Responsible Investment Policy

Decided by:	Board of Directors
Date decided:	12-12-2024
Concerned:	CEO, managers and employees in Asset Management, Legal and External Communication.
Replaces:	Replaces Responsible Investment Policy 11-12-2023 *This document is a translation of the Swedish original.* *If there are differences, the Swedish version shall prevail.*

List of Contents

1 Background, scope and purpose

This policy is a supplement to *Alecta's Investment Guidelines [Investeringsriktlinjer]* and describes how Alecta works with responsible investments with a focus on corporate governance and ESG[1]. This policy document applies to Alecta and is decided by Alecta's Board. Corresponding policy documents must also be adopted in Alecta's subsidiaries which operate activities where it is considered appropriate to do so.

1.1 Alecta's mission

Alecta Tjänstepension Ömsesidigt (Alecta) is the largest occupational pension company in the Nordic region, with 36,000 corporate clients and 2.8 million private insured individuals. Our mission is to maximise the value of occupational pensions for our corporate and private customers.

Alecta has been entrusted with managing a significant capital in a reliable, competitive, efficient, and sustainable manner.

As owner and investor, Alecta must behave in a judicious way that earns respect and trust both from Alecta's customers, the companies we invest in and actors we collaborate with.

1.2 Sustainability approach and integration of sustainability risk

Alecta's sustainability work[2] and responsible investments builds on our mission. Through our focus on active in-house asset management, we apply the sustainability dimension both as a risk perspective and to seek investment opportunities that promote sustainable development with good returns. This is aligned with Alecta's target for value creation and return on managed capital.

[1] ESG stands for Environmental, Social and Governance which is a concept for sustainability that is used in financial activities.

[2] See Alecta's Sustainability Policy

Alecta's investment strategy is based on the long-term perspective that management of occupational pension capital entails. The balance between financial, environmental, and social values is an important prerequisite for long-term value creation and return for Alecta's customers. A longer time horizon also makes it natural to have a broader perspective on risks and opportunities in the investment analysis, including sustainability aspects that often have an effect over longer periods of time.

Sustainability risks are integrated into the investment process. A sustainability risk is defined as an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment. Integration occurs across the investment process ahead of an investment and during the holding period identified sustainability risks are monitored in accordance with a systematic approach adapted to different types of assets. By way of example, cases of severe ESG-incidents, or assessments pointing to lack of preparedness or governance of ESG-aspects in a holding company may indicate an elevated sustainability risk. Alecta's asset management should have appropriate routines and measures to integrate sustainability risks.

Stewardship activities and engagement with holding companies and counterparts are means in the work to integrate sustainability in the management of assets.

Alecta's approach to sustainability applies both to direct investments and to externally managed assets although the ESG processes may differ. For new investments in funds or indirectly owned assets, the policy must be applied as far as possible.

When possible, Alecta also wants to invest in assets that specifically promote sustainable development and that meet the requirements for risk-adjusted returns and contribute to fulfilling the mission of creating value for Alecta's customers.

2 Guiding frameworks and positions

Alecta is a signatory of the Principles for Responsible Investments (PRI) and has undertaken to integrate ESG into the management of the investment portfolio and to work to promote the work with ESG. At the core of Alecta's responsible investment efforts, there are international conventions for the environment, human rights, employment law, corruption and controversial weapons signed by Sweden, expressed in agreements such as the UN Global Compact, UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Companies.

Alecta also supports the TCFD[3] framework and applies it using the GHG[4]protocol for climate reporting.

The 17 Sustainable Development Goals in the 2030 Agenda are a broad framework for global sustainability and a point of reference for investments that, in addition to

[3] TCFD is the abbreviation for Task force for Climate-related Financial Disclosures.

[4] The Greenhouse Gas Protocol (GHG) is the internationally established framework for reporting carbon dioxide emissions.

financial returns, have an explicit objective of contributing to social or environmental benefits.

2.1 Climate goals and characteristics promoted

Alecta has an overall climate goal in line with the Paris Agreement and is a member of the Net-Zero Asset Owner Alliance (NZAOA) with a long-term ambition for the entire investment portfolio to have a net zero footprint by 2050. Within the framework of this initiative, Alecta adopts interim targets in five-year intervals.

In accordance with the SFDR regulation, Alecta's occupational pension products promote a number of characteristics, meaning that in our investments we put a special emphasis on climate, gender equality and sound remuneration in accordance with what is set out in this policy. [5]

These goals and promoting characteristics are reflected in sustainability goals for the asset management, adopted within the overarching sustainability work in Alecta.

2.2 Statements and exclusions

In general, Alecta's investment strategy is based on making investments in a number of selected assets that are considered to contribute to the overall objective of a good long-term return. The investment process entails consideration of ESG factors, both from a risk perspective and to seek investment opportunities with good returns that promote sustainable development. Alecta is a committed owner who wants to support the companies to develop in a sustainable direction. That is described in more detail in section 3. In this section, we give Alecta's view on a number of areas that many stakeholders take interest in.

2.2.1 Position statements

Alecta's expectations on portfolio companies or other types of assets, are formulated in the position statements on alecta.se[6], which are updated on an ongoing basis. The position statements express Alecta's view on good practice, the desired development that Alecta wants to promote, or exclusions. Examples of position statements include human rights, business ethics or biodiversity.

2.2.2 Exclusions

Alecta does not invest in companies that violate the **international conventions** that Sweden is a signatory to. These are conventions with principles on environment, human rights, labour, anti-corruption and controversial weapons which also are expressed in initiatives as the UN Global Compact, UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Companies. Before

[5] SFDR is an abbreviation for Sustainable Finance Disclosure Regulation, in accordance with the definitions of the regulation Alecta's pension products are so called Article 8 products. The full regulatory disclosure is available at alecta.se.
[6] https://www.alecta.se/om-alecta/hallbarhet-och-agande/stallningstaganden/

each new investment, a review based on these conventions is carried out by an external party.

Alecta does not invest in companies whose business, directly or indirectly, includes **controversial weapons**. These are weapons that, because of their effect, cannot be used under international law, either because they affect civilians and soldiers indiscriminately or because they cause unnecessary suffering. These include anti-personal landmines, biological weapons, chemical weapons, cluster munitions, incendiary bombs, laser-blinding weapons and weapons containing non-detectable fragments. Further, Alecta does not invest in companies that directly violate The Treaty on the Non-Proliferation of Nuclear Weapons or in companies that develop, upgrades or manufactures nuclear weapons or key components and services for nuclear weapons.

We see the climate issue as a defining sustainability issue, and carbon is the fossil fuel that has the greatest negative impact on the climate. Alecta refrains from investing in or financing companies with more than 5% of their turnover from the extraction of **thermal coal** and companies with more than 5% of their turnover from energy production based on thermal coal. Alecta also refrains from investing in or financing companies with more than 5% of their turnover from the extraction of **unconventional oil and gas**[7]. Investments in **new fossil extraction** are not either aligned with Alecta's climate goal. In case investments are made in companies operating in the mining or energy sector, their transition plans are assessed.

Alecta does not invest in companies whose core business involves **gambling activities**[8] **or the production of tobacco**.

Investments are not made in companies domiciled in jurisdictions that are included in the **EU's list of non-cooperative jurisdictions**[9] with reference to tax and transparency. We also expect that the companies we invest in will not exploit these jurisdictions for tax planning purposes.

We do not engage in **direct financing of countries** that violate human rights and democracy, have widespread corruption or are on the UN, US and EU sanction lists, or that fail to adopt a climate target.

[7] Unconventional oil and gas refers to shale oil, shale gas, arctic drilling and oil sands.

8 Gambling business refers to the terms "operations of casinos, lotteries, bookmaking", "online casino and gambling operators", and "slot machines and other gambling devices", "gambling software and technology developer", so-called gambling.

9 EU list of non-cooperative tax jurisdictions

3 ESG in investment process, management and corporate governance

3.1 Analysis and selection

Alecta manages assets mainly in-house by managing the majority of the investment assets internally. Where it is assessed to be more effective to do so, investments can be done using external managers. The investment strategy is focused on selected investment areas, where Alecta wants to make investments that benefit from economies of scale, have high cost-efficiency.

The selection is a fundamental part of investing responsibly. Alecta seeks investments that contribute to long-term value creation, which requires a clear/straight forward process and analysis approach to each investment and in the selection of each partner. In the analysis and investment decision, ESG, international conventions and exclusion criteria as described in section *2.2 Positions and exclusions* are taken into account.

3.2 Dialogue and engagement

Alecta's corporate governance aims to increase the value of our investments by being an engaged and professional owner. Dialogues can be conducted proactively to support companies we invest in by highlighting ESG aspects that we consider important or where we seek more transparency to strengthen our own analysis of risks and opportunities linked to the investment. Alecta also sees dialogue as an important tool for following up in cases where companies deviate from our expectations related to ESG or sustainability. This applies to both equity investments and the financing of companies through bonds.

Dialogue is also part of our work with other asset classes and when we invest with external managers. Here, the dialogue contributes to our analysis of the underlying assets and of the external managers' ESG processes, which promotes increased transparency and relevant disclosure on their part.

Alecta shall act independently in its corporate governance and is not part of any ownership sphere. Alecta conducts a dialogue on its own but may also engage together with other investors when there are ESG issues where joint action increases the possibility of being heard. Alecta makes all investment decisions independently.

In case of established infringement of international conventions and if a dialogue does not show positive development over time, Alecta will divest the holding.

Alecta is an engaged owner who uses its shareholder rights at general meetings by voting in all holdings and actively participating in the work of the nomination committee in the Swedish listed companies where the ownership justifies it.

4 ESG in different asset classes

4.1 Listed equity

Alecta invests in shares in both listed and unlisted companies (private equity), the latter are described under *4.3 Alternative assets*.

Prior to new investments in listed companies as well as in the ongoing management, ESG aspects are considered, and the holdings are regularly screened based on international conventions and exclusion criteria described in previous section *2.2. Positions and exclusions*. In the event of serious infringements, a dialogue is initiated according to point *3.2 Dialogue and engagement* above.

Where Alecta's share of ownership warrants this, we actively participate in the nomination committee work in Swedish companies. Appointing competent, efficient and well-functioning boards is one of our most important tasks as an owner. We strive for an even gender distribution of directors elected at the annual general meetings, at least 40% of each gender.

Alecta votes at all general meetings of our holdings. We have defined a number of principles for shareholder engagement, including issues of board composition, capital structure, remuneration and ESG.

4.1.1 Principles for shareholder engagement

These principles describe how Alecta intends to exercise the corporate governance and shareholder rights that follow from Alecta's ownership of listed companies and, where applicable, Alecta's ownership in private companies. Alecta's principles for shareholder engagement apply to foreign as well as Swedish holdings. The principles also include work in nomination committees, a Nordic phenomenon in which the largest owners of a company prepare proposals on board composition for decisions by shareholders through voting at the General Meeting.

4.1.1.1 Investment strategy equity

Alecta's investment strategy for equity must contribute to the fulfilment of Alecta's assignment by creating a good and competitive return on Alecta's investment portfolio within the framework of responsible risk-taking and at low costs. The balance between financial, environmental and social values is an important prerequisite for long-term value creation.

To deliver a good and competitive equity return, we must identify companies whose characteristics that enable a more profitable growth over time than other listed alternatives. We find these companies through a proprietary investment process adapted to Alecta's needs, which allows good understanding of the holdings. Alecta's model with active management is well suited to Alecta's needs with undertakings that run over a very long period of time.

Alecta integrates shareholder engagement in its investment activities by evaluating the companies' business models, market potential, sustainability and ownership including board and management. In addition, the companies' strategy, financial and non-financial risks are evaluated.

4.1.1.2 Monitoring of shareholder engagement

Alecta monitors its shareholder engagement – the rights to influence that comes with share ownership - related to relevant issues for the companies where Alecta is a shareholder. This is done both before a new investment and during continuous follow-up of Alecta's holdings. The analysis before investment is based on documentation from different sources, which may include the company's own reporting, external financial analysis, ESG-analysis and dialogue with company representatives. Day-to-day management monitors the company's performance in all these aspects in the form of reports, analyst meetings, external analyses, media reports and matters brought to the general meeting.

Company strategy

Alecta monitors continuously how the holding companies deliver on their strategy and how well it corresponds to the company's strategic and operational challenges in the short and long term. This takes place on an ongoing basis at meetings with the company and through our own analysis and participation in the companies' various public presentations.

Financial and non-financial results and risks

Alecta's investment process considers both financial and non-financial results and risks. Thereafter, investments are monitored continuously. Follow-up of the companies' results and risks based on these parameters is done by Alecta's equity department.

Capital structure

In our ongoing analysis, Alecta follows the companies' reporting and development of debt ratio and capital structure. New issues of shares in the companies are occasions which may trigger in-depth analysis. Alecta has a number of fundamental principles on how companies should handle capital structure issues which are described further down in section *4.1.1.5 Alecta's position on specific ownership issues*.

Corporate governance

Based on the principles described in section *4.1.1.5 Alecta's position on specific governance issues*, Alecta reviews and analyses all voting matters prior to general meetings in our holdings, which includes among other things the election of board members and remuneration programmes. Alecta continuously monitors corporate governance-related issues in dialogue with representatives of portfolio companies, and when relevant other stakeholders.

Social and environmental impact

Social and environmental aspects together with governance aspects are included in our ongoing internal analysis. Alecta has developed a number of principles for social and environmental impact which are described in section *4.1.1.5 Alecta's position on* *specific ownership issues*. With the support of an external company specialised in sustainability screening, Alecta reviews our holdings on an ongoing basis to ensure that the companies do not deviate from our set principles. The review is carried out for each potential new investment and on a quarterly basis. In addition, as a basis for our own analysis, Alecta looks at reviews from other external sources.

Conflicts of Interest

Alecta works continuously to identify, prevent and manage the conflicts of interest that may arise between Alecta and its stakeholders. This also applies to Alecta's work with shareholder engagement. One group of stakeholders to consider in terms of governance issues are the companies in which Alecta owns shares and with which Alecta also has other relationships. Alecta's Board has decided on a *Conflict of Interest Policy* which includes conflicts of interest regarding governance. If a conflict of interest in Alecta's shareholder engagement should arise, it must be handled with openness and in accordance with the C*onflict of Interest Policy*.

4.1.1.3 Corporate governance in Swedish holdings

The conditions for exercising shareholder engagement differ between geographical markets. As a company with its headquarters in Sweden, Alecta has contributed, and continues to contribute, to the development of Swedish stewardship and corporate governance and participates in the work of the nomination committees in the companies where our ownership justifies it.

Swedish Corporate Governance Code

Swedish limited liability companies are governed by the Swedish Companies Act, the Swedish Code of Corporate Governance (hereinafter referred to as the Code), the listing agreement with the marketplace and other applicable regulations. These regulations create uniform rules for how companies are governed and determine the division of responsibilities between owners, the board and company management.

Alecta is in favour of all Swedish companies listed on a regulated market in Sweden applying the Code.

Alecta works to ensure that the Code is as broadly accepted as possible. This is done by Alecta in part by working to ensure that the companies covered by the Code either comply with their rules or explain deviations, and in part by working to ensure that the Code is continuously adjusted to better respond to the needs of the owners and companies.

Alecta participates in the further development of the Code primarily through its membership in the Institutional Owners Association.

Participation in the nomination committee work

Alecta's work in nomination committees is based on our long-term commitment as owner, our principles for shareholder engagement and our belief the companies.

The nomination committees shall work for board evaluations as a practice. Alecta believes that professional evaluations should form the basis for the work of the nomination committee, partly to improve the work of the board, and partly to be able to replace members that no longer correspond to the requirements for being included in the board of the individual company. In addition to the information provided by the chairman of the board, the nomination committees should also interview individual board members.

Alecta's representatives on the nomination committee shall contribute to ensuring that the work of the nomination committee is based on an assessment that takes each company's strategic and operational challenges as a starting point and that the search for new candidates is based on the boards need of qualifications set out in a requirements profile. Alecta's nomination committee shall also work to ensure that there is a succession plan for each board.

In line with the Code, Alecta supports initiatives to broaden the recruitment base of qualified candidates for board positions and thus promotes diversity in the board. We strive for an even gender distribution of directors of at least 40% of each gender.

4.1.1.4 Corporate governance in foreign holdings

Foreign companies apply the corporate governance code which applies in the country where the company is domiciled, or where the company's shares are primarily listed. Regulations governing the exercise of shareholder engagement have as a rule grown on each capital market and deviations between these markets are common. The composition of nomination committees in foreign companies usually does not consist of owners but of independent directors of the board. Alecta's conditions for shareholder engagement in foreign companies are thus different compared to the influence exercised in Swedish companies. In foreign holdings, voting at the general meeting is an important stewardship tool to influence decisions affecting corporate governance.

4.1.1.5 Alecta's position on specific governance issues

Board composition

Alecta believes that the boards should have predominantly independent directors. The CEO and Chairman shall not be the same person even if there are jurisdictions that allow it.

When board members are appointed, this must be determined by the company’s need for experience and skills/competence. Furthermore, the aim should be for the composition of the board to be characterised by diversity and equality. Our expectation on portfolio companies is that boards over time should be composed by directors of at least 40 per cent of each gender. The members shall set aside time for the assignment to the extent required to safeguard the interests of the company and its shareholders.

Board fees

Alecta believes that the board's remuneration should be based on the responsibility and commitment expected of the members and that the remuneration should meet market conditions. To avoid conflicts of interest, board members should not be covered by incentive programmes that are designed for the companies' employees. The board's task is to design, decide and monitor the effects of such incentive programmes.

Remuneration of employees and senior executives

The remuneration of senior executives must be well justified, transparent and market-based. Market-based means that consideration is given to the local market where the company is domiciled. Alecta may vote against proposals for compensation programmes if they can be perceived as conflicting with the shareholders' long-term interests.

Alecta believes that it is the board's responsibility that the company has a well-thought-out and relevant compensation policy. It must be understandable and transparent. Compensation shall be viewed as a whole consisting of a fixed and, where applicable, variable salary, share-related incentive programme, pension provisions and other significant benefits.

The Board must be able to justify and defend the remuneration strategy both to shareholders and customers as well as the general public as a whole. The balance between economic, environmental and social values is fundamental for long-term value creation. ESG-matters that are material for a company's long-term financial value creation shall be reflected in the remuneration program. The remuneration systems – variable compensation included - must be easy to explain and understand. They shall be market-based and performance-based and be in accordance with the shareholders' and the company's long-term interests. Performance criteria must be challenging and measurable.

Share or share price-related incentive programmes shall be decided by the general meeting. The programmes must be limited in time and they should contain information on so-called ceilings and any dilution of existing stock. Prior to a resolution at the general meeting, the Board shall report in detail which costs the programmes may entail for shareholders and otherwise justify the benefits of the programmes. As part of this report, previous programmes should also be reviewed.

Information from the companies on remuneration programmes to senior executives shall be anchored with the owners by the Board well in advance so that the owners are given sufficient time to discuss and submit change proposals before the General Meeting.

Alecta believes that the pension provision for senior executives should be defined contribution.

Shareholding

Alecta is in favour of employees, management and board members of listed companies acquiring shares in the company on market terms.

Capital structure issues

The board and management are responsible for ensuring that the company has an efficient and effective capital structure that promotes the company's development in both the short and long term. If capital needs to be contributed or distributed, Alecta considers that the basic principle should be that existing shareholders are treated equally.

New issue of shares should primarily be issued with priority given to the company's existing shareholders. When the Board finds it justified to deviate from existing shareholders' preferential rights, for example in the case of directed new issues or issues in kind, a detailed justification by the Board is required. Authorisation for the Board to decide on directed share issues requires a detailed justification and description of the situations and conditions under which such authorisation is to be used. In cases of directed share issuance, the Board shall inform of the reasons for deviating from preferential rights, as well as how the subscription price has been determined and how fair market value is ensured.

In cases where the Board proposes a distribution of capital, this should primarily be done through extra cash dividends or redemption of shares.

The repurchase of the company’s own shares should be viewed against the background that it is the board's responsibility to have a balanced capital structure. Proposals to repurchase the company’s own shares must be well justified, as must the conditions for the use of any authorisation.

Barriers to acquisition

For proposals regarding the introduction of rules into or outside the articles of association for the purpose of preventing or making acquisitions more difficult, Alecta intends to vote against.

Environment, business ethics and social issues

Alecta believes that a sound approach to environment, business ethics and social issues is a prerequisite for companies to be able to achieve persistently good competitiveness and sustainable profitability. This means that companies must act in accordance with rules, conventions and laws and in addition develop and maintain a sound corporate culture that permeates the business. Alecta shall work towards companies having appropriate guidelines, clear targets, resources and action plans for improvement measures as well as a transparent reporting of their work with environmental, business ethics and social issues.

Alecta expects the portfolio companies to comply with international conventions and agreements, including conventions on the environment, human rights, employment rights, corruption and controversial weapons, as well as initiatives such as the UN

Global Compact[10], UN Guiding Principles on Business and Human Rights and the OECD guidelines for multinational companies[11]. The responsibility applies regardless of whether the countries in which the companies operate are signatories to the conventions or have weaker legislation.

Alecta continuously assess the portfolio companies to ensure that the companies are not violating these principles. If a company in which Alecta has invested acts questionable within a sustainability area, a dialogue should be initiated with the company concerned. The purpose of the dialogue is for the company to clarify its approach in the relevant area and, if necessary, adopt measures for improvement. In cases where serious or systematic infringements are identified, and the dialogue does not achieve the intended results, or if it is not considered possible to achieve an improvement, Alecta might choose to divest its holding in the company.

4.2 Fixed income assets

Alecta invests in various fixed income, or interest-bearing assets that fall within the categories described below.

4.2.1 Corporate bonds

The analysis process for corporate bonds is similar to that of equity investments. Prior to financing and in the current management, ESG aspects are considered, and the holdings are regularly screened for example based on international conventions and our exclusion criteria described in previous section *2.2.2. Exclusions*. In the event of serious deviations, a dialogue is initiated by Alecta or our partner, with clear expectations of actions by the company. A dialogue that does not show development over time means that Alecta can choose not to continue to finance the company.

4.2.2 Other direct issuers of bonds

Alecta also invests in bonds from municipalities, states, and supranational bodies. Here the ESG aspects are considered before the investment and Alecta refrains from financing governments in accordance with the limitations stated in section *2.2.3 Exclusions*.

4.3 Alternative assets

Alecta's definition of Alternative assets include real estate, infrastructure and alternative credits that carry higher market risks than traditional fixed-income investments. Private equity is included in Alternative assets.

---

[10] Includes principles directed at companies on human rights, labour rights, the environment and corruption. The principles are based on the UN declaration of human rights, the ILO's core conventions on fundamental principles and rights at work, the Rio declaration and the UN's convention against corruption.
[11] OECD guidelines for multinational enterprises are joint recommendations to companies from 40 governments. The recommendations partly overlap with the UN Global Compact, but also include aspects of how companies should handle information disclosure, consumer interests, science and technology, competition and taxation.

Alecta invests in real estate through the subsidiary Alecta Fastigheter, but also through for instance externally managed funds. Infrastructure assets, alternative credits and private equity may also be managed externally.

4.3.1 Real estate

Alecta's ownership in Swedish real estate is mainly managed through the wholly-owned subsidiary Alecta Fastigheter. Alecta Fastigheter's operations are covered by Alecta's overall climate goal and policy documents through an ownership directive. Through the subsidiary, Alecta is invested in joint ventures or associated companies. These are primarily controlled via shareholder agreements with co-investors and through board representation. Here, Alecta strives for the associated companies to have sustainability work at least in line with Alecta's own.

Alecta invests in foreign real estate assets primarily through externally managed funds, and through associated companies. See section 4.3.5.

4.3.2 Infrastructure

Alecta mainly invests in infrastructure through externally managed funds or club investments. See section 4.3.5.

4.3.3 Alternative credits

There are structured fixed income assets that are classified as alternatives, these assets are often managed by external managers. See section 4.3.5.

4.3.4 Private equity

The process for direct investment in private equity follows the same principles as described for listed equity regarding consideration of ESG and screening, as well as for dialogue both proactively and in the event of deviations. However, the availability of public information differs for non-listed equity compared to listed holdings and in certain non-listed holdings, Alecta cannot exercise voting rights.

Alecta may also invest in externally managed private equity funds, see section 4.3.5.

4.3.5 External asset management

For externally managed assets described in sections *4.3.1. – 4.3.4*, the manager's ESG processes are reviewed, and underlying assets are screened as far as possible. The opportunity to exercise influence regarding externally managed assets is greatest in the pre-investment phase. Assessment of whether and how deviation from our ESG criteria may occur must be documented and well-motivated. At a minimum, the threshold values for excluded sectors specified in section *2.2.3 Exclusions* shall be applied at the fund or portfolio level. The same principles apply to instruments used for risk management purposes, such as share index futures and exchange-traded fund shares.

4.3.6 Hedging instruments

In addition to the above-described assets, Alecta uses selected hedging instruments to manage temporary financial risks related to equity, fixed income and foreign currency.

Examples are stock index futures, currency forward contracts or interest rate swaps. Another example is exchange-traded funds. These hedging instruments together with cash are exempted from the principles of this policy.

5 Control and reporting

The Head of Investment Management is responsible for upholding the principles in this policy before investment decisions and during the management of the assets[12]. Alecta's work with responsible investments and ESG within the asset class equity and corporate credits, is certified in accordance with the ESG4Real standard and regularly reviewed by an external party[13].

The **Corporate Governance and ESG** group is responsible for regular reviews of the investment portfolio. The results from screenings as well as annual follow-up of the overall climate objective and other corporate governance indicators are reported in internal forums and to the board.

Alecta must be open and transparent regarding responsible investments with a focus on corporate governance, shareholder engagement and ESG. The work is reported and monitored annually in a number of publications;

- Annual and Sustainability Reports - prepared in accordance with the GRI framework for sustainability reporting.
- Ownership report - describes the work on corporate governance according to the principles for shareholder engagement and ESG aspects within other asset classes.
- Climate report in accordance with TCFD – accounts for the climate work in the investment portfolio and in the risk analysis.
- Carbon footprint – Alecta reports the climate footprint of equity, corporate credits and directly owned properties on the website in accordance with recommendations from Insurance Sweden.

In accordance with our commitments in external initiatives, Alecta also reports to Global Compact, PRI[14] and NZAOA[15].

6 Information, training, compliance and revision

The Head of Investment Management is responsible for establishing internal guidelines that explains how the principles of this policy shall be implemented by

[12] See Guidelines for Investment Strategy for Capital Management [Internal document]
[13] See Riktlinjer för Investeringsstrategi för Kapitalförvaltningen [Internal document]
[14] Principles for Responsible Investments
[15] (UN convened Net-Zero) Asset Owner Alliance

groups and functions when managing assets. ***The CEO*** is however responsible for the adoption of rules of conduct for board representation.

Managers are responsible for informing employees concerned on the content and any changes to the policy document. Departmental managers are informed at corporate management meetings and are responsible for passing on the information to those concerned. Furthermore, managers are responsible for ensuring that the policy document is complied with and for informing the policy document owners of any training requirements.

The Policy document owner is responsible for managing any training requirements and for arranging training, where required.

This policy document shall be reviewed by the policy document owner as necessary, but at least annually in the coordinated revision process, and then re-decided.