

# ESG Statement for External Asset Manager Selection Process

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## Selection Process

Alecta sets clear expectations on ESG management and performance in its external asset manager selection process and communicates these expectations to external asset managers. External asset managers should act in accordance with rules, international conventions and legislation, as well as developing and maintaining a sound corporate culture and strong business ethics which characterizes the business. All external asset manager relations are subject to regular monitoring to follow up on these principles. In cases of infringement, Alecta will expect swift action to rectify the situation.

## Alecta has clearly defined standing within the following areas:

### International Conventions

We expect companies that we invest in to comply with the international conventions and agreements that the Swedish government has signed. Among these are conventions on environment, human rights, labor rights, anti-corruption and against controversial weapons, as well as initiatives such as the UN Global Compact and the OECD Guidelines for Multinational Enterprises. This responsibility applies regardless of whether the country of operation is a signatory to these conventions or has a weaker legislation. The same principle applies to investments managed by external asset managers on behalf of Alecta or investment vehicles that Alecta are invested in. In cases of confirmed violations of such conventions, Alecta expects the external asset manager to act swiftly to rectify the situation.

### Tax matters

Alecta refrains from investments, direct or indirect, in entities domiciled in any jurisdiction that concurrently is on the European Union's List of Non-Cooperative Jurisdictions for Tax Purposes<sup>1</sup>. Indirect investments includes externally managed assets on behalf of Alecta.

### Excluded sectors

Alecta does not invest in any company that derives more than 5 percent of its revenue from the manufacturing, production, marketing, trade and/or distribution of tobacco products; and/or any company that derives more than 5 percent of its revenue from gambling and/or gambling operations<sup>2</sup>.

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<sup>1</sup> Available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\\_.2017.438.01.0005.01.ENG&toc=OJ:C:2017:438:TOC](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2017.438.01.0005.01.ENG&toc=OJ:C:2017:438:TOC)

<sup>2</sup> Refers to online casino and gambling operators, gambling software and technology developer and online gambling marketing.

## Controversial Weapons

Alecta sees illegal and nuclear weapons and their potential use as controversial, given their indiscriminate effect on human populations. Therefore, Alecta does not invest in companies that derive their revenues from the manufacturing, production, distribution, marketing or sale of controversial weapons<sup>3</sup> or key components made explicitly for use in commercial manufacturing of such weapons. We also do not invest in companies that directly violate the non-proliferation agreement on nuclear weapons or in companies that develop, upgrade or manufacture nuclear weapons or key components and services for nuclear weapons. The same principle applies to external asset managers that Alecta are invested with.

## Climate Change

We are aware of the potential impacts that some of our portfolio companies may have on climate change, as well as the various physical and transition risks they might be exposed to. Furthermore, thoroughly addressing and providing solutions to climate change can be a source of opportunity. As such, climate change is an integral part of Alecta's investment strategy.

Our ambition is to build an investment portfolio that develops in line with the climate goals of the Paris Agreement, and therefore we expect our external asset managers to do the same. As a hard threshold for investments, Alecta has taken the decision to exclude companies that derive more than 5% of their revenues from thermal coal extraction and utility companies that generate more than 5% of their revenues from coal. Furthermore, Alecta refrains from investments in companies that derive more than 5% of their revenues from unconventional extraction of oil and gas (oil sands, fracking, extraction of gas from coal, Arctic drilling). We refrain from any greenfield investments in oil or coal.

### We expect external asset managers to:

- 1) be able to disclose how their long-term investment strategy and profitability will be impacted by climate change and to demonstrate that their ambition is aligned with the climate goals of the Paris Agreement
- 2) measure their greenhouse gas footprint (Scope 1-3) on the underlying asset-level and make this data – including stated limitations - available on an annual basis to Alecta

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<sup>3</sup> Examples of such weapons are personal mines, biological weapons, chemical weapons, cluster bombs, fire bombs, laser blinding weapons, and weapons containing undetectable fragments.