and is only co-opted in other matters. In 2023, the committee members were Per Frennberg (chair), Emma Ihre (vice chair) and AP7’s CEO Pål Bergström (as of June 2023).

**Asset Management Committee:** The Committee prepares the Board’s work on matters relating to asset management. In 2023, the committee members were Per Frennberg (chair), Roine Vestman, Henrik Saxborn, Anders Wihlborn, and Elisabeth Frayon, who replaced Tonika Hirdman.

**Audit Committee:** The Committee prepares the Board’s work regarding financial reporting, accounting, internal control, internal and external audit, risk management, and compliance matters. In 2023, the committee members were Susanne Ekblom (chair), Emma Ihre, Magnus Vesterlund, and Mikaela Valtersson.

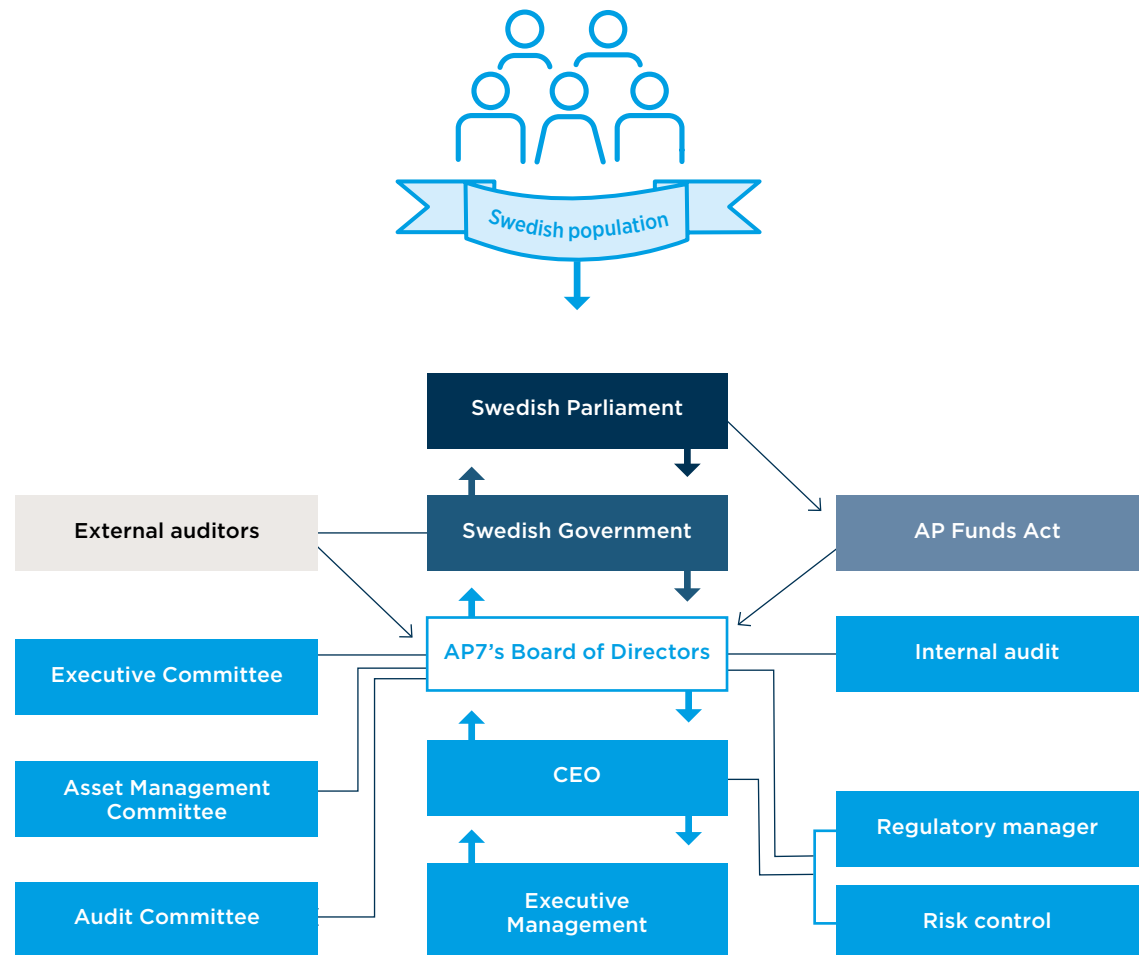
**Conflicts of interest**

Guidelines for handling conflicts of interest are established every two years and communicated in connection with the introduction of new board members. The Chair of the Board is informed about potential conflicts of interest and, if needed, the matter is escalated to AP7’s regulatory bodies. At each board meeting, any conflicts of interest is also reported based on the distributed agenda. For the Board members’ ongoing assignments see pages 38–39.

**External audit**

AP7’s auditors are appointed by the Government. The current auditors are Helena Kaiser de Carolis and Peter Nilsson, PwC. The assignment applies until AP7’s balance sheets and income statements for 2023 are approved. PwC are also auditors for the AP1–AP4 and AP6. The auditors report directly to the Board through a written audit report and an oral presentation, and they participate in at least one board meeting per year. They also report annually to the Ministry of Finance.

**AP7’s governance structure**



# Board of Directors



## PER FRENBERG

### Chairman of the Board

Chair of the Executive Committee and of the Asset Management Committee

**Elected:** 2018

**Other assignments:** Head of Investment, Euro Accident Livförsäkring.

**Previous assignments:** Strategist, portfolio manager, interest manager and asset management manager at Alecta. Researcher and lecturer in financial economics at the School of Economics at Lund University.

**Education:** PhD in Economics, Lund University

**Year of birth:** 1964



## EMMA IHRE

### Vice chairman of the Board

Executive Committee, Audit Committee

**Elected:** 2018

**Other assignments:** Head of Sustainability, Embracer Group, co-opted member of the Board and Investor Ombudsman of the Nordkinn Asset Management hedge fund, Board member of Sida.

**Previous assignments:** Head of Sustainability at Mannheimer Swartling, Advisory Board Member of Lund Institute for Sustainability Impact, Chairman of the Board of Global Compact Network Sweden, Responsible for sustainable entrepreneurship at the Ministry of Finance, Head of Corporate Engagement at Ethix SRI Advisors, and Managing Director of Amnesty Business Group.

**Education:** B. A. in Economics, Stockholm University

**Year of birth:** 1971



## ELISABETH FRAYON

Asset Management Committee

**Elected:** 2023

**Other assignments:** Head of Independent Risk Control at Lynx Asset Management AB.

**Previous assignments:** Chief Risk Officer at Informed Portfolio Management AB, Chief Risk Officer and Risk manager at the Riksbank, Senior Sales Manager at Unibank AS/Nordea, Senior Dealer at NCC Treasury AB, Foreign Exchange Dealer at Banque Indosuez Sverige AB.

**Education:** Master of science in International Economics, Linköping University

**Year of birth:** 1968



## HENRIK SAXBORN

Asset Management Committee

**Elected:** 2022

**Other assignments:** Vice Chairman of PSP Swiss Property AG, Board member of AMF Fastigheter, Chairman of the board of Annehem AB.

**Previous assignments:** CEO of Castellum AB, Managing Partner NIAM, Vice Chairman of EPRA (European Public Real Estate Association), Board member of Börssällskapet i Göteborg, Board member of Sweden Green Building Council, Chairman of CMB Chalmers (Center for Management in the Construction Sector).

**Education:** Master of Science in Real Estate Economics, KTH Royal Institute of Technology

**Year of birth:** 1964



## ANDERS WIHLBORN

Asset Management Committee

**Elected:** 2019

**Other assignments:** Board member of Optimas Capital Ltd.

**Previous assignments:** Chairman of the Board of Advinans AB, Board member of the Bank of America Merrill Lynch.

**Education:** MSc, Stockholm School of Economics, MBA Program, International Business, University of Hong Kong.

**Year of birth:** 1962

**MIKAELA VALTERSSON**

Audit Committee

**Elected:** 2019

**Other assignments:** Manager external relations at Kunskapsskolan Education AB. Member of the Board of Axfoundation, Antonia Ax:son Johnson's sustainability foundation, and of the think tank Fores.

**Previous assignments:** Member of the Swedish parliament and the Swedish Green Party's economic-political spokesperson, and member of The Parliamentary Committee on Finance. Chairman of the National Association of Independent Schools.

**Education:** High school teacher, social studies and history

**Year of birth:** 1967

**MAGNUS VESTERLUND**

Audit Committee

**Elected:** 2020

**Other assignments:** Chief Economist at Insurance Sweden (Svensk Försäkring).

**Previous assignments:** Head of the Risk Department of Folksam Liv-gruppen. Various positions within the Riksbank, and a national expert in the European Commission.

**Education:** Master of science in economics, Linköping University

**Year of birth:** 1970

**ROINE VESTMAN**

Asset Management Committee

**Elected:** 2020

**Other assignments:** Associate Professor at the Department of Economics, Stockholm University, Scientific Advisor to The Swedish National Debt Office (Riksgälden), Senior Fellow at the Centre for Economic Policy Research, guest researcher at the Swedish House of Finance.

**Previous assignments:** Post-doc and researcher, Scientific Advisor to the Swedish Financial Supervisory Authority (Finansinspektionen), advisor at the Riksbank.

**Education:** PhD in economics, New York University, US

**Year of birth:** 1978

**SUSANNE EKBLOM**

Chair of the Audit Committee

**Elected:** 2020

**Other assignments:** Member of the Board and Chairman in Assemblin's audit committee, Board member of Norstat, Board member of C-rad, and self-employed consultant.

**Previous assignments:** President and CEO of Vectura Fastigheter AB, CFO of Investor AB, CFO of SVT, and various positions at Scania. Member of the boards of ElinderSten, GoCo, SOS Barnbyar, Kunskapsskolan, Vectura Fastigheter, Sveriges Radio Förvaltnings AB (SRF) and Radiotjänst i Kiruna (deputy).

**Education:** BSc in Business Studies, Stockholm University

**Year of birth:** 1966

# Executive management



**PÅL BERGSTRÖM**

CEO

**Employed since:** 2023

**Previous assignments:** Swedbank, Handelsbanken, Swedish Ministry of Finance, Swedish Export Credit Agency, Swedish National Debt Office, SEB

**Education:** Ph.D in Economics, B.Sc in Czech, Uppsala university, and education in conducting at the Royal College of Music, Stockholm

**Year of birth:** 1967



**LENA FAHLÉN**

Chief Investment Officer and Deputy CEO

**Employed since:** 2023

**Previous assignments:** Handelsbanken, Sweden's Central Bank (Riksbanken)

**Education:** Economics, Stockholm University, Diploma Program for Financial Analysts (CEFA), Stockholm School of Economics

**Year of birth:** 1973



**TINA NYLUND**

Chief Operating Officer

**Employed since:** 2017

**Previous assignments:** KPMG, Postgirot Bank, PPM, AMF Fonder, SPP Fonder

**Education:** Degree of Master of Science in Business and Economics, Uppsala university

**Year of birth:** 1965



**HANS BERGSTRÖM**

Compliance Officer

**Employed since:** 2009

**Previous assignments:** ABN AMRO/Alfred Berg

**Education:** Master of Law, Uppsala university

**Year of birth:** 1967



**JOHAN FLORÉN**

Chief ESG and Communication Officer

**Employed since:** 2009

**Previous assignments:** Worked in communications since 1993, CEO/agency owner, communications manager, consultant

**Education:** B.Sc. in Philosophy, Political science and Business administration, Uppsala university and Stockholm University

**Year of birth:** 1965



**HÅKAN TOBIASSON**

Chief Risk Officer

**Employed since:** 2011

**Previous assignments:** PPM/The Swedish Pensions Agency, Second AP-fund, Sweden's Central Bank (Riksbanken)

**Education:** Master's degree in Economics, Karlstad university, Diploma Program for Financial Analysts (CEFA), Stockholm School of Economics

**Year of birth:** 1972



**LOUISE SVENSSON**

HR Manager and Head of Internal Communication

**Employed since:** 2013

**Previous assignments:** Edelman, Next PR and HK Strategies

**Education:** Master's degree in Marketing and Management, Jönköping International Business School, and Technological University Dublin

**Year of birth:** 1975

# Sustainability information

## About the sustainability report

AP7's sustainability report has been prepared with reference to GRI Universal Standards and covers our entire operations. It is published annually and this report covers the period 1 January 2023 to 31 December 2023, which is aligned with AP7's financial reporting. This sustainability report was published on February 21, 2024.

AP7 has also considered the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Task Force on Nature-related Financial Disclosures (TNFD), on reporting of climate- and nature-related risks and opportunities. A GRI content index is located on pages 45–47 and an index with references to the TCFD and TNFD frameworks on page 48.

The sustainability report for 2023 has been prepared in accordance with the Seventh AP Fund's principles for sustainability reporting, which correspond to those in the Swedish Annual Accounts Act.

## Prioritised sustainability issues

The content of the sustainability report is based on AP7's materiality analysis, which was updated in the fall of 2022. The purpose was to identify which sustainability issues are the most prioritised for AP7 to consider in its management and active ownership work. It is about the areas where AP7's operations have the greatest actual or potential impact on the outside world, from an economic, social and environmental perspective. During the assessment, account was also taken of areas with risks or opportunities that could affect AP7's value creation.

The assessment was based on AP7's mission, international conventions and guidelines that we support, global trends, internal risk assessments and the previous materiality analysis conducted in 2017. Additional input was taken from AP7's ongoing stakeholder dialogues, as well as from discussions with internal and external experts.

The identified issues are in line with AP7's sustainability strategy, sustainability goals and working methods, see pages 14–33. In relation to the previous analysis, AP7's work with systemic environmental issues, such as climate, biodiversity and fresh water, have become more material. That AP7 prioritises these issues is reflected, among other things, in our dialogues with portfolio companies, our climate action plan, and our theme works, see pages 19–32.

The materiality analysis and the prioritised sustainability issues were reviewed and determined by AP7's CEO and the Chief ESG and Communication Officer. See a list of the material sustainability issues and AP7's impact in the table on page 43.

## Sustainability governance

AP7's board annually establishes an ownership policy as part of the operational plan. Through this policy, AP7 undertakes to follow the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the OECD Guidelines on Corporate Governance.

The ownership policy also states how AP7 shall exercise the ownership function which follows from the holdings in the Equity Fund, that is, how AP7 will influence portfolio companies to take responsibility for sustainability, business conduct and good corporate governance. These guidelines are defined in a number of CEO instructions for voting, public blacklisting, class actions and in-depth themes.

AP7's CEO and management are responsible for the development of AP7's climate action plan as well as ESG-related policies and strategies. Our sustainability strategies and goals are followed up annually in connection with the Board establishing the guidelines for active ownership and the preparation of the annual and sustainability report.

The Board is jointly responsible for sustainability issues and follows up AP7's ESG work at each meeting. Two board members have in-depth ESG qualifications. The Audit Committee and Asset Management Committee, both prepare ESG-related issues for decision by the Board. Twice a year, the Executive Committee decides on companies to be publicly blacklisted, and the Committee may also be involved in other matters of particular importance. In addition to the ongoing reporting to the Board, there are also in-depth discussions on various ESG issues, such as AP7's blacklisting process and climate action plan.

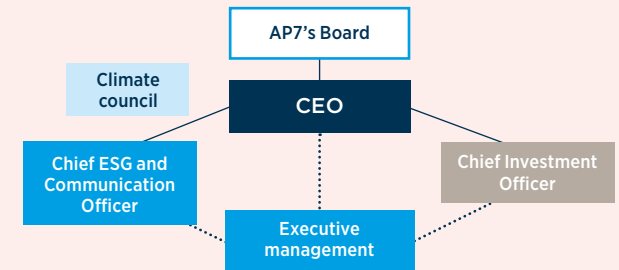
The Chief ESG and Communication Officer has the overall responsibility for AP7's work with responsible investments. The sustainability work is implemented in the fund's asset management through active ownership and green investments within all asset classes.

In 2023, the former ESG committee, with representatives for active ownership and asset management, was replaced by ESG meetings in the executive management team to achieve greater integration of ESG issues within AP7's various departments.

## Ethical guidelines

All employees must follow AP7's guidelines on ethics, which place major emphasis on the conduct of employees and stipulate what applies on matters such as hospitality and gifts, procurement, secondary employment, and potential conflicts of interest. The guidelines aim to prevent employees or their close relatives deriving any benefits due to their

## Governance and implementation of AP7's sustainability work



- The Board annually establishes guidelines for active ownership as well as the annual and sustainability report, including AP7's sustainability goals.
- The CEO is responsible for ensuring that guidelines for active ownership are followed and implemented and that the ongoing work contributes to achieving AP7's sustainability goals.
- The Chief ESG and Communication Officer and the Chief Investment Officer are responsible for the work's implementation.
- In 2023, the management of the ESG work was changed. The ESG committee was replaced by executive management team meetings focusing on ESG.
- The climate council, consisting of researchers, assists AP7's CEO with external advice on ESG-related research.

## The mission forms the basis for the sustainability work

*Changes concerning AP7 in the AP Funds Act as of 1 January 2023*  
The Seventh AP Fund manages funds for the purposes set out in the provisions on premium pensions in the Social Insurance Code. The asset management must take place exclusively in the interest of the pension savers. The capital that the Seventh AP Fund manages must be invested so that a high long-term return is achieved at the selected risk level.

The capital that the Seventh AP Fund manages must be managed in an exemplary manner through responsible investments and responsible ownership. In particular, the Fund must consider how sustainable development can be promoted without sacrificing the goal of achieving long-term high returns at the chosen risk level.

connection to AP7, or being in a position of conflict between the fund's interests and their own private interests.

All employees must participate in a recurring anti-corruption training and confirm that they have understood AP7's ethical guidelines, as well as the guidelines regarding conflicts of interest. In the event that significant changes are made to the guidelines, employees are informed and they must confirm in writing that they have taken note of the changes.

In 2023, mandatory trainings were held for AP7's employees in privacy protection and GDPR. In 2022, mandatory education was conducted on issues such as money laundering and sanctions, as well as rules regarding market abuse. An introductory training was also held for all employees in the whistleblower system.

AP7's business partners are informed about AP7's ethical policy through the asset management agreements. The policy is also available on AP7's website.

### Which statutory requirements impact AP7's work on responsible investments?

AP7's operations are regulated by the National Pension Insurance Funds Act (2000:192). As of 1 January 2023, the rules have changed which increases AP7's opportunities to invest in alternative (illiquid) assets, such as real estate and infrastructure projects. This enables us to provide a better and more sustainable pre-selection option. The AP Funds Act states that AP7's asset management must be conducted exclusively in the interests of the savers and that the funds must be managed in an exemplary manner through responsible investments and ownership. In asset management, AP7 must pay particular attention to how sustainable development can be promoted without renouncing the goal of achieving long-term high returns at the chosen risk level.

In November 2023, the Government decided that AP7 must provide sustainability information in line with the EU's regulation on sustainability-related information and the EU's green taxonomy regulation. Unlike the other AP Funds, AP7 is not permitted to vote at general meetings of Swedish companies. As we see no conflict between investment return and sustainability, the law gives us ample room to conduct exemplary asset management to promote a sustainable development.

### Stakeholder engagement

Collaboration and dialogue with actors in the outside world is critical in developing and improving AP7's operations and working methods. Effective work with, for example, active ownership, norms development and knowledge dissemination is based on collaboration with investors, external experts and other actors with knowledge in various sustainability issues. The dialogue is also important to understand stakeholders'

expectations on AP7 and how they perceive our work. AP7's key stakeholders are those who have the greatest interest in our business and for whom the mutual influence is significant. They consist of our savers, core suppliers, employees, partners, as well as our regulatory bodies, i.e. the Swedish Government's Pension Group and the Ministry of Finance. See the table below for an overview of how we communicate with each group, as well as their critical concerns.

Stakeholder group	Description	Form of dialogue	Critical concerns
<b>Savers</b>	5.8 million Swedes whose pension capital is managed by AP7.	Continual contact with individual savers, and annual surveys to find out what the Swedish population thinks about various pension-related issues.	<ul style="list-style-type: none"> <li>- Financial performance/return</li> <li>- Active ownership</li> <li>- Information to the public</li> </ul>
<b>Core suppliers</b>	External asset managers who make investments on behalf of AP7 or perform services in some other way.	Continual dialogue and annual assessments	<ul style="list-style-type: none"> <li>- Active ownership</li> <li>- Impact investments</li> </ul>
<b>Employees</b>	49 employees, who together carry out AP7's mission.	Appraisal interviews and employee surveys	<ul style="list-style-type: none"> <li>- Competence development</li> <li>- Work environment/conditions</li> </ul>
<b>Collaboration partners</b>	Actors that contribute to skills development in AP7, and to AP7's in-depth work.	Continual dialogue and dialogue within ongoing collaborations	<ul style="list-style-type: none"> <li>- Active ownership</li> <li>- Impact investments</li> </ul>
<b>Swedish Pensions Agency</b>	The agency that collaborates with AP7 by channelling capital into the funds and managing pension payments.	Continual dialogue	<ul style="list-style-type: none"> <li>- AP7's mission and confidence</li> <li>- Information to the public</li> <li>- Financial performance</li> </ul>
<b>Regulatory bodies</b>	The Swedish Government's Pension Group which, through the AP Funds Act, tasks AP7 with asset management.	Continual dialogue	<ul style="list-style-type: none"> <li>- AP7's mission and confidence</li> <li>- Financial performance</li> <li>- Active ownership</li> </ul>
	The Ministry of Finance, which is responsible for monitoring and following-up AP7's activities.	Continual dialogue and annual reviews	<ul style="list-style-type: none"> <li>- AP7's mission and confidence</li> <li>- Financial performance</li> <li>- Active ownership</li> <li>- Compliance with laws</li> </ul>
<b>Finansinspektionen (Swedish Financial Supervisory Authority)</b>	Swedish government authority tasked with monitoring the financial market.	Supervisory dialogue	<ul style="list-style-type: none"> <li>- Compliance with regulations and the AP Funds Act</li> </ul>



AP7 has identified the climate, biodiversity and access to fresh water as particularly challenging areas and works through active ownership to reduce related risks.

### Material sustainability issues

Sustainability issue*	AP7's main impact
Long-term return	<b>AP7's mission is to manage</b> the premium pension capital in the State pre-selection option. All people need a pension they can live on, and through the pre-selection option, savers who do not make an active fund choice should be given the opportunity for a return and pension as good as other savers.
Ethical conduct and anti-corruption	<b>AP7's sustainability work</b> is based on the Global Compact's ten principles, which includes working against all forms of corruption. Society's and savers' trust is central to AP7 being able to fulfill its core mission. Bribery or suspicions of bribery can seriously damage AP7's reputation and as a government agency, AP7 should act in an exemplary manner in this area.
Human rights	<b>AP7's sustainability work</b> is based on the Global Compact's ten principles, which includes working against all forms of human rights violations. As a public agency, AP7 should act in an exemplary manner in the area, and AP7 works, among other things, through its active ownership to reduce the risks of human rights violations.
Systemic environmental issues (climate/biodiversity/fresh water)	<b>AP7's long-term mission</b> , to create a good return for our savers, is dependent on the implementation of the Paris Agreement and a longterm sustainable development in the global market. AP7 has identified the climate, biodiversity and access to fresh water as particularly challenging areas and works through active ownership to reduce related risks. AP7 also invests in businesses that contribute to reduced climate risks and carries out theme work in areas where we can make a difference in a resourceefficient way.
Product portfolio	<b>Through its asset management</b> AP7 must create a good return in a responsible manner. As a long-term, global investor, AP7 can benefit most by being an active owner and by investing in companies that offer solutions to various sustainability challenges.

Sustainability issue*	AP7's main impact
Active ownership	<b>AP7's long-term mission</b> , to generate good returns for our savers, is dependent on the implementation of the Paris Agreement and longterm sustainable development in the global market. AP7 works actively to understand and manage sustainability risks and opportunities in the portfolio and to influence the portfolio companies in matters related to the environment, human rights, labour rights and anti-corruption.
Establishment of sustainable norms	<b>As a global, long-term asset owner</b> , and state pensions fund, AP7 is in a stronger position than many other investors to work on developing norms and methods for the market, and to implement these in companies around the world. AP7 works with norms development in collaboration with other actors, at a national and international level.
Dissemination of knowledge	<b>AP7 works to develop</b> and spread knowledge about sustainable investments and active ownership. As a state pension fund, AP7 can bring together decision-makers, businesses, experts and investors and work to bridge the gap between research and practice in the field.
Information to the public	<b>The pension system gives savers own responsibility</b> for the placement of their premium pension savings. By informing the public, about private finances and the pension system, AP7 wants to provide savers better conditions to understand their pension and make informed decisions about their premium pension.
Employees	<b>In a small and knowledge-intensive organisation</b> , the competence and well-being of the employees, as well as the ability to attract and retain the necessary competence, is a prerequisite for AP7 to be able to deliver on its mission – to create returns and work actively with active ownership.

\* The selection of sustainability issues has been based on AP7's mission, operations and working methods, as well as on the Global Reporting Initiative's (GRI's) framework for sustainability reporting and the GRI's sector supplement for the financial industry – *Financial Services Sector Supplement*.

## Memberships and voluntary agreements

AP7 adheres to the following memberships and guidelines that we have chosen to support or have signed.

Initiatives/guidelines	
<b>UN Principles for Responsible Investments (UNPRI)</b>	A global initiative for institutional investors working to integrate sustainability aspects in their investments. AP7 has signed PRI's principles for responsible investment.
<b>Institutional Investors Group on Climate Change (IIGCC)</b>	European network for investors who collaborate on climate change.
<b>Climate Action 100+</b>	An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.
<b>CDP</b>	Global information system that helps companies, cities and states to measure and manage their environmental impact.
<b>Sweden's Sustainable Investment Forum (Swesif)</b>	Swedish sustainability network for investors.
<b>Cambridge Universal Ownership Initiative (CUOI)</b>	Collaboration between asset owners and researchers at the University of Cambridge aiming to identify and manage systemic risks through active ownership.
<b>Global Investors for Sustainable Development (GISD)</b>	Global sustainability network for investors set up by the initiative of the UN, taking inspiration from the Swedish network SISD.
<b>Transition Pathway Initiative (TPI)</b>	Global initiative and research institute that provides information on companies' carbon dioxide emissions, helping investors evaluate how companies with large emissions are working to become fossil-free, and whether the work is in line with the Paris Agreement.
<b>Farm Animal Investment Risk &amp; Return (FAIRR)</b>	Global investor network with a focus on sustainability in the animal agriculture sector.
<b>Taskforce on Climate-related Financial Disclosures (TCFD)</b>	International initiative that has developed a framework for companies' identifying and reporting on climate-related financial risks and opportunities.
<b>Taskforce on Nature-related Financial Disclosures (TNFD)</b>	International initiative that has developed a framework for companies' reporting and identification of nature-related risks and opportunities, as well as for their impact on nature.
<b>The Paris Aligned Investment Initiative Net Zero Asset Owner Commitment (PAII NZAOC)</b>	Global network for investors working for portfolio holdings to reduce their emissions in line with the Paris Agreement.
<b>Ceres</b>	A non-profit organization that works with the capital market to solve the main global sustainability challenges.
<b>International Corporate Governance Network (ICGN)</b>	ICGN is a global network for active ownership issues. ICGN works for increased voting rights for shareholders at general meetings and a stronger position in relation to company management.

## Supplier assessment

AP7 has a relatively small number of suppliers, mainly of external asset management and analysis services, in the UK and the US. External asset management means that our investments are managed by external asset managers, often larger specialised firms. AP7 relies on external asset management for the majority of our invested capital. In the agreements, we demand that the asset managers comply with sustainability requirements, which for example prohibit investments in companies that AP7 has blacklisted. We maintain an ongoing dialogue and evaluate all external asset managers annually, including new ones. AP7 has chosen not to entrust active ownership activities to external managers, but handles itself voting at general meetings, engagement dialogues, screening and blacklisting, as well as legal processes.

# GRI content index

<b>Statement of use</b>	AP7 has reported with reference to the GRI Standards for the period 1 January 2023 to 31 December 2023.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI Standard	Disclosure	Page reference	Comments and omissions	
<b>General Disclosures</b>				
<b>GRI 2: General Disclosures 2021</b>	2-1	Details about the organization		The Seventh AP Fund (AP7) is a government agency with headquarters in Stockholm.
	2-2	Entities included in the sustainability reporting	41	The operations is conducted in Sweden.
	2-3	Reporting period, frequency and contact point	41	
	2-4	Restatements of information		Contact: Johan Florén, Chief ESG and Communication Officer, johan.floren@ap7.se
	2-5	External assurance	49	No restatements have been made in relation to the 2022 sustainability report.
	2-6	Activities, value chain, and other business relationships	6-7, 14, 44	AP7's auditors have performed a limited review of the sustainability report.
	2-7	Employees	34-35	
	2-8	Workers who are not employees		
	2-9	Governance structure and composition	36-39	The work is mainly carried out by AP7's own employees, not by hired consultants.
	2-10	Nomination and selection of the highest governance body	36	
	2-11	Chair of the highest governance body	38	
	2-12	Role of the highest governance body in overseeing the management of impacts	41	The Chairman of the Board is not a senior executive of AP7.
	2-13	Delegation of responsibility for managing impacts	41	
	2-14	Role of the highest governance body in sustainability reporting	41	
	2-15	Conflicts of interest	37, 45	The materiality analysis is conducted by the operations and submitted to the Board as part of the sustainability report which the Board adopts.
	2-16	Communication of critical concerns		A potential conflict of interest was identified in connection with AP7's acquisition of the Urban Escape property. The board member concerned did not participate in the decision.
	2-17	Collective knowledge of the highest governance body	38-39	AP7 has an internal incident reporting system with ongoing reporting to the Board. In 2023, no events have been deemed as critical.
	2-18	Evaluation of the performance of the highest governance body	36	Two of AP7's board members have specific ESG qualifications.
	2-19	Remuneration policies	36, 56-57	The remuneration for board members is determined by the government. Neither employees nor board members have a salary with variable compensation.

GRI Standard	Disclosure	Page reference	Comments and omissions
	2-20 Process to determine remuneration	36, 56-57	
	2-22 Statement on sustainable development strategy	4-5, 14-15	
	2-23 Policy commitments	6, 41	
	2-24 Embedding policy commitments	41-42, 44	
	2-25 Processes to remediate negative impacts	24-25, 34-35, 41-43, 48	
	2-26 Mechanisms for seeking advice and raising concerns	35, 46	AP7 has a whistleblower system managed by an external actor. Whistleblowing and incident reporting is done to the board.
	2-27 Compliance with laws and regulations		In 2023, there were no reported cases of non-compliance resulting in fines or sanctions.
	2-28 Membership associations	44	
	2-29 Approach to stakeholder engagement	42	
	2-30 Collective bargaining agreements	46	All employees are covered by collective bargaining agreements. The CEO, deputy CEO and the COO are exempt from the collective agreement's pension plan.

#### Material topic disclosures

GRI 3: Material topics 2021	3-1 Process to determine material topics	41	
	3-2 List of material topics	43	
	3-3 Management of material topics	43	

#### ECONOMIC STANDARDS

##### Economic performance

GRI 3: Material topics 2021	3-3 Management of material topics	16	
AP7 Own disclosure	Long-term return	9	
GRI 201: Economic performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	17-21, 48	See also AP7's climate action plan, which is available at ap7.se.

##### Anti-corruption

GRI 3: Material topics 2021	3-3 Management of material topics	16, 24-25, 41-42	
GRI 205: Anti-corruption 2016	205-2 Communication and training on anti-corruption policies and procedures	42	
	205-3 Confirmed incidents of corruption and actions taken		In 2023, no confirmed cases of corruption have occurred.

GRI Standard	Disclosure	Page reference	Comments and omissions
<b>ENVIRONMENTAL STANDARDS</b>			
<b>Emissions</b>			
GRI 3: Material topics 2021	3-3 Management of material topics	16-21, 41, 48	
GRI 305: Emissions 2016	305-3 Other indirect greenhouse gas emissions (Scope 3)	21	
<b>SOCIAL STANDARDS</b>			
<b>Employment</b>			
GRI 3: Material topics 2021	3-3 Management of material topics	34-35, 41	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	34	
<b>SECTOR-SPECIFIC DISCLOSURES – FINANCIAL SECTOR</b>			
<b>Product portfolio</b>			
GRI 4: Sector disclosures, Financial services	FS-6 Distribution of product portfolio by region, size and sector	11, 13	
	FS-8 Economic value of products and services with special environmental objectives	16-18	
<b>Active ownership</b>			
GRI 4: Sector disclosures, Financial services	FS-10 Companies in the portfolio that the organisation has interacted with regarding environmental/social matters	16-19	
	FS-11 Proportion of managed capital covered by positive or negative environmental or social screening		All AP7's managed capital is subject to requirements for responsible management based on standards for human rights, labour rights, the environment and anti-corruption.
<b>Society</b>			
GRI 4: Sector disclosures, Financial services	FS-14 Initiatives to improve accessibility to financial services for disfavoured groups in society	16, 33	

The selection of sustainability issues has been based on AP7's mission, operations and working methods, as well as on the Global Reporting Initiative's (GRI's) framework for sustainability reporting and the sector supplement for the financial industry – *Financial Services Sector Supplement*.

# Reporting of climate- and nature-related risks and opportunities

The Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD) are frameworks describing how organisations should report on their climate-related and nature-related risks and opportunities, as well as impacts and dependencies. AP7 has adapted the reporting of climate and nature-related information to the recommendations in these frameworks. The table below summarises AP7's reporting. Additional information can be found on pages 14–32 in this report and in AP7's climate action plan, see [ap7.se](#).

Disclosure	Summary of AP7's reporting		
<p><b>GOVERNANCE</b></p> <p>The Board's oversight of climate- and nature-related risks, opportunities, impacts and dependencies, and the management's role in assessing and managing them. Including human rights policies with respect to the impact of nature-related issues on indigenous peoples.</p>	<p>– AP7's board annually reviews and determines AP7's operational plan, which includes guidelines for active ownership through which we undertake to comply with international conventions, such as the UN Framework Convention on Climate Change and the Paris Agreement, the Convention on Biological Diversity, and the Kunming-Montreal Global Biodiversity Framework. The operational plan also includes guidelines for risk management, including climate- and nature-related risks and opportunities, as well as impact and dependencies. In addition to the annual review, there has been ongoing reporting on TNFD during the year.</p>	<p>– Human rights, including indigenous peoples', are part of our norm foundation that underpins our active ownership dialogue and blacklisting. A particular focus related to biodiversity has not yet been developed within the TNFD-related work.</p> <p>– AP7 annually updates our climate action plan, which is established by the Board and describes how we will contribute to net zero emissions globally by 2050. The Board is regularly informed about our sustainability work and how the work in relation to the goals in the climate action plan is progressing. The Board's</p>	<p>Executive Committee determines which companies are to be blacklisted, and the committee is also involved in other significant sustainability issues.</p> <p>– AP7's Chief Investment Officer is responsible for integrating sustainability aspects, including climate- and nature-related risks, in the investments that are made. The Chief ESG and Communication Officer is overall responsible for implementing sustainability, climate, and nature-related aspects in our active ownership.</p>
<p><b>STRATEGY</b></p> <p>Identified climate- and nature-related risks, opportunities, impacts and dependencies, and their impact on the organisation's strategy, as well as the resilience of the strategy taking different scenarios into consideration, and prioritised areas affected by the organisation's activities.</p>	<p>– AP7 has a long-term investment horizon where the aim is to push for a transition of the economy through active ownership and through investments in businesses that contribute to reduced climate- and nature-related risks. AP7 invests in a large number of companies in different sectors and regions, and the fund's climate-related and nature-related risks are therefore largely the same as in the entire global economy. The diversified holdings reduce savers' exposure to each individual company's risks.</p>	<p>– AP7 has performed an analysis based on three main scenarios for global warming and their respective impact on different asset classes, see AP7's climate action plan.</p>	
<p><b>RISK AND IMPACT MANAGEMENT</b></p> <p>The processes used to identify, assess, and manage climate- and nature-related risks, opportunities, impacts and dependencies, as well as how these processes are integrated in the organisation's overall risk management process.</p>	<p>– Climate change and loss of biological diversity has a significant impact on economic development and thus also on the return of the Equity Fund. Identifying and assessing climate-related and nature-related risks and opportunities is therefore essential and a work in constant development.</p> <p>– AP7's investment philosophy is based on a long-term perspective, and the climate action plan that AP7 publishes annually clarifies how sustainability and climate aspects should be integrated into asset management. In our active asset management, we invest in businesses that offer solutions to the climate</p>	<p>problem, and we have green mandates in all asset classes. AP7 is also developing a transition portfolio that will combine active management with active ownership. Read more on page 12.</p> <p>– Since 2014, AP7 has measured and reported annually the carbon footprint of the equity portfolio. Since 2021, we also report the changes in the footprint that are due to changes in portfolio companies' emissions and the changes that are due to changes to our holdings. AP7 uses the carbon footprint as one of several bases for prioritising our active ownership to push for actual emission reductions in the real economy. In our active ownership,</p>	<p>we prioritise the companies that have the largest climate impact. The prioritised companies make up at least 70 percent of the carbon footprint of our portfolio. In 2022, a baseline measurement was made of the level of transition of these companies. Read more in our climate action plan.</p> <p>– AP7 has carried out an initial identification of the nature-related risks and opportunities, as well as impacts and dependencies, in our shareholdings. The analysis and the implementation of measures will take place on an ongoing basis. AP7 conducts active ownership regarding deforestation and biological diversity.</p>
<p><b>METRICS AND TARGETS</b></p> <p>The metrics and targets used to assess and manage climate- and nature-related risks, opportunities, impacts and dependencies.</p>	<p>– In AP7's climate action plan, we have developed goals within four areas: investments, active ownership, public policy dialogue and transparency. AP7 measures and reports the combined carbon footprint of the portfolio companies in the Equity Fund,</p>	<p>where the goal is for the companies to reduce their emissions. AP7 has signed the Net Zero Asset Owner Commitment within the Paris Aligned Investment Initiative with the overall objective that the fund will contribute to global net zero emissions by 2050.</p>	<p>– Regarding nature-related risks and impacts, we measure the proportion of our investments that are in high-risk sectors and companies with operations in sensitive ecosystems in accordance with TNFD. Read more on pages 22–23.</p>

## Signatures of the Board and of the Managing Director

The Sustainability Report for 2023 has been prepared in accordance with the Seventh AP Fund's Principles for Sustainability Reporting, which correspond to those in the Swedish Annual Accounts Act.

The Sustainability Report in this document is found on pages 14–48.

Stockholm, 8 February 2024

Per Frennberg,  
Chair

Emma Ihre,  
Vice chair

Susanne Ekblom

Elisabeth Frayon

Henrik Saxborn

Mikaela Valtersson

Magnus Vesterlund

Roine Vestman

Anders Wihlborn

Pål Bergström,  
Managing Director

## Auditor's statement regarding AP7's Statutory Sustainability Report

To Seventh AP Fund, national registration number 802406-2302

### Engagement and responsibility

The Board of Directors has been responsible for the sustainability report for 2023 and for ensuring that it has been drawn up in accordance with AP7's principles for sustainability reporting.

### Focus and scope of the audit

Our examination of the statutory sustainability report has been guided by FAR's auditing standard RevR 12, Auditor's report on the statutory sustainability reporting. This means that our examination of the statutory sustainability reporting is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

### Statement

A sustainability report has been prepared.

Stockholm, 9 February 2024

Helena Kaiser de Carolis  
Authorised Public Accountant

Peter Nilsson  
Authorised Public Accountant

# Annual report and accounts

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# Seventh AP Fund Annual Report 2023

Corporate registration number 802406-2302

## DIRECTOR'S REPORT

All amounts in SEK thousands

### Mission of the Seventh AP Fund

Within the Swedish national pension system, part of the pension contribution is allocated to a premium pension and managed in funds according to the individual choices of pension savers. The premium pension system is administered by the Swedish Pensions Agency. The Seventh AP Fund (AP7), which is also a government agency, is tasked with developing and managing the state options within the premium pension system, in particular the Government pre-selection option.

Premium pension savers have their funds invested in AP7 Såfa ('Statens årskullsförvaltningsalternativ') and can then actively choose that their funds be invested in another fund in the premium pension system.

This management report deals with the operations of the 'fund company' AP7, including the products provided by AP7 via the two building block funds, the AP7 Equity Fund and the AP7 Fixed Income Fund.

### The Government offer – six investment alternatives

The Government offer consists of six different investment options; the pre-selection option AP7 Såfa, the two building block funds AP7 Equity Fund and AP7 Fixed Income Fund, and three fund portfolios with different risk levels, AP7 Cautious, AP7 Balanced and AP7 Offensive. All products are available through the Swedish Pensions Agency and can be combined with other funds in the premium pension system.

### Building block funds

The AP7 Equity Fund and the AP7 Fixed Income Fund are the building block funds that the other four AP7 products, AP7 Såfa and the three fund portfolios, are created using. The funds are provided with capital annually, primarily by the Swedish Pensions Agency carrying over the previous year's established pension rights into the funds. For detailed information on the development of these funds, please refer to their specific annual reports.

### AP7 Såfa

AP7 Såfa is not a fund but an instruction to the Swedish Pensions Agency on how each saver's investments should be distributed between the building block funds, AP7 Equity Fund and AP7 Fixed Income Fund. AP7 Såfa consists of the AP7 Equity Fund and the AP7 Fixed Income Fund in different proportions that are adjusted over time according to a life-cycle profile based on the saver's age. Until the age of 55, AP7 Såfa

consists of 100% AP7 Equity fund. Between the ages of 56 and 75, the share of the AP7 Equity Fund is reduced annually and replaced by the AP7 Fixed Income Fund. From the age of 75, the distribution remains constant at 33% AP7 Equity Fund and 67% AP7 Fixed Income Fund.

### Three Government fund portfolios

Through different combinations of the AP7 Equity Fund and the AP7 Fixed Income Fund, three fund portfolios are created with different risk levels – AP7 Cautious, AP7 Balanced, and AP7 Offensive.

- AP7 Cautious consists of 33%<sup>1)</sup> AP7 Equity Fund and 67% AP7 Fixed Income Fund
- AP7 Balanced consists of 50%<sup>1)</sup> AP7 Equity Fund and 50% AP7 Fixed Income Fund
- AP7 Offensive consists of 75%<sup>1)</sup> AP7 Equity Fund and 25% AP7 Fixed Income Fund

### Managed capital and returns

#### Managed capital 2023

In 2023, the Swedish Pensions Agency invested premium pension funds for the 2022 pension rights. In total, the inflow of capital through the purchase of shares in the funds amounted to SEK 45.9 billion (SEK 44.6 billion in 2022). The outflow of capital through the redemption of shares, due to pension payments and premium pension savers switching to other funds, amounted to a total of approximately SEK 13.1 billion (SEK 13.7 billion in 2022).

At the end of 2023, AP7 managed a total of SEK 1,105.6 billion (SEK 905.2 billion), of which SEK 992.0 billion in the AP7 Equity Fund and SEK 113.6 billion in AP7 Fixed Income Fund.

In addition to a net inflow of SEK 32.8 million, the increase in total managed assets is explained by a positive value development during the year as a result of increases in global equity markets and falling interest rates.

#### Return 2023

The stock markets were volatile to begin with, but as inflation slowed down in the autumn, interest rates started to fall and the world's central banks gradually began to signal that they were done with interest rate increases, the world's stock markets have risen relatively sharply. The US economy also proved to be relatively resilient to the interest rate hikes, which further contributed to the stock market rise. The declining inflation also contributed to longer-term bond yields falling sharply

during the autumn, which had a positive impact on the Fixed Income Fund's Swedish bond holdings.

AP7 Såfa has a lifecycle profile. This means that the distribution between investments in equity and fixed income differ between age groups and therefore the return will also vary for savers of different ages. In order to get a fair picture of the value growth on individual pension accounts, savers are referred to their pension account with the Swedish Pensions Agency <sup>2)</sup>. In 2023, AP7's total capital under management, where AP7 Såfa represents 95%, had a return of 18.4%. During the same period, private premium pension funds have on average yielded a return of 16.7%. The difference is explained, among other things, by the fact that AP7's products overall have a higher stock market exposure and a higher currency exposure than the private premium pension funds.

The risk (measured as standard deviation over the last 24 months) for AP7 has been 14.0%, compared to 13.8% on average for the private premium pension funds <sup>3)</sup>.

Since its inception in 2000, the pre-selection option <sup>4)</sup> has yielded an average annual return of 7.8%, compared to 5.3% for the private premium pension funds (time-weighted return).

A saver who invests in the equity market is expected to have a long-term return that exceeds a fixed income investment. A typical premium pension saver who has invested in AP7 since 2000 has received a capital-weighted return of 10.4% per year. Capital-weighted returns indicate the average annual development of an average saver's account and can be compared to the development of the income pension. AP7's ambition for the long-term return is that continuous saving in the pre-selection option throughout employment should yield a long-term return that exceeds that of the income pension by at least two percentage points per year. The development of the income pension during since year 2000 corresponds to 3.2% per year. During the lifetime of the pre-selection option so far, AP7's ambition has thus been exceeded.

<sup>1)</sup> The fund portfolios are rebalanced once a year in connection with the Swedish Pensions Agency's placement of pension rights, which means that the allocation between the AP7 Equity Fund and the AP7 Fixed Income Fund may deviate from the allocation during the year.

<sup>2)</sup> [www.pensionsmyndigheten.se/my\\_pages](http://www.pensionsmyndigheten.se/my_pages)

<sup>3)</sup> The Swedish Pensions Agency calculates indices that reflect the development of funds eligible for the Swedish Pensions Agency's fund marketplace, excluding AP7's products. Discounts on fund fees, agency fees and inheritance gains are not included.

<sup>4)</sup> The Premium Savings Fund up to and including May 2010 and thereafter AP7 Såfa.

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### In 2023, the Government's fund portfolios yielded the following returns:

- **AP7 Cautious** 10.2% (104.8% since its inception in May 2010)
- **AP7 Balanced** 12.6% (173.8% since its inception in May 2010)
- **AP7 Offensive** 16.3% (315.4% since its inception in May 2010)

In 2023, the building block funds, AP7 Equity Fund and AP7 Fixed Income Fund, yielded the following returns:

- **AP7 Equity Fund** 19.9% (benchmark index 18.8%)
- **AP7 Fixed Income Fund** 5.39% (benchmark index 5.2%)

For further information about the AP7 Equity Fund and the AP7 Fixed Income Fund, see the annual reports for each fund.

### Operations Results

In 2023, AP7's revenue from operations amounted to SEK 501.4 million (SEK 443.5 million). The increase is due to the fact that the managed capital increased by SEK 200.4 billion in 2023. Costs, including net interest, amounted to SEK 373.0 million (SEK 457.2 million). Thus, the result was SEK 128.5 million (SEK -13.7 million). Equity at the end of the year was SEK 1,510.4 million (SEK 1,381.9 million).

AP7's revenue is entirely dependent on the size of the managed assets<sup>5)</sup>, while costs are about half of it. The capital-dependent costs consist of fees to external asset managers and custodian bank. The share of capital-dependent costs has fallen as a result of reduced costs for external management that was procured again during the year.

As AP7's revenue depends on the size of the managed assets, any surpluses in asset management activities shall accrue to the premium pension savers. This has been done by gradually reducing the management fees in the funds managed by AP7. Management fees are AP7's only source of revenue, and the amount depends entirely on the size of the managed assets. Therefore, in the event of a sharp and persistent decline in the equity markets, a situation may arise where revenues decrease so much that operations cannot be carried on without raising management fees or drastically reducing costs. In order to reduce this risk, AP7's Board of Directors has decided that a buffer corresponding to twice the average of the projected fixed costs for the next five years is to be built up. This goal has been reached, but as it is difficult to predict the global market development and the cost of the fund's expansion into alternative assets, the Board decided, in December 2023, on unchanged management fees for the AP7 Equity Fund (0.05%) and the AP7 Fixed Income Fund (0.04%) in 2024.

### Key Performance Indicators for AP7 Products – overview

	Return 31/12/2022 -31/12/2023	Average annual return since start (05/21/2010)	Total risk (standard deviation 24-month, %)
AP7 Equity Fund	19.9 %	14.3 %	15.2%
AP7 Fixed Income Fund	5.3 %	0.8 %	3.7 %
AP7 Sāfa <sup>6)</sup>	18.4 %	13.3 %	14.0 %
AP7 Cautious	10.2 %	5.4 %	6.8 %
AP7 Balanced	12.6 %	7.7 %	8.8 %
AP7 Offensive	16.3 %	11.0 %	12.0 %
Private funds	16.7 %	8.9 %	13.8 %

### Return for the pre-selection option compared to the average for the private premium pension funds

	Accumulated returns since start in 2000	Average annual return since start in 2000	Average annual return last 10 years
The pre-selection option <sup>7)</sup>	466.0 %	7.8 %	13.3 %
Private funds	226.8 %	5.3 %	9.6 %

### Decision on revised investment rules for AP7

As of January 1, 2023, new investment rules for AP7 came into force through a decision by the Swedish Parliament (Riksdagen). AP7 is now able to invest up to 20 percent of the fund capital in alternative asset classes, such as private equity, real estate and infrastructure. AP7 has already invested in private equity to a limited extent. A first property investment was carried out in the spring of 2023. This will allow for further diversification of AP7's investments. The Riksdag also decided that AP7's management should be handled in an exemplary manner through responsible investments and responsible ownership, following the same standards as the other AP funds. In its management, AP7 must pay particular attention to how sustainable development can be promoted without sacrificing the overall goal of a long-term high return.

### Year 2023

#### Overall

On June 1, 2023, Pål Bergström took over as CEO of AP7, succeeding Richard Gröththeim, who has been CEO of AP7 since 2010. In September, Lena Fahlén also took over as new Head of Asset Management and deputy CEO.

The year was largely characterised by new investment rules and the

management changes that took place. During spring, AP7 carried out the first real estate transaction when 33 percent of the properties in the city block Urban Escape was acquired from AMF Fastigheter.

In addition to AP7's ongoing operations, other activities were the procurement and implementation of a new portfolio management system, a new data platform for analysis, and the establishment of a special transition mandate, as part of AP7's climate action plan, integrating management and active ownership. The share of green bonds in AP7 Fixed Income Fund also increased during the year. Within the asset management operations, a review of processes has also been carried out aiming to further streamlining the operations.

In connection with the change of CEO, a review of AP7's strategic plan was initiated, aiming to clarify which goals should be governing due to the changed mission that AP7 received through new legislation. The revised strategic plan is extended to 2027 and contains four overarching goals. These are:

1. A value creation with a clear focus on the savers, including, among other things, an updated investment process and a framework for analysing saver benefits adapted to different generations. As a consequence, clear value creation is enabled for different generations of savers in the pre-selection option. In addition, integration of sustainability into the management process is expected to be facilitated, as well as expansion into alternative assets.
2. A management that fully integrates sustainability, that is, an overall sustainability strategy that is fully integrated into the investment process and implemented in all parts of AP7's operations by 2027. At that point in time, AP7 must have actively managed mandates for climate solutions and transition in line with AP7's climate action plan.
3. A professional manager of alternative assets, where the goal is for the share of alternative investments to amount to approximately 10 percent of the Equity Fund's capital. In order to achieve the goal, AP7 needs to build a professional organisation for alternative asset management with deep in-house expertise.
4. An attractive employer and a workplace with a strong collaborative culture – a prerequisite for AP7 to achieve its long-term goals. In the years to come, AP7 must grow and broaden the competence internally in order to be able to carry out the expanded mission resulting from changed legislation and growing volumes in the best way. During this growth phase, it is important to take advantage of employees' experiences and to attract and welcome new employees to an open and inclusive workplace.

<sup>5)</sup> AP7 Equity Fund and AP7 Fixed Income Fund

<sup>6)</sup> Refers to all AP7 savers as a group, and does not include discounts.

<sup>7)</sup> The Premium Savings Fund through May 2010 and thereafter all AP7's products as a group, and does not include discounts.

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### Asset management

In 2023, a new Head of Asset Management took office. The work has focused on preparing the organisation for the opportunity of increasing investments in alternative assets. Adapting the organisation, governance and investment process to new alternative asset classes will continue to be a priority during 2024. In addition, integrating sustainability within the equity portfolio has also been a priority, through the establishment of a special transition mandate, set up together with an external manager, as well as sustainability integration in the Fixed Income Fund through increasing the share of green bonds to just over 30 percent.

During the year, new external managers were also hired after the procurement in beta and risk premium management was completed.

### ESG

As a universal owner, AP7 focuses on norm development and active ownership in collaboration with like-minded investors, with the aim of achieving real economic effects on systemic ESG issues.

During the year, high priority has been given to the continued implementation of the active ownership part of AP7's climate action plan. An overarching focus area for active ownership is that companies with large emissions should plan and adapt their operations to a society with net zero emissions. At the end of the year, AP7 had an in-depth active ownership dialogue with 84 percent of the highest-emitting companies, of which 36 percent carried out a credible transition work.

AP7 has also been member of the TNFD<sup>®</sup> steering group, a global initiative focusing on the development of an international framework for managing and reporting risks related to biodiversity and natural capital. The global launch of the framework took place in September, during the Climate week in New York. Together with the World Wildlife Fund and the Swedish Financial Supervisory Authority, AP7 also launched TNFD in Sweden during November.

In parallel with TNFD, AP7 has carried out a theme work during three years, regarding deforestation and biodiversity. The theme work was completed at the end of 2023.

In 2023, AP7's also published its first complete climate action plan.

### Administration

During the year, administration has focused on continued development with the aim of establishing a flexible, stable and robust platform that provides the conditions for building efficient and effective operations to meet the increased pace of development, following AP7's changed mission with opportunities to invest in alternative asset classes.

Within IT and information security, activities according to established

action plans were carried out during the year. The administration also worked on adapting to the EU taxonomy regulation and the regulation on sustainability-related information (SFDR), which apply to AP7's operations from 1 January 2024.

Procurements have been carried out regarding internal audit services and e-archives. In addition, the procurement of a portfolio management system was carried out. The implementation of the chosen solution is ongoing and is expected to be completed in the first half of 2024. A new solution for system integration between AP7 and external managers was also developed and implemented. All external administrators have now switched to using the new solution.

The development of a modern data platform, including data warehouse functionality, for the storage, processing and analysis of data is ongoing and will be given continued priority in the coming year.

GDPR training and ongoing training in information security was held for all employees during the year.

### Control functions

In the area of risk and regulatory compliance, the work on developing AP7's risk culture and processes for risk governance and management continued, with a focus on issues regarding alternative assets. The development of the fund's management systems and processes is ongoing as part of AP7's ongoing strategy work and this will continue to be a high priority in 2024.

Personnel responsible for the control functions have participated in the fund-wide projects during the year and have also implemented the annual and control plans established by the Board.

Anti-corruption training was held for all employees during the year.

### Human resources and internal communications

During the year, the HR function participated in a number of recruitment processes, including a new Head of Asset Management and employees for asset management, securities administration, risk and return, IT and office services. The function also launched a digital work environment training. In addition, AP7's process for following up employee surveys was strengthened and a new monthly "pulse survey" was developed with the aim of continuously following up on employees' wellbeing and addressing issues at an early stage.

### Collaboration between the AP Funds

The AP Funds' Cooperation Council was established in 2016 to develop cooperation and collaboration between AP1-AP4 and AP7. As of this year, AP6 also participates in the collaborative work. The presidency of the Cooperation Council rotates between the funds and during 2023 AP1 held the presidency. The aim is to collaborate in areas outside the

investment activities with the aim of achieving cost efficiency, efficient use of resources and exchange of experience and knowledge. The collaboration takes place in different established forums in the form of groups with a varying composition of representatives from the different AP funds. The collaborations have in common that they are driven by the added value that they create for each individual fund and for the mutual funds. Each collaboration group formulates its own mission statement and action plan every year, which is followed up and reported semi-annually to the Cooperation Council. At the end of the year, the work was summarised in a report to the CEOs of the funds, a summary which is also used as a basis in the Government's annual evaluation of the AP funds.

### Organisation Management

The Chief Executive Officer (CEO) has established a management team for operations. The team has a strategic focus, and consists of:

- CEO
- Executive Vice President and CIO
- Chief Operations Officer (COO)
- Chief ESG and Communication Officer
- HR manager
- Chief Risk Officer
- Compliance Officer.

The CEO makes decisions in the management team after consultation with other participants. The members of the executive management team constitute AP7's senior executives.

### Asset management

At the end of 2023, the asset management organisation consisted of 13 permanent employees. A large part of the assets are managed by external managers. The main tasks of the internal management are maintaining the agreed exposure level, fixed income management and the management of AP7's private equity portfolio. An expansion of the asset management organisation is underway, with the aim of enabling investments in alternative asset classes with internal resources.

As a large part of the assets are managed externally, AP7 devotes significant efforts to systematically monitoring and evaluating the external managers. The evaluation relates to management performance and compliance with contractual terms and to issues related to internal control and compliance with administrative procedures and regulations.

<sup>®</sup> Taskforce for Nature related Financial Disclosures

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### Administration

AP7's administrative units consist of fund and securities administration, risk and return, IT and information security, business development, finance and reporting, office service, register and legal. At the end of 2023, 21 people were permanently employed in administration.

For AP7, efficiency aspects are of great importance. This means that external services are used in areas when appropriate to ensure high competence, low costs and low vulnerability. This includes, financial and payroll administration, IT operations, internal audit and some legal services, among other areas. This model means that it is important for the organisation to function as a qualified client and to have in place effective and continuous quality and cost control for any outsourced assignments. Evaluation and follow-up of the outsourced services is a natural part of AP7's operations in order to ensure that the outsourcing is appropriate and continues to be cost-effective.

### ESG and communications

AP7 is actively working to continuously develop the information for those who have not made a selection in the premium pension system. In the area of active ownership, we handle matters relating to how AP7 as an owner can influence the companies that we invest in to further the responsibility for sustainability, business conduct and good corporate governance in their operations. At the end of 2023, six people were permanent employees in ESG and communications.

### Control functions

AP7 works according to the principle of "three lines of defence", which means that the business risks are owned and controlled by the business itself, and that the risk work is followed up by the fund's independent risk and compliance functions. The fund's internal auditors, who report to AP7's board, act as a third line of defence. At the end of 2023, two people were employed in the risk and compliance functions. The control functions are also responsible for providing advice and support to the business in matters relating to risk and regulatory compliance.

### Employees

AP7 is a relatively small but highly qualified organisation. It is therefore of great importance that AP7 can attract and retain employees with the appropriate skills for the assignment. Great emphasis is placed on competence development. This is achieved both by providing extensive opportunities for external training and by an expressed goal of increasing employees' knowledge and understanding of the business through internal skills sharing. Through a well-developed process for appraisals, the employees' needs for competence development are documented, and plans are determined.

Great emphasis is also placed on the employees' physical and mental wellbeing, as well as on a healthy work environment. To prevent ill health, all employees are offered a maximum health care allowance of SEK 5,000 per year.

AP7 strives for a gender balance in the organisation. Gender, transgender identity, ethnicity, religion or belief, disability, sexual orientation, age, or any other factor protected by applicable law shall not affect the pay scale.

During the year, seven new employees were hired and three people left the organisation. By the end of 2023, the number of permanent employees was 46 (20 women and 26 men). In addition, AP7 had three hourly employees at the end of 2023. During the year, staff turnover amounted to 6 percent and sick leave to 1.32 percent.

### Governance and control

#### Work of the Board

During the year, board member Tonika Hirdman was replaced by Elisabeth Frayon. In 2023, the Board held six meetings.

The Board has established an executive committee consisting of the Board Chair, Vice Chair and CEO. The Executive Committee decides on the issues that the Board delegates to the committee, including the exclusion of companies AP7 will not invest in according to AP7's guidelines for active ownership. The Executive Committee also serves as a remuneration committee, which is tasked with ensuring compliance with the Government's guidelines for terms of employment for senior executives. The CEO does not participate in the remuneration committee in matters relating to remuneration to himself, and is only adjunct to other matters.

An asset management committee has been established as support and advisor to the CEO in various business decisions and as an advisory body for internal asset management. At the end of 2023, the Asset Management Committee consisted of five board members and two employees (the CEO and the Executive Vice President/CIO). The Board Chair, Per Frennberg, is the chair of the committee.

The Board has also established an audit committee, which prepares regulatory issues of significant importance. In 2023, the Audit Committee consisted of four Board members. Susanne Eklblom is chair of the committee. The Audit Committee meetings are attended by the internal and external auditors when they have something to report, the CEO, the Chief Operations Officer, the Chief Risk Officer and the Compliance Officer.

In 2023, the external auditors were present at one board meeting.

### Ownership issues

Ownership issues refer to how AP7 shall exercise the ownership function that follows from the shareholdings in the AP7 Equity Fund. Guidelines for AP7's active ownership are established annually as part of the business plan. The guidelines state how AP7 shall exercise its ownership function by virtue of the large shareholdings. Since 2012, AP7 has been applying guidelines, which state that active ownership through voting at the general meeting can be done for foreign shares. In general, AP7 votes at the general meetings where possible. AP7 is normally prevented by law from voting for Swedish shares. AP7 works in active ownership and sustainability issues with three parallel themes during three-year cycles. This entails in-depth work within selected focus areas, alongside the four tools used in the business (dialogue, voting, exclusion/blacklisting and legal processes). In 2024, AP7 will work on the themes of Universal Active Ownership, Board Responsibility and Nature.

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## INCOME STATEMENT

Note	2023	2022
<i>Operating revenue</i>		
Management fees	501,424	443,499
	<b>501,424</b>	<b>443,499</b>
<i>Operating expenses</i>		
1 Personnel costs	-111,545	-94,062
2 Other external costs	-134,144	-100,779
External managers and custodian bank	-173,070	-270,174
Depreciation of tangible fixed assets	-238	-423
	<b>-418,997</b>	<b>-465,439</b>
<b>Operating profit</b>	<b>82,427</b>	<b>-21,940</b>
<i>Profit/loss from financial items</i>		
3 Interest income and similar	46,217	8,885
4 Interest expenses and similar	-166	-630
	<b>46,051</b>	<b>8,255</b>
<b>Profit/loss after financial items</b>	<b>128,478</b>	<b>-13,685</b>
<b>Profit/loss for the year</b>	<b>128,478</b>	<b>-13,685</b>

## BALANCE SHEET

Note	2023	2022
<b>Assets</b>		
<i>Tangible fixed assets</i>		
5 Equipment	434	673
<b>Total tangible fixed assets</b>	<b>434</b>	<b>673</b>
<b>Total fixed assets</b>	<b>434</b>	<b>673</b>
<i>Current assets</i>		
6 Prepaid expenses and accrued income	102,227	56,697
7 Other receivables	3,750	3,226
Cash and bank	1,479,431	1,492,379
<b>Total current assets</b>	<b>1,585,408</b>	<b>1,552,302</b>
<b>Total assets</b>	<b>1,585,842</b>	<b>1,552,975</b>
<b>Equity and liabilities</b>		
<i>Equity</i>		
Art	40	40
Retained earnings	1,381,872	1,395,556
Profit/loss for the year	128,478	-13,684
<b>Total equity</b>	<b>1,510,390</b>	<b>1,381,912</b>
<b>Liabilities</b>		
8 Accrued expenses and deferred income	50,155	150,016
Accounts payable	11,977	9,232
Other liabilities	13,321	11,815
<b>Total liabilities</b>	<b>75,453</b>	<b>171,063</b>
<b>Total equity and liabilities</b>	<b>1,585,842</b>	<b>1,552,975</b>
Pledged assets	None	None
Contingent liabilities	None	None

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## Accounting principles

AP7 follows the regulations in the National Pension Insurance Funds Act (2000:192). The accounting principles have not changed in relation to the previous year.

## Revenue reporting

Revenue consists of fixed management fees received from the managed funds. These are recognised as income in the period to which they relate.

## Depreciation principles for fixed assets

Fixed assets are valued at cost less accumulated depreciation. Depreciation is done in percentages as follows:

	2023	2022
Equipment	20 %	20 %
Remodelling of leased premises	30 %	30 %

Depreciation is shown in the note for the balance sheet item.

## Valuation principles, etc.

Assets and liabilities have been valued at cost unless otherwise stated below. Receivables and liabilities in foreign currency have been recorded at the exchange rate on the balance sheet date.

## Receivables

Receivables are recorded at the amounts expected to be received.

All amounts in SEK thousands

## Note 1 Personnel costs

	2023	2022
<b>Number of employees</b>		
Average number of employees	46	43
Employees as of 31 December	49	45
Number of senior executives (as of 31 December)	7	7
<b>Salaries and fees</b>		
Board Chair	218	218
Board excl. Chair	931	846
CEO	4,643	4,747
Executive management excl. CEO	11,367	11,259
Other employees	44,051	34,630
<b>Total</b>	<b>61,210</b>	<b>51,700</b>
<b>Pension costs</b>		
CEO	1,019	1,371
Executive management excl. CEO	7,390	5,699
Other employees	11,458	9,262
<b>Total</b>	<b>19,867</b>	<b>16,332</b>
<b>Social costs</b>		
Board Chair	68	68
Board of Directors excl. Board Chair	293	266
CEO	1,708	1,826
Executive management excl. CEO	5,378	4,932
Other employees	16,093	13,157
<b>Total</b>	<b>23,540</b>	<b>20,249</b>
<b>Senior executives</b>		
Women	3	3
Men	4	4

## Remuneration to senior executives 2023:

	Fixed salary	Other benefits	Pension costs	Total
Chief Executive Officer	4,643	8	1,018	5,669
Executive Vice President/ Chief Investment Officer	3,203	8	1,573	4,784
Chief Operations Officer	1,969	12	967	2,948
Chief ESG and Communications Officer	1,729	6	1,397	3,132
Chief Compliance Officer	1,586	6	1,132	2,724
Chief Risk Officer	1,498	6	1,295	2,799
Human Resources Manager	1,382	7	1,025	2,414
	<b>16,010</b>	<b>53</b>	<b>8,407</b>	<b>24,470</b>

## Remuneration to senior executives 2022:

	Fixed salary	Other benefits	Pension costs	Total
Chief Executive Officer	4,747	7	1,371	6,125
Executive Vice President/ Chief Investment Officer	3,017	6	890	3,913
Chief Operations Officer	2,094	8	822	2,924
Chief ESG and Communications Officer	1,848	6	1,118	2,972
Chief Compliance Officer	1,568	6	1,018	2,592
Chief Risk Officer	1,490	6	1,101	2,597
Human Resources Manager	1,242	7	750	1,999
	<b>16,006</b>	<b>46</b>	<b>7,070</b>	<b>23,122</b>

AP7 applies the collective agreement between BAO and JUSEK/CR/CF (SACO) as well as the Government's guidelines for remuneration to senior executives. The Board of Directors of AP7 has adopted guidelines for the remuneration of senior executives and employees.

No employee has a salary containing a variable component. In addition, the following applies to the CEO, the Executive Vice President and the Chief Operations Officer. The retirement age is 65 years. They are exempt from the pension plan in force under the collective agreement and instead receive individual pension insurance at a cost corresponding to 30% of the fixed salary, in accordance with the Government's guidelines for terms of employment for senior executives in state-owned companies.

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**Note 1 Personnel costs, cont.**

For the CEO and the Executive Vice President, the notice period is six months. In the event of termination by the employer, severance pay may be paid for 12 months after the period of notice, equal to the fixed monthly salary<sup>9)</sup>. Settlement is made against the basic salary and supplements and income from business activities.

For senior executives, excluding the CEO, Executive Vice President and Chief Operations Officer, pension provisions may exceed 30 percent of the salary. This follows from the applicable collective pension plan, BTP1 or BTP2. BTP1 is defined contribution while BTP2 is primarily defined benefit.

The Government's guidelines for senior executives state that remuneration must be moderate and not higher than at comparable companies, while at the same time remuneration needs to be competitive in order not to become an obstacle in recruiting the right competence. This objective is achieved through a clear process in which AP7's Remuneration Committee (chair, vice chair and CEO (adjunct)) prepares the salary framework for all employees, remuneration to senior executives, and negotiates salary and other terms with the CEO. The full Board adopts decisions on remuneration issues after preparation by the Remuneration Committee. The lower limit for the competitiveness of remuneration is influenced by, among other things, seniority requirements and client competence. The requirements are in turn a consequence of the business being run by a small organisation and many subcontractors. The remuneration levels of AP7 employees cannot be significantly below the levels offered by private asset management companies. In 2023, a comparison study was conducted by the independent international consulting firm Willis Tower Watson. The study includes financial actors in Sweden at large, including major banks and other AP funds. The results showed that AP7's remuneration levels are modest and not in any area salary-leading.

In general, the remuneration level is at the median. AP7's Board of Directors therefore assesses that AP7's remuneration levels are overall in line with the levels offered by the private market participants and that the Government's guidelines have been followed in 2023.

The fees of the Board of Directors are decided by the Government. In addition to the fees determined by the Government, a total of SEK 100,000 has been paid to the board members who are members of the Asset Management Committee or the Audit Committee.

**Note 2 Other external costs**

	2023	2022
Audit assignment PwC	667	526
Premises rent	7,089	6,123
Information and data	57,125	36,448
Other external services	62,559	52,444
Other costs	6,703	5,238
<b>Total other external costs</b>	<b>134,143</b>	<b>100,779</b>

**Fees to audit firms**

Audit assignment	667	526
Tax advice	454	3,895
Other advice	73	253
<b>Total fees</b>	<b>1,194</b>	<b>4,674</b>

Audit assignment refers to the auditor's work with the statutory audit.

**Note 3 Interest income and similar**

	2023	2022
Realised gain on sale of securities	46,217	8,885
<b>Total interest income and similar</b>	<b>46,217</b>	<b>8,885</b>

**Note 4 Interest expenses and similar**

	2023	2022
Interest expenses	-2	-358
Exchange rate losses	-164	-272
<b>Total interest expenses and similar</b>	<b>-166</b>	<b>-630</b>

**Note 5 Equipment**

	2023	2022
Opening acquisition value	5,104	5,044
Purchasing	-	97
Decommissioning of equipment	-	-37
Decommissioning	-	-
<b>Closing cumulative acquisition values</b>	<b>5,104</b>	<b>5,104</b>
Opening depreciation	-4,431	-4,033
Cancelled depreciation decommissioned equipment	-	25
Depreciation for the year	-239	-423
<b>Closing cumulative depreciation</b>	<b>-4,670</b>	<b>-4,431</b>
<b>Closing book value</b>	<b>434</b>	<b>673</b>

**Note 6 Prepaid expenses and accrued income**

	2023	2022
Accrued fund fees	45,248	37,797
Other interim receivables	56,979	18,900
<b>Prepaid expenses and accrued income</b>	<b>102,227</b>	<b>56,697</b>

**Note 7 Other receivables**

	2023	2022
Tax asset	3,750	3,226

<sup>9)</sup> 18 months for employment contracts concluded by 31 December 2016

## Seventh AP Fund | Annual Report 2023

**Note 8** Accrued expenses and deferred income

	2023	2022
Accrued personnel costs	9,620	5,011
Accrued costs external managers and custodian bank	31,843	134,812
Tax liability	4,812	3,958
Other interim liabilities	3,879	6,235
<b>Total accrued liabilities and deferred income</b>	<b>50,154</b>	<b>150,016</b>

Stockholm, 8 February 2024

**Per Frennberg**  
Board Chair

**Emma Ihre**  
Vice Chair

**Susanne Ekblom**

**Elisabeth Frayon**

**Henrik Saxborn**

**Magnus Vesterlund**

**Roine Vestman**

**Mikaela Valtersson**

**Anders Wihlborn**

**Pål Bergström**  
Chief Executive Officer

Our audit report was submitted on 9 February 2024

**Helena Kaiser de Carolis**  
*Authorised Public Accountant*  
Appointed by the Government

**Peter Nilsson**  
*Authorised Public Accountant*  
Appointed by the Government

# Auditor's report

For the Seventh AP Fund, corporate identity number 802406-2302

*The audit report regards the full statutory annual report for the Seventh AP Fund and is a copy of the audit report submitted on 08/02/2024.*

## Report on the annual report

### Statement

We have carried out an audit of the annual report for the Seventh AP Fund for 2023.

In our opinion, the annual report has been prepared in accordance with the Act (2000:192) on National Pension Insurance Funds (AP funds) and provides a true and fair view of the financial position of the Seventh AP-fund as of 31 December 2023 and of its financial results for the year in accordance with the National Pension Insurance Funds Act. The management report is consistent with the other parts of the annual report.

We therefore recommend that the income statement and balance sheet be adopted.

### Basis for Statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for preparing the annual report and for providing a true and fair view in accordance with the National Pension Insurance Funds Act. The Board and the CEO are also responsible for the internal control that they deem necessary to prepare an annual report that does not contain any material misstatement, whether due to fraud or error.

When preparing the annual report, the Board of Directors and the CEO are responsible for assessing the fund's ability to continue operations. They disclose, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operation.

### Auditor's Responsibilities

Our objectives are to obtain reasonable assurance as to whether the annual report as a whole does not contain any material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements can arise due to fraud or errors and are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual report.

As part of an audit under ISA, we use professional judgment and have a professionally sceptical approach throughout the audit. In addition, we perform the following steps:

- We identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, design and perform audit procedures, among other things, based on these risks and obtain audit evidence that is sufficient and appropriate to form a basis for our statements. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may include acts of collusion, forgery, deliberate omissions, misinformation or breach of internal control.
- We obtain an understanding of the part of the fund's internal control that is relevant to our audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the estimates of the Board of Directors and the CEO in the accounting and related disclosures.

- We test the suitability of the Board and the CEO using the assumption of continued operations in the preparation of the annual report. We will examine, on the basis of the audit evidence obtained, whether there is any material uncertainty factor relating to such events or circumstances that may lead to significant doubts about the fund's ability to continue operations. If we conclude that there is a material uncertainty factor, we must draw attention to the information in the annual report about the material uncertainty factor or, if such information is insufficient, modify the statement about the annual report. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may cause the fund to no longer be able to continue operations.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report reflects the underlying transactions and events in a manner that provides a true and fair view.

We must inform the Board of Directors of, among other things, the planned scope and focus of the audit and its timing. We must also disclose significant observations during the audit, including any significant deficiencies in internal control that we have identified.

## Report on other legal and regulatory requirements

### Statement

In addition to our audit of the annual report, we have also reviewed the inventory of the assets managed by the Seventh AP Fund. We have also reviewed whether there are any observations to report in respect of the management of the Seventh AP Fund for 2023 by the Board of Directors and the CEO.

The audit did not give rise to any observations concerning the inventory of assets or other management matters.

### Basis for Statements

We have carried out the audit in accordance with good auditing practice in Sweden. Our responsibilities under this section are described in

## Seventh AP Fund | Annual Report 2023

more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the accounting documents and for the management of the fund's assets under the National Pension Insurance Funds Act.

The Board is responsible for the organisation of the fund and the management of the fund's affairs. This includes, among other things, continuously assessing the fund's financial situation and ensuring that the fund's organisation is designed in such a way that the accounting, management of funds and the fund's financial affairs are otherwise controlled in a satisfactory manner. The CEO shall manage the day-to-day management in accordance with the guidelines and instructions of the Board and, among other things, take the measures necessary for the fund's accounting to be completed in accordance with law and for the management of funds to be managed in a satisfactory manner.

### Auditor's Responsibilities

Our goal regarding the audit of the management, and thus our statement on the management, is to obtain audit evidence in order to be able to assess with a reasonable degree of certainty whether there are any matters to be reported indicating deficiencies in the management of the Board and the CEO of the Seventh AP Fund for the financial year 2023.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit conducted according to good auditing practice in Sweden will always detect actions or omissions that may give rise to remarks.

As part of an audit according to good auditing practice in Sweden, we use professional judgment and have a professionally sceptical approach throughout the audit. The audit of the management is primarily based on the audit of the accounts. The additional audit procedures performed are based on our professional assessment based on risk and materiality. This means that we focus the review on such measures, areas and conditions that are essential for the business and where deviations and violations would have particular significance for the Seventh AP Fund. We review and test the decisions made, the basis for decisions, the measures taken and other conditions relevant to our statement about the administration.

Stockholm 9 February 2024

**Helena Kaiser de Carolis**  
*Authorised Public Accountant*  
 Appointed by the Government

**Peter Nilsson**  
*Authorised Public Accountant*  
 Appointed by the Government

# AP7 Equity Fund Annual Report 2023

Corporate registration number 515602-3862

## DIRECTOR'S REPORT

All amounts in SEK thousands

### Investment strategy

The AP7 Equity Fund is an important component in creating a life-cycle profile in the pre-selection option AP7 Såfa and is thus a building block in the national pension system's premium pension component. The fund is also included in the Government's fund portfolios. See further information about these portfolios in the Annual Report for the Seventh AP Fund (AP7).

The objective of the AP7 Equity Fund is to achieve a long-term high return at the chosen risk level, that exceeds the return on the fund's benchmark index (see explanations for key ratios below). AP7 is a universal owner and AP7 Equity Fund is actively managed with a clear sustainability profile. A long-term perspective and diversification are two pillars of AP7's asset management strategy.

Diversification involves risk spreading in several tiers – partly by investing in 3,000 companies around the world, with a broad geographical and sector distribution, what we call the global portfolio. These holdings are supplemented with further broadened investments in emerging markets, smaller companies (small-cap), risk premiums, and in asset types such as unlisted shares in private equity and real estate, so called diversification strategies. AP7 has for many years invested in private equity to a limited extent, but as of 1 January 2023, AP7 has the opportunity to invest in other alternative asset classes, such as real estate and infrastructure.

Diversification also involves a time perspective, since new premium pension capital is allocated every year, which spreads the investments and thereby the savers' risk over their entire working life. The risk level in AP7 Såfa is also adjusted based on the saver's age, from a higher proportion in shares, and thereby higher risk at a younger age, to lower risk and increased stability as the saver approaches retirement.

Leverage, which means that the fund's value development is strengthened in regard to the development of the underlying market, may be used in the fund's management. The aim is both to increase returns in the global portfolio, and to create exposure to certain asset classes, and to manage the portfolio's risks in diversification and risk management.

### Global portfolio

The global portfolio in AP7 Equity Fund consists of global equities. The asset class shall provide a share exposure equivalent to the MSCI All Country World Index<sup>1)</sup>, excluding companies that have been blacklisted. Leverage is achieved using financial instruments (derivative instruments) that increase the investment scope.

### Diversification

In order to spread and streamline risk-taking, the Equity Fund invests in asset classes and strategies that complement the global portfolio. This diversification is handled in several ways and achieved through the following strategies:

#### – Emerging markets

In addition to the exposure to emerging markets through the fund's global exposure, the fund invests further in emerging market equities. The fund thus has a five-percentage point higher exposure to emerging market equities than is provided by market-weighted exposure according to the fund's benchmark.

#### – Small-cap companies

In addition to the exposure to large and medium-sized companies provided by the fund's global exposure, the fund invests in smaller companies (small-cap). The definition is based on MSCI's definition where the market value of a typical small-cap company (median) is SEK 10 billion. At the end of 2023, the fund's small-cap exposure was 3.5 percent.

#### – Factor risk premiums

Investments in factor risk premiums have the potential to diversify the portfolio and lower the risk without adversely affecting long-term expected returns. Factor investing means that portfolios are formed through systematic selection of equities with specific characteristics, such as low valuation, high quality, or positive price development. Exposure to the properties entails risk-taking for which the fund is expected to receive a premium, which in turn is expected to lead to improved risk-adjusted returns over time.

#### – Private equity

The fund's private equity investments shall include indirect investments in unlisted companies. The strategy is long-term and is expected to generate a higher return than listed companies over time.

### – Real estate

As of January 1, 2023, AP7 has the opportunity to invest up to 20 percent of its managed capital in alternative assets. As a result, during the year AP7 made a first real estate investment through the acquisition of 33 percent of the property Urban Escape in Stockholm. In view of AP7's long-term investment horizon, investments in real estate enable even greater risk diversification as the value development for these assets does not align with that of the stock markets.

### Derivative instruments and share loans

The fund rules allow derivative instruments to be used as part of the investment strategy. In 2023, this opportunity was exercised in day-to-day management via share futures and currency contracts. Furthermore, OTC derivatives (Total Return Swaps) are used to create leverage. In 2023, the fund's average net equity market exposure was approximately 115.0 percent (115.2). At the end of 2023, the net equity market exposure amounted to 114.7 percent (115.5) of the fund capital.

Derivative instruments	2023	2022
Derivative gross exposure <sup>2)</sup> %, highest	19.2	20.4
Derivative gross exposure %, lowest	16.9	17.8
Derivative gross exposure %, average	18.2	19

The fund has a share lending program through the Bank of New York Mellon. The program has generated net revenue of SEK 102.5 million during 2023 (87% of total revenue for the share lending program). The cost of the program was SEK 15.8 million (13% of the total revenue for the share lending program).

### Responsible investments

Since its inception in 2000, AP7 has carried out active advocacy work. The starting point for the work on responsible investments is the values that are expressed in international conventions that Sweden has signed regarding human rights, labour rights, the environment and anti-corruption.

Today, AP7 works with combinations of four different advocacy methods for sustainable and responsible investments: advocacy dialogues, being active at general meetings, public blacklisting (exclusion), and legal processes.

<sup>1,2)</sup> See Explanation of Key Performance Indicators, page 65

## AP7 Equity Fund | Annual Report 2023

AP7 also works with three overlapping in-depth themes. Each year, one theme is concluded and a new theme is introduced. The new theme for 2023 was Board Responsibility. Within this theme AP7 will work to promote better corporate governance by holding boards accountable that do not act in the best interests of their shareholders and manage the companies' sustainability risks. The theme of Universal Ownership that started in 2022 continued during the year. The theme of Deforestation and Biodiversity that was initiated in 2021 was completed. The takeaways from this theme have been gradually integrated into AP7's active ownership work and management, and this work will continue. A final report, describing the thematic work 2021–2023, including the main results and conclusions, will be published in 2024.

Within the framework of the theme work and based on AP7's role, mission and investment philosophy, AP7 has identified three roles within which AP7 can best contribute to a sustainable development – as active owner, as enabler and as knowledge builder.

### Advocacy dialogue

AP7 conducts dialogues with companies on cases of reported incidents involving risks of human rights abuse, or risks related to labour rights, the environment and corruption. In addition, AP7 conducts a number of dialogues with other investors within the context of the fund's thematic sustainability work.

In 2023, AP7 conducted in-depth advocacy dialogues with 130 companies on a total of 193 cases of verified or potential norm violations. In addition, a large number of dialogues were held regarding reported incidents, and dialogues with about one hundred companies within our climate action plan and the thematic work.

### Being active at general meetings

AP7's equity portfolio reflects the entire real economy and by making our voice heard at annual general meetings, AP7 has an opportunity to impact the entire equity market. According to the AP Funds Act, AP7 is not allowed to vote at general meetings in Sweden, but since most of the shareholding is outside Sweden, we can still be active in the absolute majority of the nearly 3,000 companies we have invested in.

In 2023, AP7 voted at 4,353 out of 4,409 possible general meetings, corresponding to 99 percent. At 46 percent of these, AP7 has, on some agenda point, voted against the board's recommendation or for a shareholder proposal that the board did not support. AP7 voted at general meetings in 53 countries. Of these, China, the US and Japan dominated, with 62 percent of the meetings held. During the year, AP7 voted on a total of 428 motions on various sustainability issues. We supported a majority of these, 69 percent, abstained in 6 percent, and voted against

25 percent of the proposals. Read more about how AP7 voted on [www.ap7.se/proxy-votingrostning/](http://www.ap7.se/proxy-votingrostning/)

### Public blacklisting

AP7 uses blacklisting to influence companies that violate human rights or that do not comply with international standards regarding labour rights, the environment and anti-corruption. As of 2016, the Paris Agreement to the United Nations Framework Convention on Climate Change has been included and since 2020, the screening includes companies that continue to expand their operations in coal production and coal power. In order to identify and verify violations that companies have been involved in, AP7 collects information from a large number of sources, including sources within the UN system and other intergovernmental organisations, authorities, courts, media and NGOs. The information is quality assured, an assessment is made of the company's responsibility, as well as if its actions are in violation of AP7's principles and norms. Several external experts support AP7 in this process.

The list of excluded companies, as well as the reason for exclusion, is published twice a year in order to influence the companies. The companies are normally excluded for five years, after which AP7 invests in the company again provided that the violation has ceased and no new incidents have occurred. In December 2023, a total of 106 companies were excluded from AP7's investment universe. The list is available at [www.ap7.se](http://www.ap7.se).

### Legal processes

In the US, AP7 makes use of the opportunity to pursue legal proceedings through class action against companies that have mistreated shareholders and adversely affected the share price. This may include companies that withhold accurate information in order to avoid affecting the share price. The purpose of is both to point out and discourage companies from acting fraudulently and to recover money to compensate savers. A majority of the court cases end in a settlement. AP7 had 17 ongoing legal proceedings at the end of 2023.

Read more about our work with responsible investments in AP7's sustainability report and on [www.ap7.se/hallbarhet/](http://www.ap7.se/hallbarhet/)

### Significant risks as of the balance sheet date

The AP7 Equity Fund is a global equity fund where leverage is used in the management. Developments in the equity market constitute the single biggest risk and a significant drop in the global equity markets can lead to a sharp decline in returns. Since the majority of the fund's assets are located outside Sweden, and no assets are hedged, the fund is exposed to major currency risk.

### Performance development

The AP7 Equity Fund achieved a total return of 19.9 percent in 2023, which was 1.1 percentage points above the fund's benchmark index.

The majority of the capital in AP7 Equity Fund is invested in line with the global index, MSCI ACWI, which consists of large and medium-sized listed companies in 23 developed markets and 24 emerging markets. The global equity portfolio, and above all holdings in developed markets, contributed the most to the positive return. The rise in US technology companies was the main contributor.

Of the Equity Fund's risk-spreading elements, emerging markets had a weaker development than the rest of the world. Holdings in unlisted assets made a positive contribution, while factor risk premiums (stocks selected for specific characteristics) developed negatively compared to the global index. The small-cap portfolio had a relatively weaker development than large companies.

The Swedish krona hit a record low in August, the lowest so far against the Euro. The weakening of the krona contributed positively to the return until the summer, due to the large proportion of US shares in the fund. However, for 2023 as a whole the currency effect was negative as the Swedish krona strengthened at the end of the year.

### Market development

2023 was yet a year with relatively large movements on the world's stock markets, but despite the volatility, a positive return was noted for the year as a whole. The development was largely characterised by the world's central banks continuing their tightening measures to combat high inflation, which caused a sharp rise in long-term interest rates through October.

"Many stock markets started the year strongly supported by, among other things, optimism linked to the reopening of the Chinese market after the pandemic. The world economy was relatively resilient, despite the high inflation and high interest rates, and many companies managed to keep their profits up," says Lena Fahlén, Head of Asset Management and Executive Vice President at AP7.

The world has continued to be affected by geopolitical unrest. Alongside the war in Ukraine, the relationship between the US and

## AP7 Equity Fund | Annual Report 2023

China remained tense, as well as between China and Taiwan. During the autumn, the conflict in the Middle East also flared up.

“Offshoring has been a theme since the pandemic and many companies have started to review their possibilities of withdrawing from China as a result of the geopolitical situation – either to move production closer to their home countries or to other emerging markets,” says Kristina Styf, Senior Portfolio Manager at AP7.

The stock markets then retreated in connection with the spring banking crisis that started in the United States, but spread to Europe where UBS took over the Swiss bank Credit Suisse. After that, the stock markets made a strong recovery. The US market, which weighs heavily in the global index, was mainly driven by the rise in the technology sector which benefited, among other things, from the great interest in artificial intelligence (AI).

After a strong first half of the year, the global stock market turned downwards at the end of the summer. Again, marked by concerns over high interest rates as the central banks continued to raise policy rates at a rapid pace. Some interest-sensitive sectors such as real estate were affected. Meanwhile, China’s economy showed signs of stagnation.

In the autumn, however, there were signals that inflation was on the way down and when the actual figures were presented, the markets were relieved. The US central bank was the first to pause its interest rate hikes, followed by the European central bank and then the Riksbank. Falling inflation and long-term interest rates supported the stock market developments. In December, it was announced that the US central bank plans to lower the key interest rate in 2024, which further contributed to strong stock markets.

“The fact that the American economy has been resilient has contributed to a relatively positive stock market throughout the year. Households have continued to use their savings to consume, employment has held up and no recession occurred. Now, however, there are signs that the Americans’ savings surplus is about to run out and the economy is weakening,” says Christer Wanngård, Senior Portfolio Manager at AP7.

At the end of the year, however, it could be stated that Sweden had entered recession as growth fell for the second quarter in a row. The Swedish economy is sensitive to interest rates, and the real estate industry and construction industry are two sectors that have been hit hard by the Swedish central bank’s interest rate increases.

The inflow of capital to the Equity Fund amounted to SEK 21.3 billion in 2023. Outflow amounted to SEK -5.9 billion.

### The fund’s ten largest listed holdings as a percentage of fund capital at the end of 2023

Apple Computer Inc	4.04
Microsoft Corp	3.51
Amazon.com Inc	1.85
Nvidia Corp	1.62
Alphabet Inc – Class A	1.16
Facebook Inc – A	1.07
Taiwan Semiconductor	1.00
Alphabet Inc Class C	0.96
Tesla Inc	0.91
JP Morgan Chase and Company	0.66
<b>Total of ten largest holdings</b>	<b>16.79</b>

### Significant events after the balance sheet date

On 22 November 2023, the Swedish Parliament decided that AP7, and thus the funds managed by AP7, should be subject to the EU’s Sustainable Finance Disclosure Regulation, SFDR (2019/2088) and the EU’s green taxonomy regulation.

The EU regulation sets requirements for information on, among other things, environmental and social sustainability, and replaces the requirements for sustainability information that currently apply to AP7. This means that AP7 must provide more comprehensive and detailed sustainability information and that it must be available in the respective fund’s information brochure, website and annual report. The new rules will come into force on 1 January 2024.

## AP7 Equity Fund | Annual Report 2023

## KEY PERFORMANCE INDICATORS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Fund assets (MSEK)</b>	992,025	814,003	879,041	655,423	616,662	418,944	396,162	314,874	261,072	235,725
Number of shares (thousands)	1,699,846	1,672,798	1,628,143	1,628,291	1,603,903	1,483,257	1,361,024	1,273,624	1,230,448	1,184,861
Share price (SEK)	583.60	486.61	539.9	402.52	384.48	282.45	291.08	247.21	212.15	198.93
<b>Return</b>										
Fund yield (%)	19.9	-9.9	34.1	4.7	36.2	-3.0	17.7	16.5	6.6	31.1
Benchmark index: <sup>1)</sup> (%)	18.8	-5.6	31.2	2.5	33.5	-3.3	18.0	16.5	6.2	30.8
<b>Average return</b>										
2 years (%)	4.0	10.0	18.5	19.4	14.9	6.9	17.1	11.5	18.3	32.6
5 years (%)	15.6	10.8	16.9	13.7	14.1	13.2	20.8	17.3	14.5	-
Since fund start (%)	14.3	13.9	16.2	14.6	15.7	13.6	15.9	15.7	15.5	17.5
<b>Risk measure <sup>2)</sup></b>										
Total risk fund (%)	15.2	14.1	17.6	19.3	15.1	12.5	10.8	17.2	16.7	10.2
Total risk benchmark index (%)	13.4	12.5	15.6	17.2	14.1	12.6	9.7	17.1	16.8	9.4
Active risk (%)	2.3	2.0	2.5	2.7	2.0	0.8	1.7	1.9	2.0	2.6
Active share (%)	31.0	29.1	28.2	28.1	27.2 <sup>4)</sup>	11.7	8.2	8.6	9.9	-
Relative VaR MC 99% average year (%)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	-	-	-
Relative VaR MC 99% max during the year (%)	1.2	1.2	1.1	1.1	1.1	1.2	1.3	-	-	-
Relative VaR MC 99% min during the year (%)	1.1	1.1	1.1	1.0	1.0	1.0	1.0	-	-	-
Relative VaR MC 99% per balance sheet date (%)	1.1	1.1	1.1	1.1	1.1	1.1	1.1	-	-	-
Turnover rate (%)	9.0	9.3	7.0	16.7	8.5	8.0	8.9	13.0	16.9	19.3
<b>Fees</b>										
Management fee (%)	0.05	0.05	0.075	0.08	0.09	0.10	0.11	0.11	0.12	0.12
Annual fee (%) <sup>3)</sup>	0.06	0.07	0.09	0.10	0.11	0.13	0.13	0.14	0.15	0.15
Deposit/Withdrawal fee	None	None	None	None	None	None	None	None	None	None
<b>Transaction costs</b>										
Total (SEK thousand)	42,226	73,277	80,168	136,349	119,792	106,292	97,642	100,378	106,288	93,702
Share of turnover (%)	0.02	0.04	0.06	0.05	0.08	0.09	0.09	0.11	0.1	0.1
One-time deposit SEK 10,000 (SEK)	5.7	6.3	8.9	7.6	11.0	10.5	11.9	12.1	13.2	13.5

<sup>1)</sup> See explanation of key performance indicators<sup>2)</sup> Risk measures are based on two years of historical monthly returns and are calculated in accordance with the guidelines of the Swedish Investment Fund Association. For more information, see [www.fondbolagen.se](http://www.fondbolagen.se).<sup>3)</sup> Includes actual and estimated fees for alternative investments.<sup>4)</sup> The increase in Active share is explained by the change of the benchmark index 01/01/2019 and that an exposure-based calculation method has been chosen.**Management fee**

The AP7 Equity Fund pays a management fee to AP7 on the last day of each month. The fee is calculated daily at 1/365th of the value of the fund and covers costs for, among other things, management, administration, accounting, storage of securities, auditing, information and supervision. In 2023, the fee amounted to 0.05% of the fund's wealth.

Transaction costs, in the form of commissions to brokers and fees to custodian banks for securities transactions, are charged directly to the AP7 Equity Fund and are not included in the management fee. Fees paid to managers of the fund's holdings in unlisted assets (private equity) are also not included in the fee but are charged directly to the Equity Fund.

# Explanations of key performance indicators

## Active risk

A measure of how much a fund's share value varied compared to its benchmark index. A high active risk means that the fund's investments deviated significantly from the benchmark index during the period. The return on a portfolio with high active risk can be significantly greater or less than the return on indices. The measure is based on the performance of the fund shares and benchmarks over the past two years.

## Active share

A measure of how much of the fund's holdings deviate from the composition of the benchmark index, according to the recommendation of the Swedish Investment Fund Association.

## Annual fee (%)

Refers to all costs of the fund excluding interest expense, performance-based fees and transaction costs. Management fees for alternative investments are included. The measure of costs charged to the fund over the past 12 months is expressed as a percentage of the fund's assets. The annual fee is calculated according to "CESR's guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document" [https://www.esma.europa.eu/sites/default/files/library/2015/11/10\\_674.pdf](https://www.esma.europa.eu/sites/default/files/library/2015/11/10_674.pdf)

## Benchmark index

Since 01/01/2019, the fund's benchmark index is the MSCI All Country World Index (Gross). The benchmark index constitutes a relevant reference in relation to the fund's investment focus, asset class and markets.

## Cost of one-time deposit, SEK 10,000

Management costs according to the income statement in SEK attributable during the year to a shareholding amounting to SEK 10,000 at the beginning of the year and retained in the fund throughout the year.

## Derivative exposure

A measure of a fund's use of derivatives and other techniques and instruments. The calculation of the derivative exposure is based on the regulations of the Swedish Financial Supervisory Authority. It is calculated according to the underlying exposure value, which means that no so-called delta adjustments are made. Net calculation is not based upon short and long positions. This means that the value provides a simplified picture of the fund's exposure and may differ from data specified in other contexts.

## Relative Value-at-Risk

AP7 uses a relative Value-at-Risk model to calculate aggregate exposure in the fund. The Monte Carlo model is used with a confidence level of 99 percent with a time horizon of one month. The measure aims to show how much the fund is expected to lose relative to the reference index over a certain period of time and with a specific degree of certainty, under normal market conditions. When calculating total exposure, the fund's Value-at-Risk is compared to Value-at-Risk for the reference index MSCI ACWI.

The fund's Value-at-Risk may not exceed twice the Value-at-Risk for the reference portfolio.

## Return and risk calculations

The AP7 Equity Fund's return and risk are calculated on the fund's Net Asset Value (NAV) rate, which is used in the purchase and redemption of shares. This method means that the return is reported after deduction of the management fee that the AP7 Equity Fund pays to AP7. The NAV price assessment uses the prices of the fund's assets that relate to the latest payment rate.

## Total risk (standard deviation)

A measure of how much the share value has varied over a given period. Large variations in share value usually involve a higher risk but also a chance of better value growth. The measure is based on the performance of the fund shares and benchmarks over the past two years.

## Transaction cost

Commission and transaction fees to custodian bank.

## Turnover rate

Measures how many times securities have been purchased or sold in relation to the fund assets. The measure is stated as a percentage and is calculated by dividing the lower of the total amount of securities purchased or the total amount of securities sold during the period by the average fund assets.

## AP7 Equity Fund | Annual Report 2023

**BALANCE SHEET**

Note	31/12/2023		31/12/2022		
		Percentage		Percentage	
<b>Assets</b>					
1	Transferable Securities	952,731,434	96.0	792,055,955	97.3
	OTC derivative instruments with positive market value	3,048,179	0.3	96,223	0.0
	Other derivative instruments with positive market value	0	0.0	0	0.0
	<b>Total financial instruments with positive market value</b>	<b>955,779,613</b>	<b>96.3</b>	<b>792,152,178</b>	<b>97.3</b>
	Bank balances and other cash and cash equivalents	34,084,794	3.4	24,372,357	3.0
	Prepaid expenses and accrued income	633,340	0.1	529,070	0.1
	Other assets	3,422,607	0.3	804,519	0.1
	<b>Total assets</b>	<b>993,920,354</b>	<b>100.2</b>	<b>817,858,124</b>	<b>100.5</b>
<b>Liabilities</b>					
	OTC derivative instruments with negative market value	187,605	0.0	1,900,154	0.2
	Other financial instruments with negative market value	0	0.0	1,863,457	0.2
	<b>Total financial instruments with negative market value</b>	<b>187,605</b>	<b>0.0</b>	<b>3,763,611</b>	<b>0.5</b>
	Prepaid revenue and accrued expenses	42,017	0.0	37,908	0.0
	Other liabilities	1,665,286	0.0	53,890	0.0
	<b>Total liabilities</b>	<b>1,894,908</b>	<b>0.2</b>	<b>3,855,409</b>	<b>0.5</b>
2	<b>Fund assets</b>	<b>992,025,446</b>	<b>100.0</b>	<b>814,002,715</b>	<b>100.0</b>

All amounts in SEK thousands

Memorandum items		31/12/2023	31/12/2022
14	<i>Borrowed securities and collateral received</i>		
	Lending financial instruments	21,892,025	19,631,541
	Received collateral (government bonds, at least AA-rated) for loaned financial instruments	23,038,739	20,584,902
15	Collateral received (cash) for OTC derivative instruments <sup>3)</sup>	5,141,506	-
	Pledged collateral (cash) for OTC derivative instruments	-	1,316,618
<i>Borrowed securities and pledged securities</i>			
	Borrowed financial instruments	-	3,636,047
	Pledged collateral (shares) for borrowed financial instruments	-	3,991,279
	Pledged collateral (cash) for other derivative instruments	1,901,496	1,389,567
<i>Outstanding commitments</i>			
	Residual investment commitments in private equity	21,178,949	18,922,969

<sup>3)</sup> The amount refers to collateral received for the value of transactions as per the last banking day before the closing date.

## AP7 Equity Fund | Annual Report 2023

## INCOME STATEMENT

Note		2023	2022
<b>Revenue and change in value</b>			
3	Change in value of transferable securities	123,433,891	-73,625,617
4	Change in value of OTC derivative instruments	16,635,661	-29,281,875
5	Change in value of other derivative instruments	3,528,750	-4,390,641
6	Interest income	1,035,842	235,946
7	Dividends	18,898,767	16,922,043
8	Net foreign exchange gains and losses	-457,997	3,407,152
9	Other financial income	338,936	134,675
10	Other income	144	0
	<b>Total revenue and change in value</b>	<b>163,413,994</b>	<b>-86,598,317</b>
<b>Costs</b>			
11	Management costs	-463,995	-410,004
12	Other financial costs	-254,337	-206,952
13	Other costs	-34,291	-41,951
	<b>Total costs</b>	<b>-752,623</b>	<b>-658,907</b>
	<b>Profit for the period</b>	<b>162,661,371</b>	<b>-87,257,224</b>

## Accounting principles

The annual report for the fund has been prepared in accordance with the National Pension Insurance Funds Act (2000:192) and the Swedish Financial Supervisory Authority's regulations on mutual funds (2013:9).

Business day accounting is applied, which means that the transactions affect the balance sheet on the business day, i.e. at the time when the material rights and thus the risks transition between the parties.

All financial instruments are valued at fair value. This means that listed equity securities, including listed equity index futures and derivative instruments traded on a regulated market, are valued at the latest payment price on the last day of trading during the accounting period.

Foreign financial instruments are converted to Swedish kronor at the latest payment price on the last trading day during the reporting period.

Currency derivatives are valued at the latest exchange rates on the last day of trading during the reporting period.

Unlisted equity securities, consisting of indirect investments in private equity funds, are measured according to the latest available fair value information with daily adjustment based on a relevant index based on how private equity firms have developed.

OTC derivatives (Total Return Swaps) are valued according to a model based on market-listed interest rates and information from the index provider on the development of the relevant share index on the last day of trading during the period.

When calculating capital gains and losses, the average cost basis method is used.

Borrowed securities are not reported in the balance sheet but are included as a memorandum item. Paid premiums (expense interest) for borrowed securities are reported as other financial costs.

Securities lent are included in the balance sheet. The market value, as well as the collateral received, is shown in memorandum items. Premiums received for loaned securities are reported as other financial income.

## Tax

The AP7 Equity Fund is not taxable in Sweden. For investments abroad, there may in some cases be a tax liability in the form of a so-called definitive withholding tax on dividends.

*All amounts in SEK thousands*

## AP7 Equity Fund | Annual Report 2023

**Note 1 Transferable securities**

	31/12/2023		31/12/2022	
Transferable securities	912,109,171	91.9	764,054,312	93.9
Transferable securities – unlisted	37,891,546	3.8	28,001,643	3.4
Bonds and other interest-bearing securities	2,730,717	0.3	–	–
<b>Total transferable securities</b>	<b>952,731,434</b>	<b>96.0</b>	<b>792,055,955</b>	<b>97.3</b>

**Note 2 Change in fund assets**

	01/01/2023 – 31/12/2023	01/01/2022 – 31/12/2022
Fund assets at the beginning of the period	814,002,715	879,040,705
Share issue	21,289,211	30,829,769
Share redemption	-5,927,851	-8,610,535
Profit for the period according to the income statement	162,661,371	-87,257,224
<b>Fund assets at the end of the period</b>	<b>992,025,446</b>	<b>814,002,715</b>

**Note 3 Specification of change in value of transferable securities**

	2023	2022
Realised price result	15,372,020	13,738,752
Realised currency result	10,639,187	7,988,671
Unrealised price result	127,602,647	-156,060,171
Unrealised currency result	-30,179,963	60,707,131
<b>Total</b>	<b>123,433,891</b>	<b>-73,625,617</b>

\* Disposal of investment in the Legal, Financial and Administrative Services Agency's Corporate Bond Consortium FRN.

**Note 4 Specification of value change of OTC derivative instruments**

	2023	2022
Realised price result	11,971,156	-23,855,486
Unrealised price result	4,664,505	-5,426,389
<b>Total</b>	<b>16,635,661</b>	<b>-29,281,875</b>

Refers only to Total return swaps.

**Note 5 Specification of change in value of other derivative instruments**

	2023	2022
Realised price result	3,069,689	-8,325,936
Realised currency result	459,061	3,875,020
Unrealised price result	0	60,275
<b>Total</b>	<b>3,528,750</b>	<b>-4,390,641</b>

**Note 6 Specification of interest income**

	2023	2022
Interest-bearing	997,223	232,109
Short-term interest investments	1,492	3,837
Bank accounts	37,127	–
<b>Total</b>	<b>1,035,842</b>	<b>235,946</b>

**Note 7 Specification of dividends**

	2023	2022
Dividends	19,575,694	17,693,303
Coupon tax	-1,192,810	-1,025,525
Restitution	515,883	254,265
<b>Total</b>	<b>18,898,767</b>	<b>16,922,043</b>

**Note 8 Specification of exchange rate gains and net losses**

	2023	2022
Currency derivatives	-62,216	-50,061
Bank accounts	-395,781	3,457,213
<b>Total</b>	<b>-457,997</b>	<b>3,407,152</b>

**Note 9 Specification of other financial income**

	2023	2022
Premium loaned shares	102,450	91,085
Interest income	166,495	11,981
Other financial income	69,991	31,609
<b>Total</b>	<b>338,936</b>	<b>134,675</b>

**Note 10 Specification of other income**

	2023	2022
Compensation from managers	144	0
<b>Total</b>	<b>144</b>	<b>0</b>

## AP7 Equity Fund | Annual Report 2023

**Note 11 Specification of management cost**

Remuneration to AP7 for management has been paid at 0.05% (0.05%) per year on the managed assets. This leads to a management cost of SEK 463,995 thousand (SEK 410,004 thousand) for the full year 2023.

In 2023, 49 people received fixed remuneration from AP7. No variable remuneration has been paid. The total paid out to specially regulated staff is SEK 28,284 thousand (23,122) to the executive management <sup>4)</sup> (seven people), and SEK 21,217 thousand (18,839) to those involved in risk-based management activities (twelve people)

Remuneration includes paid salary, other benefits and pension costs. For details, see Note 1 of AP7's Annual Report.<sup>5)</sup> Compensation to managers employed by external asset management companies is handled internally within each organisation. PwC as external auditors are commissioned by the Government to, among other things, review remuneration to senior executives and ensure that the review did not lead to any deviations in relation to the Seventh AP Fund's remuneration policy.

**Note 12 Specification of other financial costs**

	2023	2022
Premier share deposits	-7,935	-31,326
Compensation paid for dividends when depositing shares	-11,490	-78,517
Interest expense	-29,081	-9,376
Other financial costs	-205,831	-87,733
<b>Total</b>	<b>-254,337</b>	<b>-206,952</b>

**Note 13 Specification of other costs**

	2023	2022
Commission	-28,564	-33,041
Transaction fees to BNY	-5,727	-8,910
<b>Total</b>	<b>-34,291</b>	<b>-41,951</b>

**Note 14****Specification of the top 10 counterparties for securities lending**

	Country	Settlement type	Open term
Merrill Lynch International	UK	Tripartite agreement	
BofA Securities Inc	US	Tripartite agreement	
JP Morgan Securities Plc.	UK	Tripartite agreement	
Goldman Sachs International	UK	Tripartite agreement	
UBS AG	Switzerland	Tripartite agreement	
Citigroup Global Markets Limited	UK	Tripartite agreement	
HSBC Bank PLC	UK	Tripartite agreement	
Morgan Stanley & Co. International PLC	UK	Tripartite agreement	
Goldman, Sachs & Co. LLC	US	Tripartite agreement	
Macquarie Bank Limited	Australia	Tripartite agreement	
<b>Total securities lending 31/12/2023</b>			<b>21,892,025</b>
<b>% of tradable assets</b>			<b>2.2</b>
<b>% of fund assets</b>			<b>2.2</b>

**Specification of the 10 largest issuers of collateral for securities lending**

Government bonds	Currency	Market value	Term					
			< 1 day	1-7 days	8-30 days	1-3 months	4-12 months	> 1 year
The US Government	USD	10,873,564			136,108	243,063	279,237	10,215,157
The UK Government	GBP	3,364,079				17,622	82,636	3,263,821
The German Government	EUR	2,280,739						2,280,739
The French Government	EUR	2,247,372						2,247,372
The Dutch Government	EUR	1,891,609						1,891,609
The Canadian Government	CAD	956,191					587,519	368,672
The Australian Government	AUD	729,858						729,858
The Swiss Government	CHF	492,710						492,710
The Belgian Government	EUR	202,618						202,618
<b>Total market value 10 largest</b>		<b>23,038,739</b>						

Collateral is not reused. All collateral is held in a separate account with the fund's custodian bank, Bank of New York Mellon.

<sup>4)</sup> The executive management includes 2 people responsible for control functions.

<sup>5)</sup> Further information on AP7's remuneration system can be found in the remuneration guidelines, at [www.ap7.se](http://www.ap7.se).

## AP7 Equity Fund | Annual Report 2023

## Note 15

## Specification of counterparties for total return swaps

	Country	Settlement type	Term					
			< 1 day	1-7 days	8-30 days	1-3 months	4-12 months	> 1 year
JP Morgan AG	Germany	Bilateral			2,841,440	14,149,584	31,200,227	
Citigroup Global Markets Europe AG	Germany	Bilateral			8,597,988	5,288,291	19,985,072	
Goldman Sachs International	UK	Bilateral			1,235,303	3,788,022	18,040,037	
UBS AG	Switzerland	Bilateral					19,820,974	
BNP Paribas	France	Bilateral				6,061,545	12,363,133	
BAML	France	Bilateral					7,429,794	
<b>Total outstanding nominal gross volume 31/12/2023</b>								<b>150,801,410</b>
<b>% of fund assets</b>								<b>15.20</b>

## Specification of issuers of collateral for total return swaps

	Currency	Market value	Open term
Cash and cash equivalents	USD	1,958,932	1,958,932
Cash and cash equivalents	USD	3,182,574	3,182,574

If cash is received, it is reinvested in short-term money market funds (STIFs). All collateral is held in separate accounts with the fund's custodian bank, Bank of New York Mellon.

Following the financial crisis of 2008/2009, regulators around the world have increased the demands on how reference rates are developed. This has meant, among other things, that decisions have been made to replace the interbank rate LIBOR traded in London with alternative interest rates. As of 31 December 2021, Libor has been replaced by SONIA for Pounds, by TONA for Yen and by SARON for Swiss Francs. USD Libor was replaced by SOFR as of 30 June 2023.

**AP7 Equity Fund | Annual Report 2023**

Stockholm, 8 February 2024

**Per Frennberg**  
Board Chair

**Emma Ihre**  
Vice Chair

**Susanne Ekblom**

**Elisabeth Frayon**

**Henrik Saxborn**

**Magnus Vesterlund**

**Roine Vestman**

**Mikaela Valtersson**

**Anders Wihlborn**

**Pål Bergström**  
Chief Executive Officer

Our audit report was submitted on 9 February 2024

**Helena Kaiser de Carolis**  
*Authorised Public Accountant*  
Appointed by the Government

**Peter Nilsson**  
*Authorised Public Accountant*  
Appointed by the Government

# Auditor's report

For AP7 Equity Fund, corporate registration number 515602-3862

*The audit report regards the full statutory annual report for AP7 Equity Fund and is a copy of the audit report submitted on 9/02/2023.*

## Report on the annual report

### Statement

As auditors in the Seventh AP Fund, organisation number 802406-2302, we have carried out an audit of the AP7 Equity Fund Annual Report for 2023, with the exception of the sustainability information on pages 3–4 (the "Sustainability Information").

In our opinion, the annual report has been prepared in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds and provides a true and fair view in all material respects of the AP7 Equity Fund's financial position as of 31 December 2023 and of its financial results for the year in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds. Our statements do not include the sustainability information on pages 3–4.

### Basis for Statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

### Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO of the Seventh AP Fund are responsible for the preparation of the annual report and that it provides a true and fair view in accordance with the National Pension Insurance Funds Act and the Swedish Financial Supervisory Authority's regulations on securities funds. The Seventh AP Fund is also responsible for the internal control it deems necessary to prepare an annual report that does not contain any material misstatement, whether due to fraud or error.

### Auditor's Responsibilities

Our objectives are to obtain reasonable assurance as to whether the annual report as a whole does not contain any material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements can occur due to fraud or mistakes and are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual report.

As part of an audit under ISA, we use professional judgment and have a professionally sceptical approach throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, design and perform audit procedures, among other things, based on these risks, and obtain audit evidence that is sufficient and appropriate to form a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to mistakes, as fraud may include collusion, forgery, deliberate omissions, misinformation or breach of internal control.
- We obtain an understanding of the part of the Seventh AP Fund's internal control that is relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the Seventh AP Fund's estimates in the accounting and related disclosures.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report reflects the underlying transactions and events in a way that provides a true and fair view.

We must inform the Seventh AP Fund of, among other things, the planned scope and focus of the audit and its timing. We must also disclose significant observations during the audit, including any significant deficiencies in internal control that we have identified.

### The auditor's opinion regarding the statutory sustainability information

The Seventh AP Fund is responsible for the sustainability information on pages 3–4 and that it is prepared in accordance with the Securities Funds Act.

Our review of the sustainability information for the fund has been conducted with guidance, where applicable, of FAR Recommendation RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our review of the sustainability information has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with sufficient grounds for our statement.

Sustainability information has been provided in the annual report.

Stockholm 9 February 2024

**Helena Kaiser de Carolis**  
*Authorised Public Accountant*  
 Appointed by the Government

**Peter Nilsson**  
*Authorised Public Accountant*  
 Appointed by the Government

# Fixed Income Fund Annual Report 2023

Corporate registration number 515602-3870

## DIRECTOR'S REPORT

All amounts in SEK thousands

### Investment strategy

The AP7 Fixed Income Fund is an important component for creating a life-cycle profile in the pre-selection option AP7 Såfa, and thus a building block in the national pension system's premium pension savings. The fund is also included in the Government's fund portfolios. See further information about these portfolios in the Annual Report for the Seventh AP Fund.

AP7 Fixed Income Fund is a low-risk fund that invests in green bonds with low credit risk, as well as in mortgage, municipal and government bonds in Swedish kronor. The objective of AP7 Fixed Income Fund is that the return should at least correspond to the return for the benchmark index (see explanations for the key performance indicators below). The average fixed-rate period is normally three years. The AP7 Fixed Income Fund is deemed to have a low level of risk.

### Investments

The AP7 Fixed Income Fund is actively managed against Handelsbanken's interest rate index HMT74 and may deviate from the benchmark by investing in green bonds that meet AP7's criteria for sustainability and profitability. This shall primarily be done through participation in new issues of green bonds issued in Swedish kronor. The investments in the fund consist mainly of Swedish government and Swedish covered bonds.

### Derivative instruments

Derivative instruments may, according to the fund rules, be used as part of the investment focus. In 2023, derivative instruments were not used.

### Responsible investments

As an asset manager, AP7 has actively conducted advocacy work since the fund's inception in 2000. The starting point for the work on responsible investments is the values that are expressed in international conventions that Sweden has signed regarding human rights, labour rights, the environment and anti-corruption.

Since 2014, AP7 has supplemented its active ownership and advocacy methods with ongoing thematic in-depth work. Within the framework of the theme work and based on AP7's role, mission and investment philosophy, AP7 has identified three roles within which AP7

can best contribute to a sustainable development – as active owner, as enabler and as knowledge builder.

### Responsible investments in the AP7 Fixed Income Fund

AP7 Fixed income Fund may deviate from the benchmark index within the boundaries of tolerable risk. This risk scope should mainly be used to contribute to financing of green projects that meet AP7's criteria for sustainability and profitability. During the year, the share of green bonds increased to 33,0 percent of the fund at the end of 2023.

"We have a high ambition regarding the share of green bonds and it is on the international market that the supply is available. Until now, we have bought fixed income securities quoted in Swedish kronor, but we are preparing to start trading in bonds in other currencies as well, such as euros and dollars. Since liquidity is higher abroad, we save money on each transaction," says Ulrika Lindén, manager of AP7 Fixed Income Fund.

At year end, the fund had allocated SEK 37.5 billion to green bonds. Thus, we are well on our way towards our goal of having 50 percent green bonds in our fixed income fund by 2025. The investments were made in bonds with a high credit rating issued by Swedish state-owned companies and international supranational institutions. Through our green bond portfolio, we invest in projects such as:

- Vasakronan's green bond enables a transition in the real estate sector, which accounts for about 20 percent of all greenhouse gas emissions and a significant part of Sweden's energy consumption, according to statistics from Boverket (the Swedish National Board of Housing, Building and Planning). Through its focus on reducing energy, working with waste and materials, and fossil-free transport, it matches AP7's ambitions well, not least within climate change.
- The Nordic Investment Bank's mission is to finance projects that benefit the environment in the Nordic and Baltic countries. The focus of the bond is, among other things, water infrastructure, energy efficiency and systems for the transmission, distribution and storage of electricity.

- The European Bank for Reconstruction and Development (EBRD) is the first multilateral development bank with an explicit mission to promote sustainable development. Their green bond provides an opportunity to invest in sustainable solutions that support public and private environmental projects in Europe, for example energy efficiency, renewable energy, and water management systems.
- The World Bank's sustainable development bonds promote sustainable projects in developing countries. Through these investments, AP7 enables investments in sustainable agriculture, renewable energy and infrastructure that is more resistant to extreme weather.
- A green bond issued by the International Finance Corporations (IFC), which focuses on addressing climate change within the private sector in developing countries. Through the investment, AP7 contributes to the development of a more sustainable society outside of Europe as well. Here, the money is invested in projects such as water purification and water supply, adaptation of communities to climate change, and in projects that aim to restore biodiversity, which is also one of AP7's focus areas.

Read more about our work with responsible investments in our sustainability report and in the climate action plan.

### Significant risks as of the balance sheet date

The single largest risk in the management of the fund is market risk, which means that rising interest rates may adversely affect the fund's return.

### Performance development

The AP7 Equity Fund achieved a total return of 5.3 percent in 2023, which was 0.1 percentage points above the return of the fund's benchmark index.

The positive return is due to the fund selling government securities at the beginning of the year when it became clear that the Riksbank would extend its quantitative tightening by selling long-term bonds. During the fall, the interest rate fell sharply and as the fund then had a slightly

## AP7 Fixed Income Fund | Annual Report 2023

longer duration, this also benefited the return. In December, mortgage bonds had a strong performance, and as the fund has an underweight, this had a negative effect on the return. The Fixed Income Fund consists of bonds issued in Swedish kronor with an medium-term duration of approximately 2.8 years. The return was pressured by high long-term interest rates during the first half of the year. As the market, during the autumn, began to predict future interest rate cuts from the Riksbank, long-term interest rates fell back, which was favorable for the Fund.

In 2023, SEK 24.6 billion was added to the fund. The outflow of capital through redemption of shares amounted to SEK -7.2 billion.

### The fund's ten largest holdings as a percentage of the fund capital, at the end of 2023

Nordea Hypotek 5535	5.21
Swedbank Hypotek 195	4.46
SHBASS 1 03/01/27 #1592	3.80
SHBASS 0 1/2 06/01/26 #1591	3.37
Swedbank Hypotek 196	3.35
European BK Recon & Dev 12/20/27	3.09
Stadshypotek 1590	2.82
Sveriges Säkerställda Obligationer 146	2.65
Skandinaviska Enskilda Banken 579	2.63
NDASS 0 1/2 09/16/26 #5536	2.49
<b>Total of ten largest holdings</b>	<b>33.87</b>

### Significant events after the balance sheet date

On 22 November 2023, the Swedish Parliament decided that AP7, and thus the funds AP7 manages, should be subject to the EU's Sustainable Finance Disclosure Regulation, SFDR (2019/2088) and the EU's green taxonomy regulation.

The EU regulation sets requirements for information on, among other things, environmental and social sustainability and replaces the requirements for sustainability information that currently apply to AP7. This means that AP7 must provide more comprehensive and detailed sustainability information and that it must be available in the respective fund's information brochure, website, and annual report. The new rules will come into force on 1 January 2024.

## AP7 Fixed Income Fund | Annual Report 2023

## KEY PERFORMANCE INDICATORS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Fund assets (MSEK)</b>	113,562	91,231	87,848	67,185	57,483	41,203	34,550	28,120	22,083	17,532
Number of shares (thousands)	1,021,676	864,230	783,001	594,626	513,802	367,568	307,885	250,280	197,823	158,315
Share price (SEK)	111.15	105.56	112.19	112.99	111.88	112.1	112.21	112.36	111.63	110.74
<b>Return</b>										
Total NAV rate calculated (%)	5.3	-5.9	-0.7	1.0	-0.2	-0.1	-0.1	0.6	0.8	2.8
Benchmark index:	5.2	-5.8	-0.6	1.1	-0.2	-0.1	-0.1	0.7	0.9	2.9
<b>Average return</b>										
2 years (%)	-0.5	-3.3	0.1	0.4	-0.1	-0.1	0.3	0.7	1.8	2.3
5 years (%)	-0.2	-1.2	0.0	0.2	0.2	0.8	1.2	1.8	2.3	-
Since fund start (%)	0.8	0.4	1.0	1.2	1.2	1.3	1.5	1.8	2.0	2.2
<b>Risk measures <sup>1,2)</sup></b>										
Total risk fund (%)	3.7	2.4	0.8	0.8	0.7	0.4	0.4	0.5	0.7	0.8
Total risk benchmark index (%)	3.7	2.4	0.8	0.8	0.7	0.3	0.4	0.5	0.6	0.8
Active risk (%)	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Relative VaR MC 99% average year (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-
Relative VaR MC 99% max during the year (%)	1.1	1.1	1.0	1.0	1.7	1.1	1.0	-	-	-
Relative VaR MC 99% min during the year (%)	0.9	1.0	0.9	1.0	0.9	1.0	1.0	-	-	-
Relative VaR MC 99% per balance sheet date (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-	-
Turnover rate (%)	35.5	60.6	50	50.9	109.8	78.7	90.8	113	86.4	101
Duration, year	2.8	2.9	2.9	2.8	2.8	1.9	2.0	1.9	1.9	1.9
Modified duration (%)	2.7	2.8	2.9	2.8	2.8	1.9	2.0	2.0	1.9	1.9
<b>Fees</b>										
Management fee (%)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05
Annual fee (%)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.05
Deposit/withdrawal fee	None	None	None	None	None	None	None	None	None	None
<b>Transaction costs</b>										
Total (SEK thousand)	20	44	62	51	62	33	34	54	24	10
Share of turnover (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
One-time deposit SEK 10,000 (SEK)	4.0	3.8	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.1

**Management fee**

The AP7 Fixed Income Fund pays a management fee to the Seventh AP Fund on the last day of each month. The fee is calculated daily at 1/365th of the value of the fund and covers costs for, among other things, management, administration, accounting, auditing, custody of securities, information and supervision. In 2023, the fee amounted to 0.04% per annum of the fund's assets. Transaction costs, such as fees to custodian banks for securities transactions, are charged directly to the AP7 Fixed Income Fund and are not included in the management fee.

<sup>1)</sup> Risk measures are based on two years of historical monthly returns and are calculated in accordance with the guidelines of the Swedish Investment Fund Association.

For more information, see [www.fondbolagen.se](http://www.fondbolagen.se).

<sup>2)</sup> See Explanation of key performance indicators

## AP7 Fixed Income Fund | Annual Report 2023

# Explanations of key performance indicators

## Active risk

A measure of how much a fund's share value varied compared to its benchmark index. A high active risk means that the fund's investments deviated significantly from the benchmark index during the period. The return on a portfolio with high active risk can be significantly greater or less than the return on indices. The measure is based on the development of fund shares and indices over the past two years.

## Annual fee (%)

Refers to all costs incurred by the fund, excluding transaction costs, which have been charged to the fund in the past 12 months, expressed as a percentage of the fund's assets. The annual fee is calculated according to "CESR's guidelines on the methodology for calculation of the ongoing charges figure in the Key Investor Information Document"<sup>1)</sup>.

## Benchmark index

Handelsbanken's interest rate index HMT 74, which consists of Swedish Government bonds and secured bonds with an average duration of three years.

## Cost of one-time deposit, SEK 10,000

Management costs according to the income statement in SEK attributable during the year to a shareholding amounting to SEK 10,000 at the beginning of the year and retained in the fund throughout the year.

## Duration

Specifies the average maturity of the fund's fixed income securities. A higher duration provides greater sensitivity to changes in interest rates.

## Modified duration

Specifies the percentage change in price if the market rate goes up by one percentage point.

## Relative Value-at-Risk

The fund uses a relative Value-at-Risk model to calculate aggregate exposure. The Monte Carlo model is used with a confidence level of 99 percent with a time horizon of five days. The Value-at-Risk measurement aims to show how much the fund can be expected to lose in relation to benchmarks over a certain period of time and with certain degree of certainty, under normal market conditions. When calculating total exposure, the fund's Value-at-Risk is compared against Value-at-Risk for the fund's benchmark index, which consists of Handelsbanken's interest rate index HMT74.

## Return and risk calculations

The AP7 Fixed Income Fund return and risk are calculated on the fund's Net Asset Value (NAV) rate, which is used in the purchase and redemption of shares. This method means that the return is reported after deduction of the management fee that the AP7 Fixed Income Fund pays to the Seventh AP Fund. The NAV price assessment uses the prices of the fund's assets that relate to the latest payment rate.

## Total risk (standard deviation)

A measure of how much the share value has varied over a given period. Large variations in share value will lead to a higher risk but also a chance for better value growth. The measure is based on the development of fund shares and indices over the past two years.

## Transaction cost

Transaction fees to custodian bank.

## Turnover rate

Measures how many times securities have been purchased or sold in relation to the fund assets. Calculated by dividing the minimum value of the total purchased or total sold securities over the period by the average fund assets and stated as a percentage.

<sup>1)</sup> <https://www.esma.europa.eu/document/guidelines-methodology-calculation-ongoing-charges-figure-in-key-investor-information>

## AP7 Fixed Income Fund | Annual Report 2023

**BALANCE SHEET**

Note	31/12/2023		31/12/2022		
		Percentage		Percentage	
<b>Assets</b>					
1	Transferable securities	113,556,672	100	91,229,635	100
	<b>Total financial instruments with positive market value</b>	<b>113,556,672</b>	<b>100</b>	<b>91,229,635</b>	<b>100</b>
	Bank balances and other cash and cash equivalents	756	0	399	0
	Prepaid expenses and accrued income	0	0	0	0
	Other assets	9,820	0	7,678	0
	<b>Total assets</b>	<b>113,567,248</b>	<b>100</b>	<b>91,237,712</b>	<b>100</b>
<b>Liabilities</b>					
	Accrued expenses and deferred income	3,620	0	3,000	0
	Other liabilities	1,340	0	3,392	0
	<b>Total liabilities</b>	<b>4,960</b>	<b>0</b>	<b>6,392</b>	<b>0</b>
2	<b>Fund assets</b>	<b>113,562,288</b>	<b>100</b>	<b>91,231,320</b>	<b>100</b>
	<b>Memorandum items</b>		None		None

All amounts in SEK thousands

**INCOME STATEMENT**

Note		2023	2022
<b>Revenue and change in value</b>			
3	Change in value of transferable securities	3,687,584	-6,235,915
4	Interest income	1,285,830	962,967
5	Other financial income	101	0
	<b>Total revenue and change in value</b>	<b>4,973,515</b>	<b>-5,272,948</b>
<b>Costs</b>			
6	Management costs	-37,242	-33,495
7	Other financial costs	0	-1
8	Other costs	-21	-44
4	<b>Total costs</b>	<b>-37,263</b>	<b>-33,540</b>
	<b>Profit for the period</b>	<b>4,936,252</b>	<b>-5,306,488</b>

**Accounting principles**

The annual report for the fund has been prepared in accordance with the National Pension Insurance Funds Act (2000:192) and the Swedish Financial Supervisory Authority's regulations on mutual funds (2013:9).

All financial instruments are measured at fair value on the last day of trading during the accounting period. This means that interest-related securities are valued at the latest payment price.

When calculating capital gains and losses, the average cost basis method is used.

**Tax**

The AP7 Fixed Income Fund is not taxable in Sweden.

All amounts in SEK thousands

## AP7 Fixed Income Fund | Annual Report 2023

**Note 1 Transferable securities**

	31/12/2023		31/12/2022	
		%		%
Transferable securities	113,556,672	100	91,229,635	100
<b>Total transferable securities</b>	<b>113,556,672</b>	<b>100</b>	<b>91,229,635</b>	<b>100</b>

**Note 2 Change in fund assets**

	01/01/2023–31/12/2023	01/01/2022–31/12/2022
Fund assets at the beginning of the period	91,231,320	87,847,538
Share issue	24,611,364	13,771,571
Share redemption	-7,216,648	-5,081,301
Profit for the period according to the income statement	4,936,252	-5,306,488
<b>Fund assets at the end of the period</b>	<b>113,562,288</b>	<b>91,231,320</b>

**Note 3 Specification of change in value of transferable securities**

	2023	2022
Realised price result	-1,327,440	-2,467,551
Unrealised price result	5,015,024	-3,768,364
<b>Total</b>	<b>3,687,584</b>	<b>-6,235,915</b>

**Note 4 Specification of interest income**

	2023	2022
Bonds	1,262,036	961,426
Short-term interest investments	23,794	1,541
<b>Total</b>	<b>1,285,830</b>	<b>962,967</b>

**Note 5 Specification of other financial income**

	2023	2022
Other financial income	101	0
<b>Total</b>	<b>101</b>	<b>0</b>

**Note 7 Specification of other financial costs**

	2023	2022
Interest expense	0	-1
<b>Total</b>	<b>0</b>	<b>-1</b>

**Note 8 Specification of other costs**

	2023	2022
Transaction fees to BNY Mellon	-21	-44
<b>Total</b>	<b>-21</b>	<b>-44</b>

**Note 6 Specification of management cost**

Remuneration to the Seventh AP Fund for management has been paid at 0.04% per year on the managed assets. This leads to a management cost of SEK 37,242 thousand (33,495) for the full year 2023. The fee includes remuneration to depositaries for custody and remuneration to the Financial Supervisory Authority for supervision.

In 2023, 49 people received fixed remuneration from the Seventh AP Fund. No variable remuneration has been paid. The total paid out to specially regulated staff is SEK 28,284 thousand (23,122) to the executive management (seven people), SEK 21,217 thousand (18,839) to those involved in risk-based management activities (twelve people)

Remuneration includes paid salary, other benefits and pension costs. PwC as external auditors are commissioned by the Government to, among other things, review remuneration to senior executives and ensure that the review did not lead to any deviations in relation to the Seventh AP Fund's remuneration policy. For additional details, see note 1 in the Seventh AP Fund's annual report. Further information on the Seventh AP Fund's remuneration system can be found in the Remuneration Guidelines, available at [www.ap7.se](http://www.ap7.se).

**AP7 Fixed Income Fund | Annual Report 2023**

Stockholm, 8 February 2024

**Per Frennberg**  
Board Chair

**Emma Ihre**  
Vice Chair

**Susanne Ekblom**

**Elisabeth Frayon**

**Henrik Saxborn**

**Mikaela Valtersson**

**Magnus Vesterlund**

**Roine Vestman**

**Anders Wihlbom**

**Pål Bergström**  
Chief Executive Officer

Our audit report was submitted on 9 February 2024

**Helena Kaiser de Carolis**  
*Authorised Public Accountant*  
Appointed by the Government

**Peter Nilsson**  
*Authorised Public Accountant*  
Appointed by the Government

## AP7 Fixed Income Fund | Annual Report 2023

# Auditor's report

For the AP7 Fixed Income Fund, corporate registration number 515602-3870

*The audit report regards the full statutory annual report for the AP7 Fixed Income Fund and is a copy of the audit report submitted on 9/02/2023.*

## Report on the annual report

### Statement

As auditors in the Seventh AP Fund, organisation number 802406-2302, we have carried out an audit of the AP7 Fixed Income Fund Annual Report for 2023, with the exception of the sustainability information on page 2-3 (the "Sustainability Information").

In our opinion, the annual report has been prepared in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds and provides a true and fair view in all material respects of the AP7 Fixed Income Fund's financial position as of 31 December 2023, and of its financial results for the year in accordance with the National Pension Insurance Funds Act and the Financial Supervisory Authority's regulations on securities funds. Our statements do not include the sustainability information on page 2.

### Basis for Statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities under these standards are described in more detail in the Auditor's Responsibilities section. We are independent in relation to the Seventh AP Fund in accordance with good auditing practice in Sweden and have otherwise fulfilled our professional ethical responsibilities according to these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

### Responsibilities of the Seventh AP Fund

The Seventh AP Fund is responsible for the preparation of the annual report and that it provides a true and fair view in accordance with the National Pension Insurance Funds Act and the Swedish Financial Supervisory Authority's regulations on securities funds. The Seventh AP Fund is also responsible for the internal control it deems necessary to prepare

an annual report that does not contain any material misstatement, whether due to fraud or error.

### Auditor's Responsibilities

Our objectives are to obtain reasonable assurance as to whether the annual report as a whole does not contain any material misstatement, whether due to fraud or error, and to submit an audit report containing our statements. Reasonable assurance is a high degree of certainty but is no guarantee that an audit conducted in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements can occur due to fraud or mistakes and are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make based on the annual report.

As part of an audit under ISA, we use professional judgment and have a professionally sceptical approach throughout the audit. In addition:

- We identify and assess the risks of material misstatement in the annual report, whether due to fraud or error, design and perform audit procedures, among other things, based on these risks, and obtain audit evidence that is sufficient and appropriate to form a basis for our opinions. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to mistakes, as fraud may include collusion, forgery, deliberate omissions, misinformation or breach of internal control.
- We obtain an understanding of the part of the Seventh AP Fund's internal control that is relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the internal control.
- We evaluate the appropriateness of the accounting principles used and the reasonableness of the Seventh AP Fund's estimates in the accounting and related disclosures.
- We evaluate the overall presentation, structure and content of the annual report, including the disclosures, and whether the annual report reflects the underlying transactions and events in a way that provides a true and fair view.

We must inform the Seventh AP Fund of, among other things, the planned scope and focus of the audit and its timing. We must also disclose significant observations during the audit, including any significant deficiencies in internal control that we have identified.

### The auditor's opinion regarding the statutory sustainability information

The Seventh AP Fund is responsible for the sustainability information on page 2 and for its preparation in accordance with the Swedish Securities Funds Act.

Our review of the sustainability information for the fund has been conducted with guidance, where applicable, of FAR Recommendation RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our review of the sustainability information has a different focus and a significantly smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with sufficient grounds for our statement.

Sustainability information has been provided in the annual report.

Stockholm 9 February 2024

**Helena Kaiser de Carolis**  
*Authorised Public Accountant*  
 Appointed by the Government

**Peter Nilsson**  
*Authorised Public Accountant*  
 Appointed by the Government

# Definitions & explanations

**Active ownership** By owning shares, an investor gains influence in the company. AP7 uses this influence to actively conduct advocacy work towards the companies. We use four methods, often in tandem: voting and shareholder motions at general meetings, influence dialogues, public blacklisting and legal processes.

**Blacklisting** Tools for corporate governance aimed at exerting pressure on companies with unacceptable behaviour. AP7 does not invest in companies that violate international environmental, human rights, labour and anti-corruption norms. Since 2016, the Paris Agreement to the UN Climate Convention has also been included in AP7's blacklisting process.

**Carbon footprint** is a calculation of the greenhouse gas emissions caused by a company, organisation or product, such as an investment portfolio. AP7 measures the carbon footprint as an estimate of the size of the direct emissions from the underlying companies in AP7's equity fund.

**Climate risks** Risks to the financial system as a result of climate change.

**ESG** Abbreviation for Environmental, Social and Governance is another expression of what is often called sustainability. For AP7, we take into account aspects such as the environment, human rights and corporate governance in our investments.

**External management** means that the investments are made by specially hired external asset managers in accordance with AP7's guidelines and criteria.

**General Meeting** The General Meeting or the Annual General Meeting is a limited company's highest decision-making body that appoints the Board of Directors and decides on strategic issues.

**Global Compact** UN initiative on sustainability, based on ten principles of human rights, labour rights, the environment and anti-corruption. The principles guide companies that, by signing the Global Compact, commit to following these.

**Global Reporting Initiative (GRI)** International initiative that developed guidelines for organisations' sustainability reporting.

**Green bond** is a bond in which capital is earmarked for various types of environmental projects.

**Impact Fund** Fund that makes investments that contribute to solutions to sustainability challenges.

**Internal management** means that investment decisions are made and implemented by own employee managers.

**International Energy Agency (IEA)** The International Energy Agency an independent body of the OECD with the main goal of reducing the dependence on oil in society.

**Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)** UN research panel and intergovernmental platform for biodiversity and ecosystem services.

**The Intergovernmental Panel on Climate Change (IPCC)** The UN climate panel is an intergovernmental body to summarise and assess the science related to global warming.

**Motion/shareholder proposal** A written proposal for action that the shareholder wants the company take. Most of the proposals at the general meetings are made by the companies' own boards, but investors can also submit their own motions for a vote.

**Norms screening** A method that continuously monitors companies' compliance with international conventions in the areas of environment, human rights, labour rights and anti-corruption. When companies violate international conventions, this is brought to the attention and the event is analysed for further action.

**Physical climate risks** The negative consequences for the global economy that climate change entails in the form of, for example, increased sea levels, increased average rainfall and increased elements of extreme weather.

**Pre-selection option** AP7 Såfa is the state pre-selection option in the premium pension system. Anyone who does not make an active choice for their premium pension will automatically have their pension money placed in the fund.

**Proxy voting** means that a shareholder votes for their holding in a company remotely or via a proxy, when the owner cannot be present at the general meeting. AP7 has holdings in over 3,000 companies worldwide and uses proxy voting at the meetings.

**Scope 1, 2 and 3** When accounting for greenhouse gas emissions according to the Greenhouse Gas Protocol (GHG), these are categorised into three levels (scope). Scope 1 is direct emissions from sources owned or controlled by the Company. Scope 2 is indirect emissions from energy purchased, such as electricity. Scope 3 is other indirect emissions that occur in the upstream value chain (for example, purchased goods and services such as business travel, transport and waste management) or downstream (for example, emissions that occur when using company products).

**Transition risks** Consequences of climate change resulting from changing consumption patterns, the emergence of new products and solutions, and stricter laws and regulations to reduce carbon emissions.

**Universal Owners** Owners who invest long-term throughout the global market and for which systemic issues such as climate change are particularly urgent. As a universal owner, AP7 primarily wants to influence norms and standards that contribute to a more sustainable market. Based on these norms, we engage with the individual companies we own.

→ **Read more about the terms related to membership and voluntary agreements with which AP7 is associated and has signed on page 44.**

## Where can I find more information about AP7's responsible investment work?

**The AP7 website**, [www.ap7.se](http://www.ap7.se), includes a blog about our sustainability work and information about our thematic work over the years, as well as previous sustainability reports and annual reports.

**On Swesif's website**, you can download sustainability profiles for AP7's fixed income fund and equity fund, [www.hållbarhetsprofilen.se](http://www.hållbarhetsprofilen.se)

**AP7 reports annually to UN PRI.** The AP7 PRI Transparency Report can be downloaded here: [www.unpri.org/signatory-directory/ap7/866.article](http://www.unpri.org/signatory-directory/ap7/866.article)



## 106 BLACKLISTED COMPANIES

AP7 invests in companies that in an acceptable way adhere to the international norms and conventions signed by Sweden. These are expressed in the UN Global Compact's ten principles on human rights, labour, the environment and anti-corruption. As of 2016, the Paris Agreement to the UN Climate convention (UNFCCC), is included in our norms-based screening. AP7 does not invest in companies involved in the development or production of nuclear weapons.

### AP7

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SE-101 21 Stockholm  
Tel: +46 8 412 26 60  
[www.ap7.se](http://www.ap7.se)

**Adani Enterprises Limited** Acting against the targets of the Paris agreement through large scale coal operations **Adani Power Limited** Acting against the targets of the Paris agreement through large scale coal operations **Airbus SE** Involvement in nuclear weapons **Aluminum Corporation of China Limited** Acting against the targets of the Paris agreement through large scale coal operations **Aurora Cannabis Inc.** Involvement in the sale and production of cannabis in violation with international conventions **AviChina Industry & Technology Co., Ltd.** Involvement in violations of human rights through the sale of weapons to Burma/Myanmar **Babcock International Group PLC** Involvement in nuclear weapons **BAE Systems PLC** Involvement in nuclear weapons **Barrick Gold Corporation** Involvement in the violation of environmental norms in mining operations in Chile and Argentina **Bharat Heavy Electricals Limited** Involvement in the violation of environmental norms at the World Heritage site of the Sundarbans in Bangladesh **BHP Group Limited** Involvement in the violation of environmental norms and human rights in mining operations in Brazil **Booz Allen Hamilton Holding Corporation** Involvement in nuclear weapons **Brookfield Corporation** Involvement in nuclear weapons **BWX Technologies, Inc.** Involvement in nuclear weapons **Canadian Natural Resources Limited** Acting against the targets of the Paris agreement through involvement in oil sands **Canopy Growth Corporation** Involvement in the sale and production of cannabis in violation with international conventions **Cenovus Energy Inc.** Acting against the targets of the Paris agreement through involvement in oil sands **Centrais Eletricas Brasileiras SA** Involvement in the violation of human rights in a dam construction project in Brazil **China Coal Energy Company Limited** Acting against the targets of the Paris agreement through large scale coal operations **China Hongqiao Group Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **China Power International Development Limited** Acting against the targets of the Paris agreement through large scale coal operations **China Resources Power Holdings Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **China Shenhua Energy Company Limited** Acting against the targets of the Paris agreement through large scale coal operations **China Shipbuilding Industry Co., Ltd.** Involvement in nuclear weapons **CITIC Limited** Acting against the targets of the Paris agreement through large scale coal operations **Coal India Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Companhia Energetica de Minas Gerais SA** Involvement in the violation of human rights in a dam construction project in Brazil **ConocoPhillips** Acting against the targets of the Paris agreement through involvement in oil sands **Cronos Group Inc.** Involvement in the sale and production of cannabis in violation with international conventions **Datang International Power Generation Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Eaton Corporation plc** Involvement in nuclear weapons **Elbit Systems Ltd.** Involvement in sales of military equipment used in violation of human rights in Israel **Elsewedy Electric Co.** Involvement in the violation of environmental norms at the World Heritage site of the Selous Game Reserve in Tanzania **Enbridge Inc.** Involvement in the violation of human rights in the construction of an oil pipeline in the USA **Evergy, Inc.** Involvement in the opposition to climate change regulation in the USA **Exaro Resources Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Exxon Mobil Corporation** Involvement in the opposition to climate change regulation in the USA **Fluor Corporation** Involvement in nuclear weapons **Fortive Corporation** Involvement in nuclear weapons **Gazprom PJSC** Involvement in fossil fuel production in the Russian Arctic **GD Power Development Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **General Dynamics Corporation** Involvement in nuclear weapons **Guanghui Energy Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **HD Korea Shipbuilding & Offshore Engineering Co., Ltd.** Involvement in the violation of labour rights in South Korea **Hitachi Zosen Corp.** Involvement in nuclear weapons **Honeywell International Inc.** Involvement in nuclear weapons **Huadian Power International Corp. Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Huaibei Mining Holdings Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Huaneng Power International, Inc.** Acting against the targets of the Paris agreement through large scale coal operations **Huntington Ingalls Industries, Inc.** Involvement in nuclear weapons **Imperial Oil Limited** Acting against the targets of the Paris agreement through involvement in oil sands **Inner Mongolia Dian Tou Energy Corp. Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Inner Mongolia Yitai Coal Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Jacobs Solutions, Inc.** Involvement in nuclear weapons **JBS SA Involvement** in the violation of labour rights in the USA and Brazil **Jizhong Energy Resources Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Korea Electric Power Corp.** Acting against the targets of the Paris agreement through large scale coal operations, as well as involvement in violations of human rights at Xe-Pian Xe-Namnoy dam in Laos **L3Harris Technologies, Inc.** Involvement in nuclear weapons **Larsen & Toubro Ltd.** Involvement in nuclear weapons **Leidos Holdings, Inc.** Involvement in nuclear weapons **Leonardo SpA** Involvement in nuclear weapons **Lockheed Martin Corporation** Involvement in nuclear weapons, cluster munitions and anti-personnel mines **Marathon Petroleum Corporation** Involvement in the violation of human rights in the construction of an oil pipeline in the USA **Metro Pacific Investments Corporation** Acting against the targets of the Paris agreement through large scale coal operations **Northrop Grumman Corporation** Involvement in nuclear weapons **NTPC Limited** Involvement in the violation of environmental norms at the World Heritage site of the Sundarbans in Bangladesh **Oil Co. LUKOIL PJSC** Involvement in the violation of environmental norms in oil extraction operations Russia **Peabody Energy Corporation** Acting against the targets of the Paris agreement through large scale coal operations **Phillips 66** Involvement in the violation of human rights in the construction of an oil pipeline in the USA **Pingdingshan Tianan Coal Mining Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **POSCO Holdings Inc.** Involvement in the violation of labour rights in Turkey **POSCO INTERNATIONAL Corp.** Involvement in the violation of labour rights in Turkey **Power Construction Corporation of China, Ltd.** Involvement in the violation of environmental norms at the World Heritage site of the Selous Game Reserve in Tanzania **PT Adaro Energy Indonesia Tbk** Acting against the targets of the Paris agreement through large scale coal operations **PT Indofood Sukses Makmur Tbk** Involvement in the violation of labour rights in Indonesia **PT United Tractors Tbk** Acting against the targets of the Paris agreement through large scale coal operations **Ratch Group Public Co. Ltd.** Involvement in violations of human rights at Xe-Pian Xe-Namnoy dam in Laos **Repsol SA** Involvement in the violation of human rights in a gas extraction project in Peru **Rolls-Royce Holdings PLC** Involvement in nuclear weapons **Rosneft Oil Co.** Involvement in the violation of environmental norms in oil extraction operations Russia **RTX Corp.** Involvement in nuclear weapons, as well as involvement in the sale of weapons used in violation of human rights in Yemen **Safran SA** Involvement in nuclear weapons **SDIC Power Holdings Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Sarco Group Plc** Involvement in violations of human rights in refugee camp operations in Australia **SGL Carbon SE** Involvement in nuclear weapons **Shaanxi Coal Industry Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Shan Xi Hua Yang Group New Energy Co. Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Shanghai Electric Power Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Shanxi Lu'An Environmental Energy Development Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Shell Plc** Involvement in the violation of environmental norms and human rights in oil extraction operations in Nigeria **Shenergy Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Shenzhen Energy Group Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **SK Inc.** Involvement in the violation of human rights in a gas extraction project in Peru, as well as involvement in violations of human rights at Xe-Pian Xe-Namnoy dam in Laos **SK Innovation Co., Ltd.** Involvement in the violation of human rights in a gas extraction project in Peru **Suncor Energy Inc.** Acting against the targets of the Paris agreement through involvement in oil sands **TBEA Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations **Tenaga Nasional Bhd.** Acting against the targets of the Paris agreement through large scale coal operations **Textron Inc.** Involvement in nuclear weapons **Thales SA** Involvement in nuclear weapons **The AES Corporation** Involvement in violations of human rights and environmental norms at a dam construction project in Panama **The Boeing Company** Involvement in nuclear weapons **Vale SA** Involvement in human rights violations in a dam construction project in Brazil, as well as involvement in the violation of environmental norms and human rights in mining operations in Brazil **Walmart Inc.** Involvement in the violation of labour rights in the USA **Wartsila OYJ Abp** Involvement in nuclear weapons **Washington H. Soul Pattinson and Company Limited** Acting against the targets of the Paris agreement through large scale coal operations **Yankuang Energy Group Co., Ltd.** Acting against the targets of the Paris agreement through large scale coal operations