



# Climate Action Plan

**An integrated climate action plan for  
AP7's investments and active ownership**





## Contents

About AP7	2
About AP7's Climate Action Plan	2
From the CEO	3
Climate risks and opportunities	4
AP7's climate scenario analysis	6
AP7's Climate Action Plan	7
Focus Area 1. Investments	7
Focus Area 2. Active ownership	9
Focus Area 3. Public policy dialogue	10
Focus Area 4. Transparency	11
Member organisations	12

## About AP7's Climate Action Plan

This is a summary of AP7's plan for how it will contribute to attaining net zero emissions globally by 2050. The Climate Action Plan is based on information available in the first half of 2022, and will be continuously developed. The Climate Action Plan is based on the scenarios of the UN Climate Panel, IPCC, and the Net Zero Roadmap 2050 of the International Energy Agency, IEA. The plan includes objectives and goals for AP7's active ownership and investments.

### About AP7

AP7 is a public agency tasked with managing pension assets within the Swedish premium pension system. AP7 manages a total of over SEK 970 billion for more than five million Swedes, which is a major responsibility. AP7's asset management is exclusively focused on the interests of the pension savers, both today's pensioners and those in the future.

Our sustainability work is based on the norms reflected in the ten principles of the Global Compact.

One of the most urgent sustainability issues is the climate transition. As universal owners with investments in more than 3000 companies around the world, we can act on a broad front and over a long term, considering the interests of the entire market. By being an active universal owner, AP7 is securing the financial interests of both current and future savers. AP7's active ownership is primarily aimed at ensuring a positive effect on the long-term return for the entire market rather than for individual companies.



# AP7 is working to attain the climate goals

The world is facing considerable challenges if we are to successfully reduce emissions at the rate required to attain the climate goals and avoid the most extensive effects of climate change. Political decisions play a crucial role, but the responsibility to take action and contribute to the climate transition also lies with other actors in society.

AP7's mission, to generate good returns for our savers, is dependent on the implementation of the Paris Agreement and long-term sustainable global growth. Our sustainability work is based on the ten principles of the Global Compact. These norms also permeate our sustainability goals – where the climate transition is one of the most pressing issues.

With ownership in more than 3000 companies around the world, AP7's climate risks are largely the same as those in the overall global economy. It therefore lies in our interest that a change occurs that reduces climate risks in the real economy and not just in our equity portfolio.

A common approach is that investors have two choices: reallocate capital from sectors with high emissions to sectors with low emissions, or engage with the companies they own and put pressure on them to adapt their operations. In many ways, reallocation is simpler, but this limits the opportunities to influence the rate of transition in the companies.

Our focus therefore lies on active ownership to support the portfolio companies in their transition, and in adapting their operations to climate-related risks and opportunities. In order to assess how our investments are affected by climate change, we also encourage transparent reporting. This is important information, both for our investment decisions and in the dialogue with our portfolio companies.



Parallel with the engagement work, as investors we can contribute by financing enterprises that develop climate solutions and contribute to reduced climate risks. We also use our position as universal owners and state pension fund to work with opinion forming and policy development. In this way, we secure the financial interests of both current and future savers.

The goal of global net zero emissions by 2050 brings great demands. With this roadmap, we wish to clarify our intention to be a positive force for attaining the climate goal, and describe how we will proceed.

Richard Gröttheim  
CEO, AP7



**With ownership in more than 3000 companies around the world, AP7's climate risks are largely the same as those in the overall global economy. It therefore lies in our interest that a change occurs that reduces climate risks in the real economy and not just in our equity portfolio.**

# Climate risks and opportunities

The aim of AP7's climate work is to drive a transition of the economy, through active ownership and investments in enterprises that contribute to reduced climate risks. The risks relating to climate change can be divided into two main categories: physical risks and transition risks.

## Physical risks

One of the biggest risks that could result in AP7 failing in its mission to generate good returns and give our savers good pensions is that the world does not succeed in limiting the temperature increase to below 1.5°C. The economic consequences for the global economy in such a scenario could be extremely serious. The physical risks are those arising from increasing global average temperature, rising sea levels, and extreme weather conditions.

## Transition risks

Transition risks are those deriving from the transition to a low-carbon society, where consumption patterns change, new products replace old, attitudes change, and climate policy becomes more stringent. The transition risk is regarded as a financial risk, as the value of certain companies will fall when, for example, measures are implemented to phase out fossil

fuels from the economy. At the same time, the value of other companies developing or applying new technology that enables the transition will increase.

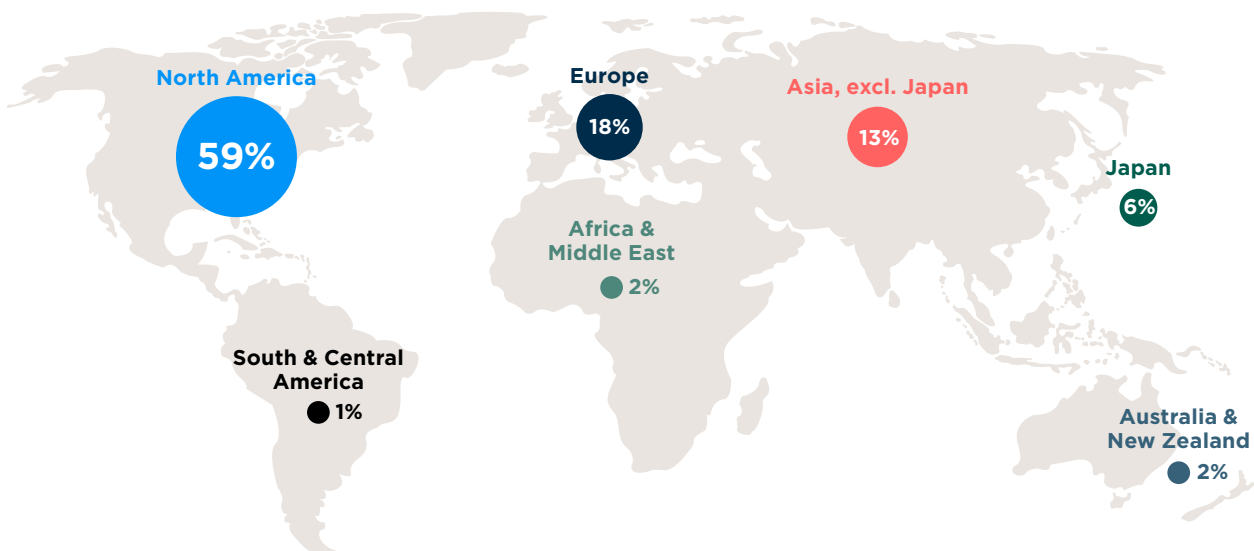
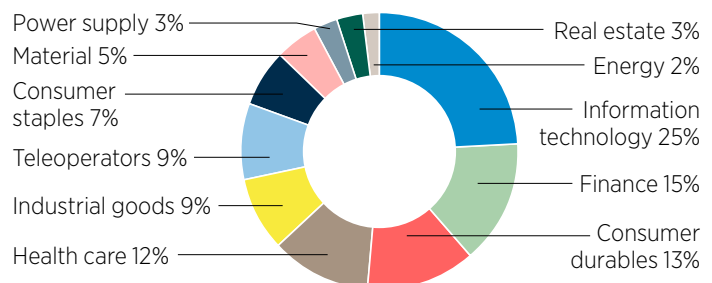
## AP7's global climate risks

The transition will favour certain companies in the AP7 portfolio, but will be unfavourable to others. Our investments in a large number of companies in different sectors and regions reduce our savers' exposure to the risks of each individual company, and the risks linked to our holdings are largely the same as those applying to the entire global economy.

AP7's blacklisting process excludes companies that conduct activities conflicting with the Paris Agreement, including companies that are expanding their fossil-fuel activities and that lack credible transition plans. Our assessment is that our exposure to transition risks is lower than the exposure in our benchmark index.

## Regions and sectors 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 AP Equity Fund's biggest market, with over half of the fund's holdings, because of the size of the market value in global indexes. Information technology is the biggest sector.



## Climate risks and opportunities

### Roadmap for the global energy sector

Previously, we have expected that the companies in which we invest follow international norms, but there has been no established practice for linking specific company activities to the Paris Agreement. In 2021, the international energy body, IEA, presented the report *Net Zero by 2050 – A Roadmap for the Global Energy Sector*. The report shows how the energy sector, which accounts for three-quarters of today's greenhouse gas emissions, will attain net zero emissions by 2050. It also describes the commitments and measures required of governments to limit the global warming to 1.5°C and attain the goals in the Paris Agreement. The publication of the roadmap gave us greater clarity about what the climate agreement needs to promote changes and concrete decisions.

### Active and focused ownership

Climate is one of AP7's focus issues, and we drive actively to implement the Paris Agreement in all our active ownership processes. By incorporating the Paris Agreement, we are involved in defining where the boundary goes for acceptable conduct regarding the climate issue. It is in the real economy, in the companies' business operations, that the emissions occur and where the transition must take place. We generate most benefit for the climate by exerting pressure on companies to adapt their operations and reduce emissions.

AP7's voting policy specifically considers the climate, and at general meetings we usually vote for climate resolutions filed by the company's board or its shareholders. In collaboration with other investors, AP7 has been active in filing climate-related resolutions at general meetings since 2016. In 2022, we tightened up our voting policy to demand higher standards from boards of companies whose activities have a great impact on climate. On our website, we show how we vote at all general meetings.

AP7 engages in dialogue in which we place demands on the companies that we identify as being especially important for a transition. In this climate action plan, we have formulated an objective that we will engage in more comprehensive active ownership, directed at companies whose activities have a large impact on climate. Another objective is that the proportion of companies in our portfolio conducting credible transition work in line with the Paris Agreement will continually increase.

We also conduct dialogue with the companies at risk of being blacklisted on the grounds of violations of the Paris Agreement. The blacklisting process is therefore also a tool for active corporate ownership. Through the process we exclude companies conducting activities that conflict with the Paris Agreement, and in 2020, we extended the blacklisting to include companies in our portfolio that continue to expand their activities in coal production and coal power. In 2021, we tightened the requirements further, and now blacklist companies with large-scale coal activities that have not started the transition.

Developing norms as active owners is an important part of AP7's contribution to the climate transition. Today, AP7 is leading the development of a standard for responsible corporate climate lobbying, and we are participating in

developing TPI, an asset owner-led initiative that assesses companies' preparedness for the climate transition. AP7 is also a member of IIGCC and is active in a number of broad and specific working groups, such as the IIGCC Corporate Programme and Net Zero Stewardship Working Group.

### Greater impact through collaboration

Collaboration with other investors with similar ambitions is a success factor in the work to engage with companies about adapting their operations to the Paris Agreement. An example is working within the framework of the investor collaboration, Climate Action 100+. This is a network of investors aiming at the 160+ listed companies identified as accounting for 80 percent of the global greenhouse gas emissions. In 2021, AP7 signed the IIGCC Paris Aligned Investment Initiative: Net Zero Asset Owner Commitment. The commitment means that we will be working actively for our portfolio companies to attain net zero emissions by 2050.

In 2022, in collaboration with the Church of England Pensions Board, BNP Paribas AM, and with the support of global investor networks, we are launching a global standard for reporting and assessing companies' corporate climate lobbying: <https://climate-lobbying.com>

### Financing of climate solutions

The systemic change that we are facing requires innovations and investments in all sectors. In AP7's active asset management, we are making use of the opportunity to finance enterprises that focus on innovations and solutions to the climate problem. In addition to this contribution to the climate issue, we are increasing our exposure to businesses that can be favoured by the transition to a fossil-free economy.

AP7 has 'green mandates' in the management of all asset classes – equity, fixed income, and private equity. It is in private equity that many of the solutions to the climate problems are being developed, so this is an important asset class in the financing of climate solutions.





# AP7's climate scenario analysis

Our climate scenario analysis is based on three main climate scenarios for global warming, and their effects on different asset classes.

## 1.

### Transition in line with the Paris Agreement

(PO – Paris Orderly Transition)

where the global transition is orderly, and the warming is expected to be 1.6°C by 2100, without unforeseen complications. This scenario assumes major transitions, driven by technological shifts and powerful political decisions.

## 2.

### Disorderly transition to the Paris Agreement

(PD – Paris Disorderly Transition)

also means that the warming is no more than 1.6°C by 2100, also through technological shifts and powerful global political action. We reach the climate goals, but the difference is that disorderly transition creates turbulence on financial markets, with uncertain pricing and stranded assets as a result.

## 3.

### Failed transition to the Paris Agreement

(Failed Transition)

means that we do not succeed in attaining the climate goals. Political decisions are lacking, and companies and economies continue with their activities more in line with today. The warming is expected to be 4°C, so the effects of the physical risks are more probable and more powerful, thereby having greater effects on both the climate and financial markets.

The effects of the scenarios with an orderly (POT) and disorderly (PDT) transition will vary for different asset classes, sectors, and companies, because the political decisions create different transition effects and physical effects in the real economy. In the third scenario, where there is no transition (FT), the transition effects will be limited, but the failed transition will have major negative consequences for the global economy as a whole. Returns on the bond market are predicted to be lower if climate change leads to lower growth and lower repo rates.

AP7's assessment is that a disorderly transition (PDT) could challenge the target of at least two percentage points higher long-term return than the income pension. However, in the event of a failed transition (FT), the risk is considerably higher that the target for return will not be reached, and instead there will be a noticeable increase in the risk exposure. It is also important to consider that a failed transition increases the risk that the return in the income pension will be considerably reduced as a result of a weaker global economic growth.

A failed transition would probably have greater effect on

equity than on fixed income assets. However, the return from fixed income assets is expected to be lower in all scenarios because of lower interest trends.

Scenario analyses give an indication about the future, and can form the basis for decision-making. However, scenario analyses are simplifications, often applying assumptions of constant behavioural patterns in complicated long-term models. Consequently, attention is drawn to the difficulties in analysing disruptive events, such as behaviour during the Covid-19 pandemic or financial crises, where it has been shown that economies are more flexible and adaptable to new events than expected.

Large pension companies and asset owners with ownership on the world's markets 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 attaining the climate goals, is to be active owners together with other investors, and engage with companies on the entire market and encourage them to adapt their operations.



# AP7's climate goals

The overall objective of the AP7 Climate Action Plan is that the Fund will contribute to global net zero emissions 2050. Within the plan, a number of time-specified targets have been set up. The targets are structured in accordance with the categorisations stated in The Investor Agenda's *Expectations Ladder* ([theinvestoragenda.org](https://theinvestoragenda.org)). As part of the Climate Action Plan, one of our actions will be to review the proportion of companies in the portfolio with credible transition plans, and draw up a plan for increasing this proportion through investments, blacklisting, and active ownership.

Focus Area 1: **INVESTMENTS**

Focus Area 2: **ACTIVE OWNERSHIP**

Focus Area 3: **PUBLIC POLICY DIALOGUE**

Focus Area 4: **TRANSPARENCY**

## Focus Area 1: **INVESTMENTS**

**Investment in companies that offer solutions or generate climate benefit is a tool through which AP7 can contribute to the climate transition. This involves green mandates and impact investments. At the same time, we blacklist companies that we regard as violating the Paris Agreement. In addition, we are launching a transition portfolio that, by integrating the climate risk analysis, promotes the climate transition.**

Most of AP7's managed capital is invested in the AP7 Equity Fund. The global equity portfolio is the main pillar of the fund, with a broad geographical and sector distribution in over 3000 listed companies, combined with financial instruments that raise the level of risk and expected return. Three percent of AP7's equity portfolio comprises private equity.

A small proportion of AP7's managed capital is invested in interest-bearing securities. The AP7 Fixed Income Fund is a low-risk fund that mainly invests in Swedish Government, mortgage, and green bonds.

Today, restrictions prevent AP7 making certain climate-related investments, for example, illiquid assets like infrastructure, real estate, agriculture, and forestry.

Since 2014, AP7 has been reporting the climate footprint for listed equity, and in 2022, has improved reporting by incorporating changes in the footprint due to both adjustments in the portfolio holding and changes due to increases or decreases in companies' emissions. This is an important distinction if we are to determine real changes in global emissions instead of just the effect in the Fund's portfolio.

## Overall objectives for investments

### Transition portfolio

The target is to compile a transition mandate that will comprise 10 percent of the Equity Fund by 2025. A new transition portfolio will be developed that combines active asset management with active ownership. The aim is to promote greater diversification, while promoting a greater climate transition in companies through active ownership.

### Blacklisting

The objective is to tighten the application further to also include oil and gas companies that invest in new fossil fuel extraction, which conflicts with the IEA Roadmap.

## Green allocation

AP7 has investments in climate solutions (green mandates) in all asset classes, and an ambition for 2022 is to draw up an action plan to increase investments in climate solutions within each asset class.

The target is to compile a transition mandate that will comprise 10 percent of the Equity Fund by 2025. At present, clean tech, private equity, and green and ESG-weighted mandates comprise 8 percent of the Equity Fund.

Our objective is that all asset managers of the private equity holdings and beta-mandates will have developed a climate policy in line with the Paris Agreement during 2022. During 2023, they will have drawn up a climate action plan in line with the Paris Agreement, and reviewed their climate-related risks and opportunities.

Green bonds comprise 5 percent of the Fixed-Income Fund. The target is to double the proportion in 2022 and increase it to 50 percent of the Fixed Income Fund by 2025.



**The target is to compile a transition mandate that will comprise 10 percent of the Equity Fund by 2025.**

## AP7's climate goals

### Impact investments

Impact investments are investments that, in addition to generating economic return, also generate environmental and societal benefits. The economic return is easy to measure through a number of well-known and established methods. However, measuring the benefit of investments for society is more complicated, and accepted standards are lacking in the area.

Better data is constantly required for all forms of sustainable investments, and asset owners can add value to investments through active engagement. Many companies can be developed with the right support from their owners, both in terms of the business operation and environmental impact and in terms of reporting.

One of the challenges in the area is the complexity in comparing the impact of companies with different products in different places, even if the focus is only on one of the global sustainability goals. Quantifying the advantages is also a challenge, particularly if the ambition is to weigh up the positive and negative effects of the companies' products and solutions to produce a net effect.

Much remains to be done before we begin to approach some form of standardised metrics in this area. However, a positive sign is that there are a number of ongoing initiatives in different parts of society aimed at finding solutions and driving the development of methods to measure how investments benefit society.

### Blacklisting

We expect the companies in which we invest to follow the international norms enshrined in the ten principles of the UN Global Compact in terms of human rights, labour rights, environment, and anti-corruption. Since 2016, the Paris Agreement linked to the UN Climate Convention has been included in our blacklisting process.

AP7 does not invest in companies that violate these norms, which are our lowest acceptable level of conduct and grounds for blacklisting. By publishing the names of the companies twice a year, together with the reason for the blacklisting, we want to exert pressure on the companies to

change their conduct. The ambition is to be able to reinvest in a blacklisted company as soon as it can show that its norm violations have ceased.

The climate aspect in AP7's norm-based blacklisting is continually being developed in line with research on the climate transition and global warming. The blacklisting is based on the Paris Agreement, and involves incident-based cases as well as systematic screening of coal companies with large-scale production and expansion of thermal coal. IEA's new roadmap to net zero emissions assumes a rapid reduction in coal use if we are to meet the goals in the Paris Agreement.

In 2022, we have developed the definitions, and tightened the criteria regarding coal, oil sands, and expansion of fossil-fuel extraction. Consequently, our blacklisting includes companies involved in production of oil sand, companies that extract fossil fuels in the Arctic, and companies involved in mining of thermal coal or coal power and that lack a credible plan to phase out coal. Development of the blacklisting has resulted in us, in June 2022, blacklisting 34 companies whose activities conflict with the Paris Agreement. Another ten companies involved in fossil fuels have been blacklisted because of other norm violations than those concerning the climate. In time, the intention is to tighten the objective further, to include oil and gas companies that invest in new fossil fuel extraction, in conflict with the IEA Roadmap.

### Transition portfolio

In order to attain greater effect through investments, our objective is to integrate a developed climate risk analysis in part of the equity portfolio. This transition portfolio combines active asset management with active ownership, where the aim is to promote greater diversification, while working to increase the climate transition in companies through active ownership.

The target is to compile a transition mandate that will comprise 10 percent of the Equity Fund by 2025. The transition portfolio will be developed and refined over several years, but the target is to make the first investment in 2022.





## AP7's climate goals

### Focus Area 2: **ACTIVE OWNERSHIP**

**Like many other large asset owners, AP7 sees active ownership as one of the main opportunities to contribute to society's transition to net zero emissions by 2050.**

The overall objective is to attain real emission reductions by putting pressure on companies to intensify their adaptation to the rapid societal changes that are needed if we are to attain the emission targets. A strongly diversified portfolio with holdings in many countries and sectors sets the framework for AP7's active ownership. As a universal and active owner, AP7 aims to influence the entire market in a sustainable direction over the long term.

In order to attain sustainable and responsible asset management, AP7 works mainly with four methods for engaging with companies: voting and taking action at general meetings, conducting dialogue with the companies we own, public blacklisting, and legal processes. We combine these methods to varying extents. We base the work on the norms pertaining to human rights, labour rights, environment and corruption enshrined in the international conventions that Sweden has signed.

Engagement through dialogue is the most effective way of bringing about change when the company itself wants to develop. AP7 has a large number of ongoing dialogues with companies concerning the climate transition and reported violations of the Paris Agreement.

#### **Voting and actions at general meetings**

The general meeting, every company's highest decision-making body, offers an opportunity for shareholders to actively exert influence on the governance of the company. Voting at general meetings is AP7's most important 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. AP7 votes annually at over 4000 general meetings in nearly 60 countries. AP7 is continually tightening up our voting policy on climate issues.

### **Overall objectives for active ownership**

#### **Activity targets**

By 2025, 100 percent of the prioritised companies\* with the greatest impact on climate in our portfolio will be the subject of intensified active ownership in addition to voting, with the target to attain net zero emissions by 2050.

#### **Outcome targets**

By 2025, at least 50 percent of the prioritised companies\* will conduct credible transition work.

\* The prioritised companies in our portfolio are those that, together, make up 70 percent of our carbon footprint, and those companies that have great impact on climate but a low carbon footprint. Today, this is approximately 150 companies. The number of companies will change over time.

Sixty-three of our prioritised companies are the subject of intensified active ownership in the CA100+ project. In 2021, 47 percent of the prioritised companies in our portfolio were the subject of intensified active ownership, in addition to voting, and 17 percent of the prioritised companies in our portfolio conducted credible transition work in line with the TPI 'Below 2 degrees' scenario.

In 2022, the aim is to vote against boards of companies with poor climate performance. In 2023, we will start to publish in advance how we are planning to vote at prioritised general meetings. In 2021, we voted on a total of 237 resolutions or proposals on various sustainability issues, and we supported a majority of these, 79 percent. For example, AP7 has voted that companies must increase their transparency regarding corporate climate lobbying and start reporting their carbon emissions according to Scope 3, i.e. the emissions generated by the burning of the companies' oil and coal.

In certain countries, AP7 can file its own shareholder resolutions at the general meetings. To increase impact in particularly important issues, AP7 often joins forces with other shareholders and drives proposals jointly.

### **Standard on responsible corporate climate lobbying**

Negative corporate climate lobbying has been an obstacle to the implementation of the Paris Agreement. Since the agreement was adopted in 2015, a number of proposals for climate legislation have been put forward, but many of them have been withdrawn or watered down as a result of effective opposition from certain international business organisations.

In March 2022, together with BNP Paribas Asset Management and The Church of England Pensions Board, AP7 launched a new standard on responsible climate lobbying, *The Global Standard on Responsible Climate Lobbying*. The standard comprises a basis for consistent investor expectations of companies, to ensure that their

lobbying activities are in line with the Paris Agreement.

*The Global Standard on Responsible Climate Lobbying* consists of 14 points that will make it easier for companies to report on their climate lobbying and for investors to assess the companies' climate lobbying. The standard also encourages companies to make formal commitments regarding responsible climate lobbying and to take measures if their own lobbying activities or those of their business organisations conflict with the goals of the Paris Agreement.

Over 3,800 organisations and investors are backing the new standard.

[Read more at climate-lobbying.com](https://climate-lobbying.com)

## AP7's climate goals

### Coordinated owner engagement

As universal owner, AP7 strives to work with other investors to drive the development of common norms in the market. The importance of coordination is greater than ever in a situation where companies need to consider many stakeholders with different expectations, and where the time for transition is short. Investors need to coordinate their ownership dialogue, place consistent requirements, and work from common scenarios where they conduct dialogue with the companies and vote at general meetings. Our objective is to take a leading role in the collaboration in certain particularly urgent systemic issues, for example within the Taskforce on Nature-Related Financial Disclosures (TNFD) and responsible climate lobbying.

Within Climate Action 100+, AP7 supports the dialogue with all the companies with the largest impact on climate in the portfolio, and is developing escalation strategies in international collaboration. The ambition is to engage with an increased proportion of these companies, for example through dialogue, voting, and taking action at general meetings, to encourage them to make net zero commitments.

One of our targets is that, by 2025, three of every four portfolio companies in the energy sector will have reached Level 3 or higher in the Transition Pathway Initiatives assessment of Management Quality.



### Focus Area 3: PUBLIC POLICY DIALOGUE

#### AP7 has a long history of policy dialogue and taking public positions from an investor perspective.

The investor collaborations that have been set up in recent years have considerably improved the chances of driving policy development. Our intention is to increase our ambitions further in this area, both to increase the expected impact and to defend AP7's leading position among global investors.

#### Overall objectives for public policy dialogue

- To continue as active participants in investor collaborations, for example within IIGCC, which identifies new needs in policy dialogue.
- To conduct new activities every year to spread knowledge and increase understanding about investors' roles in sustainable development.

Today, we openly support the climate transition, for example by presenting proposals that develop policy and regulatory frameworks to attain net zero emissions by 2050. Examples are phasing out subsidies of fossil fuels or taxing and pricing emissions. Active participation in investor collaborations, such as IIGCC, which identifies new needs in policy dialogue, is an important platform that ensures continual development and support for new proposals.

AP7 has been a driver in drawing up a standard for analysis and reporting of corporate climate lobbying, The Responsible Climate Lobbying Framework. The principles in the standard can be applied in the analysis of our own member organisations' lobbying activities. In 2022, we will be drawing up an action plan, based on the principles in The Responsible Climate Lobbying Framework, and this will be published in 2023.

AP7 also works to bridge the gap between research and practice in the field of sustainable investments. We work to contribute new knowledge, spread existing knowledge, and bring together different societal actors in public debate on matters such as climate lobbying, working conditions, and effect measurements of sustainability initiatives by investors and companies. Our objective is to further develop the dissemination of knowledge and opinion-forming about the role of investors for sustainable development.

**“ We work to contribute new knowledge, spread existing knowledge, and bring together different societal actors in public debate on matters such as climate lobbying, working conditions, and effect measurements of sustainability initiatives by investors and companies. ”**



## AP7's climate goals

### Focus Area 4: **TRANSPARENCY**

#### **Reporting AP7's objectives, activities and progress is, in itself, a way to attain the goal of net zero emissions.**

The reporting shows the savers clearly how we are working and how we are increasing understanding at companies, suppliers, and other stakeholders of the requirements we place as owners and investors.

Better reporting from the portfolio companies about their climate-related financial risks and opportunities is vital if these risks and opportunities are to be managed. Reporting in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework increases companies' understanding of their climate impact and how they can manage it. At the same time, the investors are given better information, enabling them to assess the companies' climate risks. AP7 supports TCFD, and is working to increase transparency from our portfolio companies.

AP7 is not directly impacted by the regulatory requirements in the EU Taxonomy and Disclosure Regulation. Because information according to the new regulatory framework will become the new standard, we do not yet report information according to the Disclosure Regulation. We will also adapt to the Taxonomy Regulation when it comes into force.

The effects of AP7's active ownership are evaluated and

published annually in the Sustainability Report. All voting results from the companies' general meetings are reported on the AP7 website.

#### **AP7 measures the carbon footprint**

As part of our broader climate work, AP7 measures and reports the collective carbon footprint of the AP7 Equity Fund. The carbon footprint gives an impression of the size of direct emissions from the underlying portfolio companies in the fund.

The objective of AP7's climate work is that the companies we own will reduce their emissions. In 2021, the portfolio footprint decreased compared with previous years. The portfolio footprint can be an indicator of changes in emissions. At the same time, the portfolio footprint is affected by changes in equity holdings and share prices, which do not have any effect on actual climate emissions. AP7 therefore regards the portfolio's carbon footprint as an indicator rather than a target in itself.



**The objective of AP7's climate work is that the companies we own will reduce their emissions.**



# Member organisations

AP7 complies with the requirements associated with the following memberships or voluntary guidelines that we have signed:

## Initiative/guidelines

<b>UN Principles for Responsible Investment (UNPRI)</b>	A global initiative for institutional investors working to integrate sustainability aspects in their investments.
<b>Institutional Investors Group on Climate Change (IIGCC)</b>	European network for investors who collaborate on mitigating climate change.
<b>Ceres</b>	A North American NGO that collaborates with investors on sustainability and climate.
<b>Climate Action 100+</b>	A five-year project for investors who are working to drive climate measures in the world's companies with the greatest emissions.
<b>CDP</b>	Global information system that helps companies, cities, and states to report and manage their environmental impact.
<b>Sweden's Sustainable Investment Forum (SWESIF)</b>	Swedish sustainability network for investors.
<b>Swedish Investors for Sustainable Development (SISD)</b>	Swedish sustainability network for investors, set up and organised by the aid agency, Sida.
<b>Global Investors for Sustainable Development (GISD)</b>	Global sustainability network for investors, set up on the initiative of the UN, taking inspiration from the Swedish network SISD.
<b>Transition Pathway Initiative (TPI)</b>	Research institute that helps investors evaluate how companies with large carbon emissions are working to become fossil-free, and whether their 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 Nature-related Financial Disclosures (TNFD)</b>	TNDF develops frameworks for risk management and reporting of nature-related risks.
<b>The Paris Aligned Investment Initiative Net Zero Asset Owner Commitment</b>	Global sustainability network for investors who are working to reduce the emissions of portfolio holdings in line with the Paris Agreement.





**AP7** Vasagatan 16, 10 tr  
Box 100, SE-101 21, Stockholm, Sweden  
Tel: +46 8 412 26 60  
[www.ap7.se](http://www.ap7.se)



Large pension companies and asset owners with ownership on the world's markets 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 attaining the climate goals, is to be active owners together with other investors, and engage with companies on the entire market and encourage them to adapt their operations.

**Text:** Seventh AP Fund (AP7) with the support of Helene Hellberg

**Project management:** Mikael Lindh Hök, AP7

**Translation:** Leslie Walke, Communicaid AB

**Graphic design:** griller.se

**Photos:** Shutterstock