

The First, Second, Third and Fourth AP Funds' common guidelines for reporting on how the objective has been achieved

The AP Funds' operations are regulated by the National Pension Insurance Funds Act (2000:192), the AP Funds Act. On 1 January 2019, a number of changes to the AP Funds Act come into effect (Act on changes to the AP Funds Act (2000:192)) which mean, for example, that the First, Second, Third and Fourth AP Funds (the AP Funds) must manage their funds in an exemplary way through responsible investments and responsible conduct. When managing funds, special emphasis must be given to how sustainable development can be promoted without compromising on the overall objective (Chpt. 4 §1) regarding return and risk. The AP Funds shall work together to achieve the objective of exemplary management (Chpt. 4 §1a). As a minimum, the collaboration shall involve the AP Funds developing:

1. common core values for managing funds
2. common guidelines for reporting on how the objective has been achieved, and
3. common guidelines on which assets funds should not be invested in

This document sets out the AP Funds' common guidelines for reporting on how the objective has been achieved. The objective is set out in Chpt. 4 §1a and states "The AP Funds shall manage funds in an exemplary way through responsible investment and responsible conduct. When managing funds, special emphasis must be given to how sustainable development can be promoted without compromising on the overall objective in Chpt. 4 §1."

Openness and transparency

The AP Funds attach great importance to open and transparent reporting of their operations and sustainability work. The AP Funds shall manage assets and otherwise act to maintain public confidence in the AP Funds and their operations. This means that fund management must be efficient, results-oriented and characterised by openness, which also helps to maintain confidence in the income pension system as a whole.

The AP Funds' reporting

Each AP Fund publishes an annual report and a six-month interim report every year. Each AP Fund also publishes a sustainability report every year, either as part of the Fund's annual report or as a separate report. The AP Funds are not covered by Sweden's Annual Accounts Act, however the AP Funds endeavour to ensure that their annual reports, including the sustainability reports, comply with the Annual Accounts Act as far as possible.

The AP Funds continuously report on the activities of the operations via their respective websites.

The AP Funds strive to contribute to standardised development of reporting that is relevant to the AP Funds, both financial reporting and sustainability reporting.

Financial reporting

According to Chpt. 6 of the AP Funds Act, the annual reports of the First – Fourth AP Funds shall be prepared in accordance with generally accepted accounting principles. The annual

report shall comprise a balance sheet, income statement, notes and a directors' report. The assets in which funds are invested shall be entered at market value in the annual report.

Taking the above as a starting point, since 2001 the AP Funds have prepared a common policy document – *the AP Funds' accounting and valuation policies*. This document is updated annually. The aim is to create clear, transparent and comparable reporting among the AP Funds and also to stipulate which information should be deemed obligatory to publish. The policy document is reviewed annually by the AP Funds' auditors.

The AP Funds' accounting and valuation policies have gradually been adapted to International Financial Reporting Standards (IFRS).

Sustainability reporting

The AP Funds' sustainability work is based on the Funds' mandate and entails long-term action to protect and create value in investments from an economic, environmental and social perspective.

The AP Funds' sustainability reports describe the work to integrate sustainability in asset management and how sustainability work is generally carried out. The AP Funds' sustainability reporting strives to follow the Global Reporting Initiative (GRI) standard.

The AP Funds' operational work on sustainability and responsible conduct is based on the Funds' ownership policies, which are adopted annually by each AP Fund's board.

Every year the AP Funds report:

- How the AP Funds have implemented the UN-supported Principles for Responsible Investment (PRI). The AP Funds complete the annual PRI survey, which is published on both PRI's and the respective Funds' websites.
- In accordance with the Task Force on Climate-Related Financial Disclosures (TCFD) framework.
- The investments' carbon footprint in accordance with the framework jointly developed by the AP Funds.
- How the AP Funds can contribute to the UN's global sustainable development goals.
- How the AP Funds have voted in both Swedish and non-Swedish holdings. Voting data is published on the AP Funds' websites.
- The work in the AP Funds' Council on Ethics (Council on Ethics) in a separate annual report.