

AP7

AP7 Theme Report

# Board responsibility



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# Preface: Board responsibilities in a time of increasing expectations



## THEME: BOARD RESPONSIBILITY

Sound corporate governance is essential for managing a company's material sustainability risks and for conducting business in a sustainable manner. In recent years, the role of boards has become increasingly central to AP7's active ownership.

The purpose of the thematic work is to develop AP7's methods for active ownership and voting, and to contribute to greater understanding of the role of boards in sustainable development. As part of this work, AP7 has examined how, as a universal owner working in collaboration with other owners, it can hold individual board members accountable for inadequate climate action.

**The corporate board is one of the most central institutions in the business sector. Decisions taken in the boardroom shape a company's strategic direction, risk management and long-term value creation, and thereby also investors' returns. In a time characterised by climate change, biodiversity loss, geopolitical tensions and rapidly evolving regulatory frameworks, the board's responsibilities have become both broader and more complex.**

For AP7, as a universal owner with investments across large parts of the global economy, well-functioning corporate governance is a fundamental prerequisite for protecting and enhancing portfolio value over time. Boards' ability to integrate sustainability-related risks and opportunities into strategy and governance is now critical to companies' long-term resilience, and to returns for current and future pension savers.

Against this background, during its Board Responsibility thematic period, AP7 has deepened its work on issues relating to board composition, allocation of responsibilities and competencies. Particular focus has been placed on how investors, through active ownership and voting, can hold individual board members accountable when companies fall short in their management of climate, transparency and other material sustainability issues.

The report highlights how tools such as director votes, voting policies and investor collaboration can contribute to real change. It also demonstrates the links between board gender diversity and the quality of companies' strategic decision-making.

It is our hope that this report will contribute to a greater understanding of the board's role as a steward of long-term responsibility, and inspire more investors to use their ownership to strengthen corporate governance in a changing world.

*Stockholm, 2026*

# AP7's thematic work

Since 2014, AP7 has complemented its active ownership work by focusing on specific themes in overlapping three-year periods. This approach has enabled us to engage more deeply in areas of particular importance.

By focusing on a limited number of parallel themes, we have analysed complex issues that are central to our sustainability priorities. Through this thematic work, our ambition is to disseminate knowledge through reports and other communications, foster constructive dialogue on sustainability issues among policy-makers, companies and investors, and help bridge the gap between research and practice in sustainable investment.

Following the Board responsibility theme, we continue our work on Nature (2024-2026) and Sustainable construction (2025-2027).

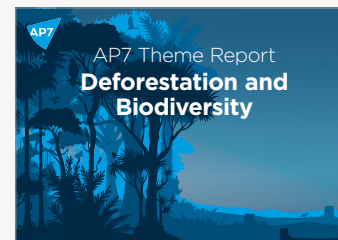
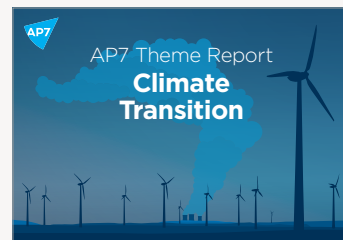
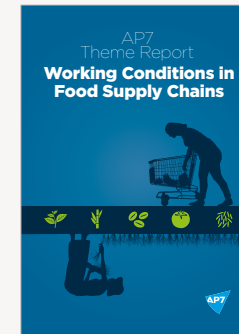
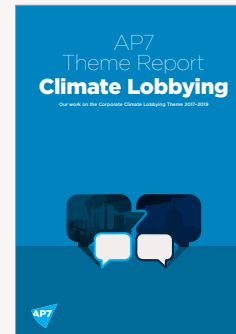
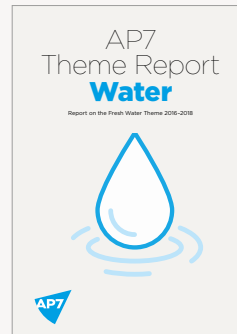
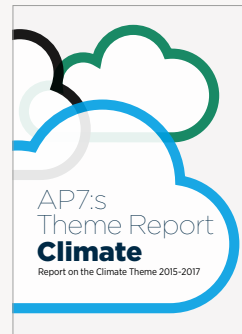
Sustainable construction marks the conclusion of our current approach to thematic deep dives and signals a transition to a more integrated way of working, in which sustainability and active ownership are embedded throughout our asset management activities.

Insights from previous themes:

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



## THEMATIC REPORTS



Through our thematic work, we share knowledge, promote constructive dialogue among key stakeholders, and help bridge the gap between research and practice.

# Board responsibility

**The corporate board is one of the most central institutions in the business sector. At its core, the board's role is to ensure that the company is managed in a responsible and sustainable manner that creates long-term value.**

The board serves as the link between owners and the executive management and bears ultimate responsibility for the company's strategic direction, risk management and control systems. It establishes the framework for how the company is to be governed, monitors that the CEO and executive management deliver in line with this framework, and intervenes when required.

As owners are not involved in day-to-day operations, the board becomes their primary means for influencing the company's direction and ensuring that management acts in the owners' interests. A competent and independent board reduces

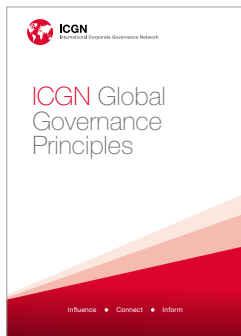
the risk of poor decisions, inadequate oversight or strategic misjudgements – factors that ultimately affect returns. Investors' confidence in the board is therefore crucial. It influences how attractive companies are as investments, how they are valued, and the level of risk premium required.

## The board's responsibility in relation to sustainability

As expectations regarding accountability and transparency have increased, the role of the board has broadened. Delivering financial results also entails taking responsibility for sustaina-

bility, climate strategies and the company's long-term societal impact. For institutional investors, this is now an integral part of active ownership.

In recent years, owners have increasingly signalled their dissatisfaction with boards that fail to act in shareholders' interests by voting against specific directors and, in some cases, proposing new ones. AP7 and many other investors, for example, vote against the chair of the nomination committee in companies with single-gender boards.



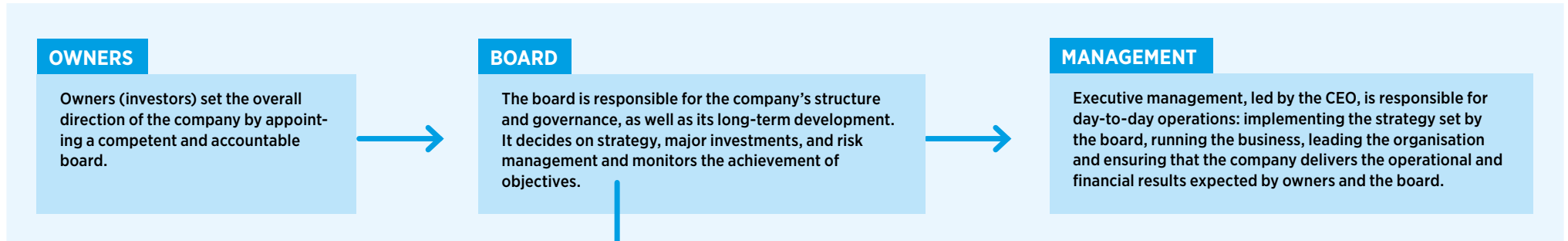
**International Corporate Governance Network (ICGN)** is a global network focused on corporate governance. ICGN works to strengthen shareholders' voting rights at general meetings and to enhance their position vis-à-vis company management. It was established in 1995 and includes AP7 among its members. ICGN has developed global corporate governance principles, the first of which states:

*"The board should promote the long-term best interests of the company by acting on an informed basis, in good faith, with due care and loyalty, for the benefit of shareholders, while taking into account relevant stakeholders."*

→ [Read more at ICGN](#)



“ At its core, the board’s role is to ensure that the company is managed in a responsible and sustainable manner that creates long-term value.



**THE BOARD’S RESPONSIBILITIES**

Although details vary between countries and corporate governance codes, a number of core responsibilities define the role of the board:

- **Strategic direction:**  
Setting the company’s long-term objectives and strategy, and monitoring whether management implements them.
- **Oversight and control:**  
Ensuring effective systems for risk management, internal control and compliance with laws and regulations.
- **Appointment and evaluation of the CEO:**  
One of the board’s most important responsibilities is to appoint, support and, where necessary, dismiss the CEO.
- **Ethics, sustainability and values:**  
Ensuring that the company acts ethically and responsibly, and integrates sustainability into its business strategy.
- **Reporting and transparency:**  
Overseeing the quality of the company’s external reporting and ensuring that investors receive fair and relevant information.

Through these responsibilities, the board shapes the company’s long-term development and creates the conditions for value creation – not only for shareholders, but for all stakeholders.



### Corporate governance differs across countries

AP7's portfolio is global, and the thematic work on responsible boards therefore does not primarily focus on Sweden. At the same time, there are certain aspects that distinguish Swedish corporate governance which may be useful to understand. Differences also exist between other countries: corporate governance varies significantly across the world's equity markets. These differences relate both to ownership structures, formal regulatory frameworks and cultural traditions.

#### SWEDEN AND THE NORDIC REGION

The **Swedish and Nordic model** is characterised by owners having a clearer, more formalised role in governance than in most other markets. A key feature is the nomination committee system, in which the largest shareholders jointly take responsibility for nominating and evaluating the board. This places shareholder influence at the centre and makes the process more independent of the board.

In addition, strong controlling shareholders are common, often through differentiated voting rights. It is also standard practice for the chair and the CEO to be separate individuals, unlike in, for example, the United States. This separation is seen as an important element in ensuring independence and effective internal control.

#### UNITED STATES

In the **United States, corporate governance** is characterised by dispersed ownership. Most US companies have nomination committees within the board, meaning that the board largely proposes its own new directors. It is also common for the CEO and the chair of the board to be the same person, resulting in a different balance of power compared with the Nordic region.

Boards operate in an environment shaped by extensive regulatory requirements from the Securities and Exchange Commission.

#### UNITED KINGDOM

In the **United Kingdom, corporate governance** follows a similar model to that of the United States, with dispersed ownership and a strong emphasis on independent boards, albeit with some differences. The UK Corporate Governance Code, which sets out how companies should be governed, is based on a "comply or explain" approach, similar to the Swedish model. However, the board exercises significantly greater control over the nomination process than Nordic investors are typically accustomed to.

The United Kingdom has traditionally had strong institutional

investors that play an active role in shareholder engagement, and the UK Stewardship Code, which sets out principles for investors, has further formalised expectations of responsible ownership.

#### EUROPE

**Europe is characterised by greater variation.** In many continental European countries, ownership structures are more concentrated than in the US and the UK, often with families, the state or industrial controlling shareholders holding significant voting stakes.

In Germany, the two-tier model predominates, with a separate supervisory board (Aufsichtsrat) and executive management board (Vorstand). Employee representation is mandated by law and in some cases comprises half of the supervisory board, creating a different dynamic from that found in Anglo-Saxon systems.

In France, dual-class share structures are common, and the state plays a significant ownership role in certain sectors. In the Netherlands, special protective mechanisms have historically existed, such as foundation structures (stichtingen), which have made it more difficult for external shareholders to exert influence.

#### ASIA

**Across Asia, there is further variation.** In Japan, corporate governance has historically been characterised by cross-shareholdings, long-term business relationships and a culture in which external shareholders have had limited influence. Following reforms during the 2010s and 2020s, both independent directors and shareholder engagement have gained importance; yet a consensus-driven culture and corporate loyalty remain key features.

In China, many large companies are dominated by state ownership, meaning that political objectives may at times take precedence over the expectations of minority shareholders. Transparency and independent board practices are still evolving in several parts of the region.



# Voting against individual directors – a signal on corporate conduct

**When investors vote against an individual director, it is often less about personal performance and more about accountability for areas where the company has failed to deliver.**

In many boards, specific directors are appointed to lead key functions, such as the audit committee, remuneration committee or sustainability-related committees. These roles entail greater responsibility for the company's risk management, reporting and the quality of its strategic decisions. One way for shareholders to express dissatisfaction with a particular issue is to vote against directors responsible for such committees.

If a company for example exhibits shortcomings in reporting, weak risk management or inadequate handling of material sustainability issues, investors may choose to direct their vote against the chair of the relevant committee. This does not

necessarily constitute criticism of the individual, but rather serves to signal that the board must assume clearer and more active responsibility for the area. By directing accountability towards the function within the board that formally bears responsibility for the issue, investors send a more precise and constructive signal as to the change required.

Research shows that dissent votes are particularly common when investors perceive shortcomings in diversity, independence, reasonable workload, or when directors have served for long tenures. Female directors generally receive fewer dissent votes, except in cases of long tenure.<sup>1</sup> It has also become

increasingly common for investors to disclose the reasons for their votes against directors, further strengthening this tool.

## **An effective governance tool**

According to academic research, votes against do not consistently lead to directors being replaced. However, and more importantly, companies tend to take action and strengthen their work in the areas where criticism has been directed. There is therefore good reason to consider this an effective active ownership tool.<sup>2,3</sup>

A recent study also suggests that companies that do not

## **BOARD RESPONSIBILITY FOR CORPORATE CLIMATE ACTION**

Climate issues are increasingly moving up the board's agenda. Today's boards need to set ambitious, science-based targets, integrate the transition into strategy and ensure that data are subject to third-party assurance. Some investors argue that boards should be required to approve and be accountable for the company's net-zero plans.

Many guidelines and frameworks therefore emphasise that climate-related risks and opportunities should be integrated into the board's regular work, in the same way as other strategic and financial matters.

This also means that the climate perspective should form an integral part of the basis for decision-making when the board reviews the company's progress, assesses investment decisions and evaluates governance and incentives.



disclose their greenhouse gas emissions receive significantly more votes against directors than other companies.<sup>4</sup> This is particularly the case for companies with high carbon emissions. Conversely, companies that begin to disclose subsequently receive fewer votes against. Disclosure therefore appears to be clearly linked to the level of votes against a board receives.

Interestingly, the same study shows that in the years following a high proportion of votes against, the companies concerned are more likely to engage in voluntary climate reporting. Voting against directors can thus act as a catalyst for increased climate transparency. One might argue that more disclosure is not what is needed, but access to climate-related information, particularly on emissions, is a prerequisite for assessing risks and reducing a company's climate footprint.

**Deteriorating career prospects**

Several studies show that a high level of votes against can have negative consequences for individual directors, which may partly explain why this tool appears to be effective. Votes against can lead to diminished career prospects, lower remuneration and fewer board appointments at other companies.<sup>5,6</sup> A substantial level of votes against may prompt directors to take immediate action to avoid further reputational damage.<sup>7</sup> In some cases, the mere threat of votes against may be sufficient to have an effect.<sup>3</sup>

**Vote No campaigns**

In some cases, efforts to advance an issue through votes against are more organised and take the form of so-called Vote No campaigns. In such instances, shareholders may communicate their intentions to other owners – through letters, press releases and other channels – to vote against one or more directors in order to clearly signal dissatisfaction to the board. This can represent a step towards more confrontational methods, such as proxy fights, public campaigns or legal action, which are often used by activist investors to pressure management to change direction.

**HOW AP7 DRIVES THE CLIMATE AGENDA THROUGH THE BOARDROOM**

According to the International Energy Agency (IEA), emissions must fall sharply and investment in renewable energy increase before 2030 to achieve net zero by 2050. It is therefore crucial that high-emitting companies undertake concrete transition efforts and set credible near-term emissions reduction targets.

AP7 votes at more than 2,000 general meetings each year. As a rule, we support proposals for improved climate strategy or climate reporting. In 2022, we strengthened our voting policy for companies within the investor collaboration Climate Action 100+, which targets the world's largest listed emitters. This means that we vote against boards at companies that underperform in assessments of how well they manage climate-related risks and opportunities, within the framework of the Transition Pathway Initiative Management Quality score.

In 2023, we further tightened our requirements and signal our opposition to companies with a high climate impact that have not taken the necessary steps in the climate transition.

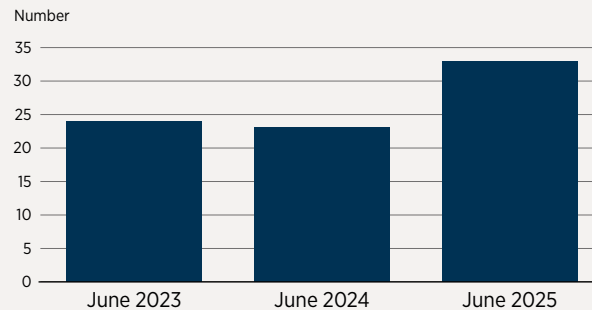
If the company cannot demonstrate credible improvements ahead of the annual general meeting, we vote against relevant directors, auditors, or the approval of the company's annual report. This applies to companies meeting the following criteria:

- Companies that do not have adequate preparedness and governance for the transition
- Companies that, despite engagement, do not manage and disclose their climate lobbying
- Companies that have not adopted credible medium-term emissions reduction targets
- Companies that do not address a high risk of deforestation in their supply chains

An explanation of how we assess these criteria is provided in our voting policy at [ap7.se](https://ap7.se).

**'VOTE NO' CAMPAIGNS**

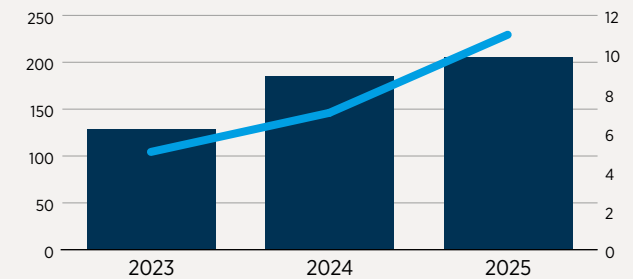
The chart shows the number of Vote No campaigns launched over twelve-month periods ending in June 2023, 2024 and 2025. During the most recent period, 33 such campaigns were recorded.



Source: Diligent Market Intelligence

**AP7's VOTES AGAINST BOARD MEMBERS ON CLIMATE GROUNDS**

■ Number of portfolio companies  
 — Share of portfolio companies, %



# Voting against directors has become increasingly common



**Amundi opposed 500+ directors at energy and utility firms over climate this year**

*Europe's largest asset manager also voted against executive pay 89 times over lack of climate-related performance criteria in compensation schemes.*

Paul Verney | Fiona McNally · 13 July 2023

**THE WALL STREET JOURNAL.**

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SUSTAINABLE BUSINESS

**More Investors Vote Against Corporate Directors Over Climate Change**

Directors at businesses seen as behind the curve on climate change are getting less shareholder support. In some cases, changes have followed.

*By Dieter Holger*

21 July 2022

**FINANCIAL TIMES**

**Climate change**

**Anglican clergy pension fund to vote against directors at NatWest, Santander and HSBC**

Banks accused of backtracking on their climate risk pledges ahead of annual meetings

24 March 2026

**Amundi, Europe's largest asset manager, voted against more than 500 directors at 84 companies in the energy and utilities sector during the 2023 proxy season.**

**The Wall Street Journal observed a trend of increasing votes against individual directors on climate grounds, reflecting rising investor expectations.**

**The Church of England Pensions Board planned to vote against directors at several banks at the 2026 annual general meetings, following the weakening of climate targets.**

**Amundi took a coordinated approach**, choosing to vote against directors across a large number of companies within a single proxy season in order to apply greater pressure in support of its climate-related expectations.

In addition, Amundi voted against remuneration proposals at 89 companies in protest over the absence of climate-related performance criteria in senior executives' variable pay.

In a statement, Amundi said: "It is our conviction that executive teams should be incentivised to achieve carbon emissions reduction goals."

**Initially, avoiding votes against directors often required** companies to report in line with the TCFD, but as such reporting has become more widespread, investor expectations have also increased. It is now more common to require companies to set ambitious climate targets to avoid votes against directors.

One example highlighted in the article is the US utility company PPL Corporation, which was one of the few in its sector without climate targets in 2021. At the annual general meeting, the Chair received only 78 per cent of the vote. In the following year, the company adopted climate targets, and the Chair received 94 per cent support.

**The Church of England Pensions Board**, the pension fund for Anglican clergy, announced its intention in spring 2026 to vote against directors at several banks following the dilution of climate targets. This follows a period of political pressure, particularly on US companies, to scale back their climate efforts.

A representative of the pension fund told the Financial Times: "When banks dilute or abandon commitments that investors have understood as being part of the company strategy and risk management approach, it raises serious questions about board oversight, risk management and long-term strategic resilience."

# Interview: Investor dialogue is key for boards

**From investor engagement to diversity, remuneration and climate risk, experienced non-executive director Karina Litvack makes the case for boards to look beyond compliance and start taking responsibility for long-term value creation.**

## What do you see as the board's core responsibilities?

I usually describe them as strategy, people and risk. Boards must engage deeply on long-term strategy, oversee succession and human capital, and take responsibility for risk management.

That includes broadening scenario analysis. Traditional scenario modelling has repeatedly failed to capture tail risks, most obviously in the run-up to the 2008 global financial crisis, but also in today's geopolitical environment. Boards need to think seriously about what previously seemed unthinkable.

## Where does remuneration fit into that picture?

Remuneration is important because it shapes behaviour, but it should always be the servant of strategy, risk management and culture. Because investors get a vote on pay, they can sometimes become overly focused on remuneration at the expense of more substantive issues. That is a mistake. Pay should reinforce the company's long-term objectives, not displace them.

## What is your view on voting against directors as a stewardship tool?

It is a very powerful tool, because it spooks directors. Even though it is extremely rare for a director to be voted off the board, one who consistently receives lower support may lose a commit-

tee chair role or not be renewed by the nomination committee. So while a single vote rarely delivers marked change, it undeniably gets attention. That being said, votes are pretty blunt tools, and therefore most effective when they are explained: when investors clearly communicate what the underlying concern is and what change they are looking for.

## Can director votes help improve board diversity?

I have seen it work, particularly when reputational risk comes into play. If you cut down a tree in the dark and no one notices, it does not count. But when the press picks up that an investor is voting against the nomination committee chair after years without appointing a woman, it does get noticed.

## Despite progress, board diversity remains incomplete globally. How concerned should investors be?

They should be very concerned, but also realistic. Quotas, such as Italy's 40 per cent requirement for women on boards, improve representation but do not automatically change culture. You can have many women on a board and still see exclusion, bullying or silence, and if they are drawn from the same gene pool, you can expect the same groupthink. Numbers really do not tell the whole story.

## So what should investors look for beyond headcounts?

They should look for signs of an inclusive culture: whether voices are heard, whether committee leadership reflects genuinely diverse perspectives, and whether boards challenge inappropriate behaviour. Diversity only matters if it translates into influence. What ultimately makes a difference is not critical mass of women, but critical mass of people with integrity and moral courage.

## Are boards sufficiently equipped to address sustainability and climate risks?

No. Boards are generally not literate enough on sustainability, and many overestimate their own competence. Sustainability is treated as simple when it is not. Even when climate or human rights issues appear on the agenda, discussions are often superficial. Without genuine understanding, boards cannot effectively challenge management.

## How can long-term investors, such as pension funds, support better governance in practice?

First, by recognising that governance is not just a management issue. Much engagement still happens through investor relations and the CFO, which means boards hear a filtered version of investor concerns. Both investors and companies need to find better ways to bring boards directly into the conversation. That requires preparation and trust, but it is invaluable. Directors learn a great deal from investors' questions, especially when those questions expose blind spots in board discussions. Sometimes they may misunderstand something. That's okay. That's why we should have a dialogue.

## Finally, what will distinguish high-performing boards five to ten years from now?

High-performing boards will focus less on process and more on substance. They will make room for deep, informed discussions on complex issues and bring in external expertise when needed. Above all, they will have the courage to take principled positions, explain them transparently, and engage openly with investors when challenged.



**Karina Litvack currently serves on the board of Italian multi-utility A2A. She has also served on the boards of Italian power grid operator Terna and oil & gas major Eni. Previously, Karina had a 25-year career in finance.**

# Case study: **Transparent climate lobbying**

**AP7 works together with other investors to encourage companies to disclose their climate lobbying, in order to prevent companies from supporting regulation that is inconsistent with the Paris Agreement. When a British-American energy company declined to commit to such disclosure, AP7 chose to increase pressure by publicly stating its intention to vote against the chair and the CEO. The approach proved effective.**

Climate lobbying, whether conducted directly or through industry associations, has over the years obstructed new legislation supporting an orderly transition to lower carbon emissions. It is therefore important that companies have policies governing their climate-related lobbying and that they address any misalignment between their own climate targets and the advocacy activities of industry associations.

AP7, together with the Church of England Pensions Board and others, has engaged in dialogue with several companies on transparent disclosure of corporate policy engagement and climate lobbying. This work has been carried out within the framework of long-term engagement under Climate Action 100+. In some cases, however, the dialogue has not been effective, as certain companies have not committed to disclosure, including the energy company National Grid. In 2023, AP7 therefore declared, via the PRI Resolution Database, its intention to vote at the annual general meeting against the company's Chair, Paula Rosput Reynolds, and CEO, John Pettigrew. The company subsequently revised its position and introduced reporting, enabling AP7 to adjust its planned voting ahead of the meeting.

In 2023, AP7 updated its voting policy to place greater emphasis on high-emitting companies that do not demonstrate sufficient ambition to contribute to the climate transition. This includes companies that, despite ongoing engagement, have not reviewed their climate lobbying. This has resulted in AP7 voting against board members and agenda items at general meetings of companies such as Bunge and Colgate-Palmolive.



# Gender balance on boards

**AP7, like many other investors, is convinced that boards reflecting a range of perspectives, experiences and competencies are better positioned to identify risks, challenge assumptions and make well-founded strategic decisions.**

Board diversity has long been a priority for institutional investors. Data from MSCI shows that the share of women on boards has increased over time. Today, nearly half of the more than 2,600 companies in the global equity index MSCI ACWI have at least one-third female directors, while 7.6 per cent have no female representation at all. At the same time, more than 70 per cent of all board seats are held by men.

## AP7 VOTES AGAINST SINGLE-GENDER BOARDS

AP7's voting policy states that companies should strive for diversity on boards in terms of competence and background. Since 2026, our minimum requirement is that boards should comprise at least 20 per cent women, reflecting that many companies have already met the previous requirement of at least one woman on the board. Our expectations are higher in markets with relevant standards for board diversity. AP7 votes against the nomination committee chair at companies that do not meet these expectations.

## NEW EU REGULATION

The EU Directive on gender balance on boards entered into force on 27 December 2022 and aims to ensure more balanced gender representation in listed companies across EU Member States. The objective is to achieve at least 40 per cent representation of the underrepresented gender among non-executive directors and at least 33 per cent among all directors. Companies are required to meet these targets by 30 June 2026.

## DIVERSITY AND INCLUSION

Diversity is not limited to gender. An effective board should encompass a broad range of perspectives and experiences, including different cultural and ethnic backgrounds, international expertise, industry knowledge, age diversity, technical and digital expertise, as well as an understanding of sustainability issues. Investors worldwide therefore continue to encourage companies to develop transparent and forward-looking nomination processes that ensure a balanced board composition.

Despite gradual improvements across many markets, the breadth of the candidate pool often remains insufficient. In several sectors, traditional structures also persist, limiting women's progression to senior executive roles, which are a common pathway to board positions.

As sustainability-related risks and opportunities become increasingly important for companies' strategic decisions, expectations that boards should reflect a breadth of experience

and perspectives are rising. The coming years are expected to be characterised by increased regulatory requirements, more data-driven reporting and greater demands on board competence in both sustainability and business development.

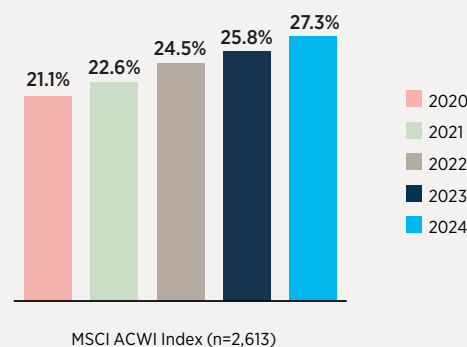
In this context, diversity becomes a strategic issue. Companies with more diverse boards are better equipped to understand new markets, navigate political and technological shifts, and develop their operations in line with long-term value creation. For investors, this means that active ownership dialogue and clear expectations regarding board competencies become increasingly important. Gender-balanced representation is therefore part of a broader effort to strengthen board effectiveness and future readiness.

## A successful campaign

In 2017, the world's three largest asset managers – BlackRock, Vanguard and State Street (the “Big Three”) – launched campaigns to improve gender balance on corporate boards. A US research team analysing these campaigns found that they led US companies to appoint at least 2.5 times as many female directors in 2019 as in 2016.<sup>8</sup>

Companies increased diversity by identifying candidates beyond executives' existing networks and by placing less emphasis on prior CEO experience, which is otherwise a common criterion in board appointments. Companies also promoted more female directors to key positions on the board, suggesting that this was not simply about appointing more women for appearances – sometimes referred to as “tokenism”. Read an interview with one of the article's authors on page 15.

## BOARD SEATS HELD BY WOMEN (%)



Of the 2,613 companies included in the global equity index MSCI ACWI in 2024, 73 per cent of board seats were held by men and 27 per cent by women. As shown in the figure, progress is taking place at a slow pace.

Source: Women on boards and beyond (MSCI, 2025)

“ In other words, equal representation is part of a broader effort to strengthen the efficiency and future-proofing of boards.

**ARE CLIMATE AND BOARD DIVERSITY LINKED?**

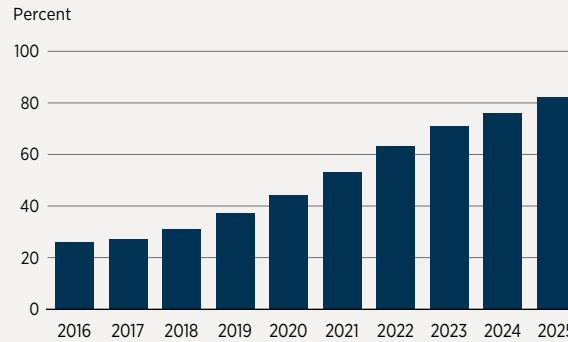
Several research studies suggest that gender balance on boards is associated with different aspects of companies' climate performance. However, these relationships are not necessarily causal, i.e. it is not established whether one directly causes the other.

A study of a large number of globally listed companies between 2005 and 2019 shows that companies with more women on their boards are more likely to commit to reducing their greenhouse gas emissions, for example through the Science Based Targets initiative or CDP (a major platform for climate data disclosure). Among the board-related factors examined by the researchers, the number of women on the board showed the strongest positive association with climate commitments. However, the study does not explain the underlying reasons for this relationship.<sup>9</sup>

There also appears to be a link between gender balance on boards and companies' exposure to climate-related risks. A study covering 2,469 companies in 63 countries over the period 2000–2021 shows that companies with more gender-balanced boards generally exhibit lower climate-related exposure. This relationship persists even when exposure is broken down into different types of risk, such as opportunities related to the climate transition, physical risks (for example rising sea levels) and regulatory risks (such as carbon taxes and emissions trading).<sup>10</sup>



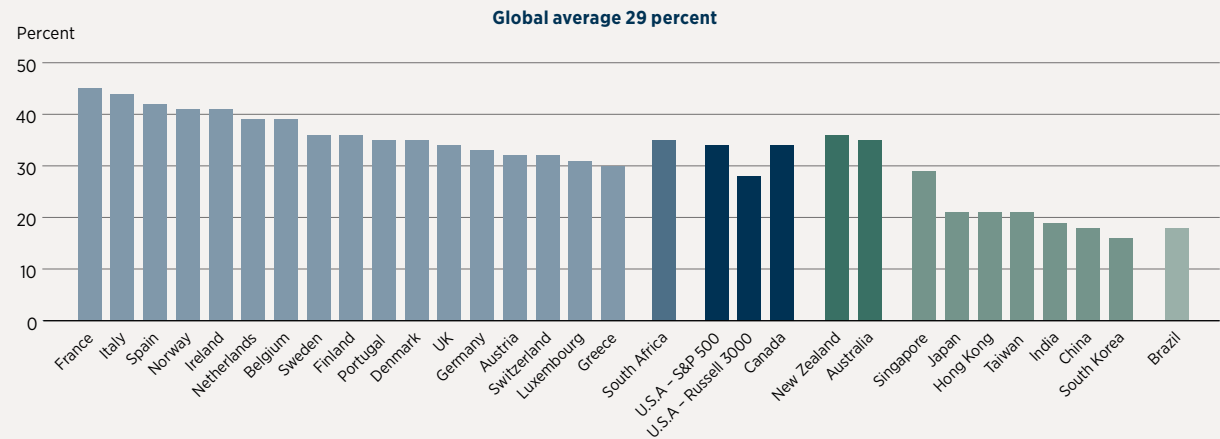
**SHARE OF JAPANESE LISTED COMPANIES WITH AT LEAST ONE FEMALE DIRECTOR**



In Japan and India, the share of women on boards has historically been lower than in other markets. As more women take seats on boards in these markets, it is reasonable to raise the level of ambition. Previously, AP7 required companies to have at least one woman on the board. From 2026 onwards, we vote against nomination committees at companies where less than 20 per cent of the board is made up of the underrepresented gender. In markets with more established standards for board diversity, our expectations are correspondingly higher.

Source: ISS-Corporate

**AVERAGE SHARE OF WOMEN ON CORPORATE BOARDS IN DIFFERENT COUNTRIES**



Source: ISS-Corporate, Governance QualityScore, March 3, 2026

# How active ownership can contribute to board diversity

**In 2017, asset managers BlackRock, Vanguard and State Street (the “Big Three”) led campaigns to improve gender balance on corporate boards. Research by David Matsa and colleagues shows that this contributed to US companies appointing at least 2.5 times more female directors in 2019 than in 2016.**

## **You have analysed the actions of the “Big Three”. What made the campaign so effective?**

What made the campaign effective was that it was not just a statement of values; it came with consequences. The Big Three made clear that if boards did not act, they were prepared to vote against directors, especially those responsible for nominations.

## **Why is it important to look at committee roles and leadership positions, not just the number of women on the board?**

Because a seat on the board is not the same as influence. If women are added but kept away from the audit committee, the nomination committee or committee chair roles, the change can be largely symbolic. What is encouraging in our results is that the shift was not just about numbers; women were also more likely to move into positions where real monitoring, agenda-setting and future director selection happen.



**Dr. David Matsa**  
**Alan E. Peterson**  
**Distinguished Professor**  
**of Finance Kellogg**  
**School of Management**  
**Northwestern University**

## **Why do established networks and requirements, such as prior CEO experience, tend to limit board diversity?**

Those filters may sound neutral, but in practice they narrow the pool in ways that favour men. Existing directors and CEOs tend to know people who resemble themselves, and prior CEO experience has historically been held by men to a much greater extent than by women. What is striking in the data is that most newly hired directors are actually not sourced from these existing networks, and most do not have CEO experience. So these do not look like necessary filters for finding capable board members; they seem more like habits that end up screening out strong female candidates before the conversation even starts.

## **Some boards claim there is a shortage of qualified women. Does your research support this?**

Our evidence really challenges that narrative. Once boards started appointing more women, investors showed their support in the clearest way available: they voted for them, and newly appointed women actually received more support in shareholder voting than newly appointed men. We also see no signs of a bidding war for a tiny pool of female candidates: pay does not increase, and the same women are not suddenly sitting on many boards. That suggests the talent was there; boards simply were not tapping it.

## **Based on your results, is the lack of board diversity primarily a problem of will, awareness, or governance processes?**

I would say it is mostly a governance-process problem, but one that reflects will and attention as well. Before the campaign, many boards simply were not treating diversity as a serious nominating priority. Their search processes kept steering them toward familiar candidates. Once large owners changed the incentives and made the issue harder to ignore, boards moved

pretty quickly. That tells us the barrier was not just supply; it was how the process was being run.

## **How powerful is voting behaviour in practice?**

It appears to matter a great deal. Although director elections are usually uncontested, a negative vote from a major owner is public and reputationally costly. In our data, directors who received negative votes from one of the Big Three later held fewer board seats on average. So the threat is not just symbolic; directors seem to understand that it can affect their standing and future board opportunities.

## **What lessons can we draw from the study?**

The biggest takeaway is that many boards can quickly diversify in ways that their shareholders value, if they genuinely widen the search and if owners hold them accountable. This was not about suddenly discovering a new generation of qualified women. It was about changing the criteria and the incentives so that qualified women were actually considered and appointed.

## **The political landscape has shifted – do you think a similar campaign would have the same effect today?**

The more important question today is probably less whether such a campaign could succeed, and more whether prominent investors would be willing to launch it. In today’s polarised environment, the risk of political, legal and reputational blowback is higher than during the period we study.

## **→ Read more:**

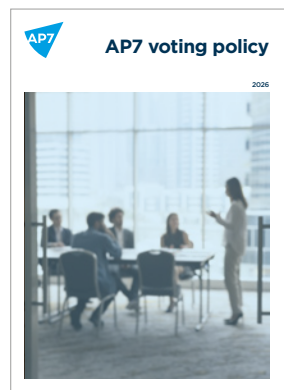
The Big Three and board gender diversity:  
The effectiveness of shareholder voice. *Journal of Financial Economics* (2023)

# The CEO and Chair should be separate

**When the CEO and Chair are the same person, the board’s ability to challenge management’s decisions is weakened. Many investors therefore advocate an independent Chair as a key element of good corporate governance.**

The board and executive management have distinct roles. The board is responsible for overarching and strategic decisions, while executive management, led by the CEO, is responsible for day-to-day operations and implementing the board’s decisions. The board is also responsible for evaluating the CEO’s performance. If the same individual both leads the board and is responsible for operations, this division of roles risks becoming blurred, weakening the board’s ability to exercise independent oversight and challenge management’s decisions.

Among the largest US companies (S&P 500), between 53 and 60 per cent of companies (depending on the source) have separated these roles. Ten years ago, the figure was closer to 45 per cent. (Source: Calibre One, 2025)



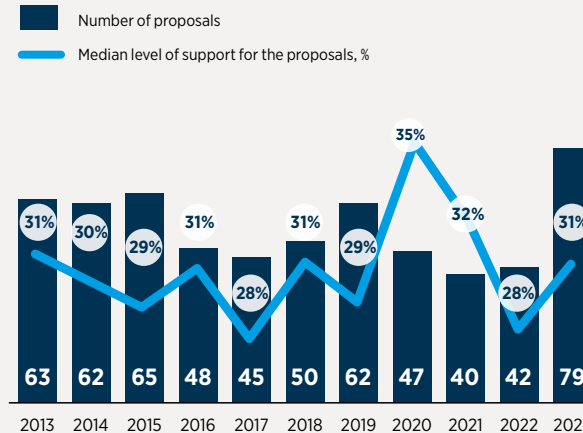
### AP7’s VOTING POLICY

AP7 believes that the roles of chairperson and CEO should not be held by the same individual, and will:

- Vote against the appointment of a chairperson where the roles of chair and CEO are held by the same person.
- Vote for a proposals to separate the roles of chairperson and CEO.

→ [Read more in AP7’s voting policy](#)

**MEDIAN SHAREHOLDER SUPPORT FOR INDEPENDENT CHAIR PROPOSALS (RUSSELL 3000)**



“Looking at independent chair proposals over the last 10 years, we found that they receive significant investor support but almost never gain a majority. Further, we found a correlation between the trends for combined chair-CEO roles and the correlation with shareholder proposals calling for independent chairs.”

Subodh Mishra, ISS

Source: Harvard Law School Forum on Corporate Governance, 12 October 2023

## AP7 filed a shareholder resolution at TotalEnergies’ Annual General Meeting

2024-04-18 / English

AP7, together with the Ethos Foundation and 18 other investors, filed a shareholder resolution at TotalEnergies’ Annual General Meeting. The coalition calls on TotalEnergies to separate the functions of Chair of the board and CEO, which are currently held by one and the same person.

TotalEnergies is requested to cease the combined role of Chair and CEO. The proposal, submitted by the Ethos Foundation and the coalition of international investors with the support of French-SIF, will be put up for an advisory vote at the AGM on 24 May. If the proposal receives a high level of shareholder support, it will be a strong message to the company to review its governance model to ensure better balance of responsibility and control.

The separation of the roles is a fundamental principle of AP7’s ownership guidelines and is widely regarded as a matter of good corporate governance. The concentration of power to a single person increases the risk of conflicts of interest since the board of directors’ possibilities to ensure the shareholders’ interests in the company’s operations are weakened.

Good corporate governance is particularly important for an oil and gas company such as TotalEnergies given the company’s size and the sector’s central importance to achieving global climate goals. Separation of the functions of CEO and Chair of the board can strengthen the dialogue between investors and the board on climate and transition issues.

→ [Read more www.ethosfund.ch](http://www.ethosfund.ch)

# Insights from panel discussion: The challenges and evolution of board work

**What is the role of the board, and how is it evolving in a time marked by increasing complexity, new risks, and higher expectations from investors and society? In a panel discussion, perspectives from investors, practical board experience, and academic research came together to explore this question. The discussion is available on YouTube.**

## The board's agenda is expanding

The conversation began with a reflection on the role of the board and how it has developed over the past ten years. The core mandate, to bridge the gap between ownership and control, remains unchanged, but the context has shifted. Today, boards are expected to address a broader range of issues, from digitalisation and AI to climate change and geopolitical risks. At the same time, more stakeholders now have a stronger voice in the boardroom. Investors, customers, employees, and society all place demands that may sometimes be conflicting.

One consequence is the establishment of more committees to handle specific issues, and an ever-expanding agenda. In practice, board work has become increasingly professionalised, and the expectations placed on directors' expertise and engagement have risen.

## The role of sustainability in the boardroom

A central theme of the discussion was how boards address sustainability and long-term systemic risks. The picture that emerged was mixed. In some sectors, particularly resource-

intensive industries, sustainability is fully integrated into board work, from investment decisions to incentive programmes. In other cases, sustainability is treated as a separate issue or given limited attention.

From an investor perspective, expectations are clear: the board must be able to identify and assess which risks and opportunities are material to the company, and ensure that the strategy reflects these considerations. Ultimately, this is a matter of long-term value creation.

### Participants:

**Kaisa Hietala**, Non-Executive Director at Exxon Mobil and Smurfit Westrock; Co-founder and Chair of Greencode Ventures

**Oshni Arachchi**, Global Head of Active Ownership and Head of Responsible Investment in Sweden, Danske Bank Asset Management

**Dr. Vu Trinh**, Associate Professor of Finance, Newcastle University Business School

The conversation was led by **Emma Sjöström**, Head of Sustainability Communications, AP7

→ [Watch the conversation on YouTube.](#)



“ They must also have the ability to “look around the corner”, that is, not only responding to change, but anticipating what comes next.

The discussion also highlighted a key challenge, though hardly new: balancing short-term and long-term objectives. Markets often reward short-term performance, and it often requires courage to stick to a strategy that addresses structural risks and involves difficult trade-offs.

### Competence and learning in the board

Another topic raised in the panel was the need for the right competencies in the boardroom. In a rapidly changing environment, no director can be expected to master every area. Instead, the mix of competencies becomes critical.

One practical tool highlighted by the panel was the use of a clear skills matrix, providing an overview of the capabilities the board needs in relation to the company’s strategy. Such mapping can help identify gaps and guide the recruitment of new directors.

The discussion also emphasized the importance of curiosity and continuous learning. While board members are expected to contribute with existing expertise, they must also actively evolve in step with emerging topics such as AI, cybersecurity, and sustainability governance.

The balance between generalists and specialists was also discussed. Participants noted that specialist expertise is valuable, but only when combined with a genuine interest in the company’s overall business. Otherwise, the expert role risks becoming isolated and less effective.

### Investors as a driving force: dialogue, engagement, and signaling

The relationship between boards and investors was highlighted as a key aspect of corporate governance. Investors can play an active role by defining what they consider good governance, analyzing their holdings, and identifying areas for improvement.

Dialogue is often the primary tool, typically conducted through management or investor relations, but in some cases directly with the board. This interaction can be both proactive and reactive, and at its best contributes to better understanding and stronger decision-making, the panel noted.

A more direct form of influence is voting at general meetings, including so-called “director votes.” The panel emphasized that even small deviations in voting percentages can serve as clear signals to the market of governance shortcomings. Research shows that such signals can affect both trust and company valuation.

From an investor perspective, it was noted that while this tool can be effective, it is used with caution. Voting against a director is often a last resort, after other avenues for dialogue have been exhausted.

### Diversity as a strategic issue

Board composition from a diversity perspective was also discussed, with a particular focus on gender balance. Participants emphasized that diversity brings multiple perspectives that improve decision-making, reduce the risk of groupthink, and strengthen the company’s ability to identify risks and opportunities.

Research also indicates a link between gender-balanced boards and stronger climate strategies, for example in the form of lower emissions and higher levels of innovation. At the same time, a critical mass is required: a single representative of an underrepresented group is not sufficient to influence boardroom dynamics.

Panellists noted that gender is the most common marker of diversity, but it is important to take a broader view. Competence, experience, background, and perspectives all play a role in creating an effective and dynamic board.

### Courage, curiosity and proactiveness in the board of the future

In closing, participants returned to the question of what will be required of boards in the future. The answer was summed up as courage, curiosity, and proactiveness. Boards must dare to act early, before risks escalate into crises. They need to maintain a long-term perspective, even when the environment favours short-termism. And they must continuously reassess their ways of working and their composition in order to meet new challenges. They must also have the ability to “look around the corner”, that is, not only responding to change, but anticipating what comes next.



# Concluding reflections

The Board Responsibility theme highlights corporate governance as central to long-term value creation. When boards take their responsibilities seriously – by ensuring the right competence, managing material risks and making decisions in line with science and long-term societal objectives – companies are better equipped to navigate a changing environment.

At the same time, the report shows that investors play a crucial role. Through voting, clear expectations and increased accountability, owners can influence how boards address climate, diversity, governance and transparency. Voting against individual directors to express dissatisfaction, including on sustainability issues, has become more common. Both research and AP7's experience indicate that this tool is effective. Votes against often lead companies to strengthen their work in the areas where criticism is directed, even when directors are not immediately replaced.

As we now conclude the Board Responsibility theme, we carry these lessons into the next phase of AP7's development. Our transition to a more integrated approach, in which sustainability is fully embedded across asset management, means that board-related issues will remain in focus going forward. Expectations of corporate boards will continue to increase, not least as a result of new regulatory frameworks, rising societal expectations and a growing need for climate and energy transition.

As a universal owner, AP7 takes a long-term perspective focused on the overall value of the portfolio. By setting clear expectations for boards and exercising our ownership responsibly, we aim to contribute to robust companies, well-functioning markets and sustainable development – ultimately to the benefit of pension savers.

## ENDNOTES

- <sup>1)</sup> Aggarwal, R., Dahiya, S., & Yilmaz, U. (2023). Why do investors vote against corporate directors? European Corporate Governance Institute–Finance Working Paper, (924).
- <sup>2)</sup> Ertimur, Y., Ferri, F., & Oesch, D. (2018). Understanding uncontested director elections. *Management Science*, 64(7), 3400-3420.
- <sup>3)</sup> Iliev, P., Lins, K. V., Miller, D. P., & Roth, L. (2015). Shareholder voting and corporate governance around the world. *The Review of Financial Studies*, 28(8), 2167-2202.
- <sup>4)</sup> Gareil, A., Michaely, R., & Romec, A. (2025). Climate Disclosure and Director Elections. FEB-RN Research Paper, (42).
- <sup>5)</sup> Aggarwal, R., Dahiya, S., & Prabhala, N. R. (2019). The power of shareholder votes: Evidence from uncontested director elections. *Journal of Financial Economics*, 133(1), 134-153.
- <sup>6)</sup> Fos, V., & Tsoutsoura, M. (2014). Shareholder democracy in play: Career consequences of proxy contests. *Journal of Financial Economics*, 114(2), 316-340.
- <sup>7)</sup> Grundfest, J. A. (1992). Just vote no: a minimalist strategy for dealing with barbarians inside the gates. *Stan. L. Rev.*, 45, 857.
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- <sup>10)</sup> Trinh, V. Q., Trinh, H. H., Nguyen, T. H. H., & Vo, X. V. (2023). Board gender diversity and firm-level climate change exposure: a global perspective. *Finance Research Letters*, 55, 103995.

## AP7 IN BRIEF

**Mission:** Good pension from generation to generation

**Vision:** A global role model for responsible pension solutions

AP7 is a government agency tasked with managing premium pension assets on behalf of the Swedish public. Just under six million Swedes invest their premium pension in the state default option, AP7 Såfa. Assets under management amount to more than SEK 1,400 billion, which entails a significant responsibility. AP7's asset management is carried out exclusively in the interests of pension savers. AP7 is a universal owner. With investments in around 2,000 companies worldwide,

we can act as an owner across a broad front and with a long-term perspective, with the best interests of the entire market in mind. By acting as an active, universal owner, AP7 safeguards the financial interests of both current and future savers. AP7's active ownership primarily aims to have a positive impact on long-term returns for the market as a whole, rather than for individual companies. (At December 31, 2025)

**Managed assets:** About 1,500 billion SEK

**Number of savers:** More than 6 million

**Investment portfolio:** 2,000 companies across the world

The logo consists of a blue triangle pointing downwards, with the white text 'AP7' inside it.

AP7

# AP7 Theme Report

## **Board Responsibility**



**The corporate board is one  
of the most central institutions  
in the business sector.**