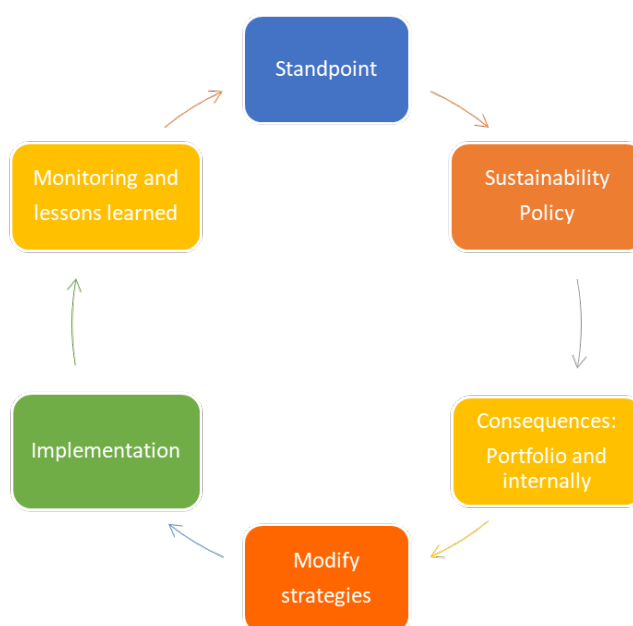


S 16 SUSTAINABILITY POLICY

1. INTRODUCTION

SPK's sustainability work is about continuous improvements based on an adopted standpoint. As lessons are learned and new insights are gained, this standpoint may need to be revised and further developed. Schematically, the process can be described as shown below.



SPK's standpoint regarding our asset management is to provide sustainable pensions. This means that the portfolio must be managed so that the return covers the pension commitment while minimizing sustainability risks. In addition, so-called principal adverse impacts for sustainable development must be considered. Sustainability risks refer to environmental, social or governance-related events or circumstances which, if they occur, would have an actual or potential significant negative impact on the value of the investment. According to the UN definition¹, sustainable development refers to "meeting the needs of the present without compromising the ability of future generations to meet their own needs".

Failure to take sustainability factors into account in the investment process may also entail for example reputation risk and the risk of holding so-called stranded assets. Stranded assets are investments that would be almost useless because of sharply declining demand due to for example political decisions to stop certain activities for environmental reasons. Also, weak corporate governance in a portfolio holding can negatively affect the company's share price.

¹The concept of sustainable development comes from the UN World Commission on Environment and Development and was defined in the so-called Brundtland report Our Common Future, which was published in 1987.

Taking climate change into account is becoming increasingly important for both companies and investors since awareness has increased that climate change poses significant risks. Political efforts to reduce greenhouse gases emissions in the world economy induce transition risks for companies and sectors that do not adapt. Climate change causes physical effects such as extreme weather, rising sea levels and loss of biological diversity. These physical risks can have significant impacts on companies, employees and operations in the supply chain and production stage as well as in the customer stage.

In the same way that risks, and opportunities have effects on SPK's investments, our investments also have impacts on society, environment and climate. It is therefore of great importance that SPK make responsible investments. Within our asset management, SPK's sustainability work must include assessment of hired fund managers' integration of sustainability risks and consideration of principal adverse impacts for sustainability factors². This to be done both when analysing new potential fund managers, as well as continuously when following up on the sustainability work of our hired managers.

Sustainability factors should also be considered in the internal work, concerning for example, purchases, travel, and day-to-day work routines. The internal work of SPK should correspond to the demands SPK places on others.

SPK promotes sustainability-related characteristics and will provide financial products classified as article 8 according to the Sustainable Finance Disclosure Regulation³ (SFDR). Sustainability-related characteristics mean characteristics related to the environment and climate, social and governance-related characteristics. Promoting these characteristics means acting in a way that contributes positively to them. Article 8 of the Disclosure Regulation is about products that promote sustainability-related characteristics, while article 9 concerns products that have sustainability as a goal.

This policy shall guide SPK's sustainability work and provide an overview of our stances and choices for the various SPK stakeholders. In addition to this policy, more detailed guidelines for the internal sustainability work are stated in a separate governing document approved by the CEO; "V16 Riktlinjer för internt hållbarhetsarbete" (Guidelines for internal sustainability work). Furthermore, the steering document "V 49 Policy för praktisk hantering av hållbarhetsfrågor" (Policy for practical management of sustainability issues) gives a more detailed description of SPK's integration of sustainability risks, consideration of principal adverse impacts for sustainability factors and promotion of sustainability-related and social characteristics, in accordance with the Disclosure Regulation.

This policy shall be reviewed annually, revised if necessary, and confirmed by the Board of Directors of SPK.

²According to the Sustainable Finance Disclosure Regulation, Sustainability factors' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

³ Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related information to be provided within the financial sector.

2. OVERALL SUSTAINABILITY WORK

The sustainability manager at SPK has the overall responsibility for SPK's sustainability strategy and for the internal and external sustainability work.

Regarding asset management as well as business in general, guidance for SPK's sustainability work should be the following international guidelines, conventions, and norms:

- UN Global Compact: ten principles regarding human rights, labour law issues, environment, and corruption, based on the UN Declaration on Human Rights, ILO's fundamental conventions on human rights in working life, the Rio Declaration, and the UN Convention against corruption.
- OECD guidelines for multinational enterprises which partly overlap the UN Global Compact but also include aspects regarding how companies should handle information disclosure, consumer interests, science and technology, competition, and taxation.
- International conventions on controversial weapons. "Controversial weapons" means at least cluster bombs, anti-personal mines, nuclear weapons, chemical weapons, and biological weapons.
- The UN Sustainable Development Goals (UN SDGs) adopted by the members of the UN, constituting an agenda for sustainable development, Agenda 2030.

Since climate change is one of the major challenges at present and might lead to new and increased risks for SPK's activities, SPK shall give SDG number 13 ("Climate Action") the highest priority. This means, among other things, a focus on measuring our funds' carbon footprints and following up on how our contracted fund managers take climate risk and climate impact into account in their investment processes.

Biodiversity has a strong connection to climate and preserving biodiversity together with combating climate change are important prerequisites for the other goals according to Agenda 2030 to be reached. SPK shall therefore also pay particular attention to SDG number 6 (Clean water and sanitation), 14 (Life below water) and 15 (Life on land). This means, among other things, influencing contracted fund managers and following up on how they take biodiversity into account in their investment processes.

Since 2020, SPK has been a signatory to the UN-supported initiative Principles for Responsible Investment (PRI). This means that we must follow six guiding principles for responsible investment with the aim of implementing and integrating environmental, social and corporate governance factors into investment processes.

For detailed information on the above guidelines, conventions and norms, UN SDGs and Principles for responsible investments, see Appendix 1.

SPK should influence contracted fund managers and suppliers to continuously develop and improve their sustainability work. SPK shall strive to avoid company investments, purchases or actions that involve, or risk involving, violations of the international guidelines, conventions, or norms that SPK follows.

If a breach is considered to exist, SPK shall primarily initiate a dialogue with the relevant part with the aim of influencing the fund manager or supplier to comply with these guidelines, conventions, and norms. If SPK makes the assessment that a fund manager does not act in accordance with our Sustainability policy, a so-called yellow card can be issued. This will send an important signal to the fund manager concerned and will lead to a closer dialogue and follow-up as well as an expectation of relevant actions taken regarding outstanding observations in the manager's portfolio. Immediate divestment of a fund holding, or termination of a supplier agreement, risks failure to achieve improvements. Normally, the sale or termination of an agreement becomes an alternative only after the dialogue has failed.

SPK shall support the transition towards a low-carbon economy and contribute to the goal of the Paris Agreement⁴ of limiting the increase in the global average temperature. We therefore strive for our measurable asset portfolio to be in line with the Paris Agreement with net zero emissions⁵ in 2050. In line with this, SPK shall make responsible investments and carry out advocacy work. The advocacy work includes attempts to influence our fund managers to active commitment and concrete measures for reduced exposure to fossil fuels and gradually reduced emissions from investments in the funds we hold in our portfolio.

As a fund unit holder, SPK cannot exercise the corporate governance made possible by participation at general meetings. However, to exert some influence on company management, SPK shall participate in collaborative engagements, together with other investors. This can be investor-led initiatives or cooperations, administered by for example a service provider or by the PRI.

SPK supports Climate Action 100+ and Nature Action 100, in line with our focus on climate and biodiversity. Climate Action 100+ is a global investor-led initiative to ensure the world's largest greenhouse gas emitters take necessary action on climate change. Nature Action 100 is a global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss. As a "supporter", SPK has no commitment to act directly towards the companies but must instead try to influence contracted fund managers to join the above-mentioned initiatives, and to undertake engagements with high emitting companies and companies with large negative impact on biodiversity.

3. MANAGEMENT OF SUSTAINABILITY RISKS IN ASSET MANAGEMENT

3.1 Generally

SPK generally applies fund solutions. The sustainability work within asset management therefore focuses on continuous evaluation and follow-up of hired fund managers' handling of sustainability issues and integration of sustainability risks. We shall try to influence our fund managers to continuously develop and improve their sustainability work, which means an indirect influence on companies. SPK's sustainability work in asset management should thus focus on:

- assessment of whether the fund manager's handling of sustainability issues complies with this policy even before SPK's first investment is made
- continuous evaluation and monitoring of the sustainability work of contracted fund managers

⁴ The goal of the Paris Agreement is to limit the increase in global average temperature to well below 2°C above pre-industrial levels, with efforts to limit the increase to 1.5°C.

⁵ Net zero emissions means emissions as low as possible, where what is still emitted is compensated with "negative emissions" or carbon sequestration in another way. In this way, the total emissions become "zero".

- review of the funds' company holdings based on international guidelines, conventions, and norms
- review of the funds' company holdings based on certain exposure limits as established by SPK

Each year, a measurement of the carbon footprint of the equity portfolio and of corporate bonds in the fixed income portfolio will be carried out, according to Swedish Insurance's recommendation. The goal is for the carbon footprint in each portfolio to be lower than for the corresponding benchmark. If the carbon footprint is deemed to be too high, SPK shall initiate a dialogue with the relevant fund manager in order to reduce the footprint of the portfolio.

3.2 Implementation in external fund management assignments

SPK shall strive for all contracted fund managers to be signatories of the PRI and thus follow given principles for responsible investments. SPK promotes sustainability-related characteristics, and we therefore also aim for the funds in which we invest, to be or about to be classified as article 8 or 9 according to the SFDR.

When analysing and evaluating fund managers, assessment of the manager's handling of sustainability issues must be included, as well as evaluation of the manager's integration of sustainability risks and consideration of principle adverse impacts for sustainability factors. How this is to be carried out is described in more detail in "V 49 Policy för praktisk hantering av hållbarhetsfrågor" (Policy for practical management of sustainability issues).

SPK shall strive to avoid investments in companies deemed to violate the international guidelines, conventions, and norms described in annex 1. This also applies to companies that are involved in production, distribution or services related to controversial weapons.

In addition, certain exposure limits shall apply with respect to:

- Fossil fuels, coal mining and unconventional extraction methods like oil sands and arctic drilling
- Pornography
- Tobacco
- Cannabis for recreational use

Current exposure limits are stated in Appendix 2.

Where SPK concludes there is a violation of international guidelines, conventions or norms or deviations regarding established exposure limits, SPK shall influence the manager to act, either by liquidate the holding or by establishing a credible action plan that is expected to lead to clear improvement. For funds that have received observations for violation or deviation in the annual portfolio review, this will be followed up further during the year.

If no improvement has occurred or if no information for follow-up has been provided by the next follow-up, SPK will be able to issue a yellow card or divest the fund holding in an orderly manner.

3.3 Follow-up

Follow-up of the above will be carried out through review of all funds' company holdings in SPK's asset portfolio, at least annually.

The basis for SPK's assessments consists of review reports from the service provider chosen by SPK.

4. REPORTING AND INFORMATION

SPK shall be public with current information about the ongoing sustainability work. Accordingly, SPK shall annually prepare a sustainability report as a supplement to the annual report and provide relevant information on the SPK website.

In accordance with the Sustainable Finance Disclosure Regulation, specific disclosures shall be provided in the pre-purchase information, in an appendix to the annual report and on the website: <https://www.spk.se/hallbarhet/ansvarsfulla-investeringar/hallbarhetsrelaterade-upplysningar/>.

S 16 SUSTAINABILITY POLICY: APPENDIX 1

International guidelines, conventions and norms followed by SPK:

Principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

UN Global Compact

10 principles regarding human rights, labour law issues, environment and corruption, which are based on the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

Human Rights:

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labour:

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.

Environment:

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

10. Businesses should work against corruption in all its forms, including extortion and bribery.

OECD Guidelines for multinational enterprises

The OECD Guidelines for Multinational Enterprises are recommendations addressed by governments to multinational enterprises operating in or from adhering countries. They provide non-binding principles and standards for responsible business conduct in a global context consistent with applicable laws and internationally recognised standards. The Guidelines are the only multilaterally agreed and comprehensive code of responsible business conduct that governments have committed to promoting.

The Treaty on the Non-Proliferation of Nuclear Weapons

The agreement has three pillars: Non-proliferation, disarmament and the right to use nuclear energy for peaceful purposes.

Biological Weapons Convention

Prohibits the development, production and stockpiling of certain biological weapons and requires the destruction of existing stockpiles.

Chemical Weapons Convention

Prohibits the production, storage and use of certain chemical weapons.

The Ottawa Convention

UN Arms Trade Treaty: Totally prohibits the use, stockpiling, production, and transfer of anti-personnel mines (landmines). It also contains provisions on the destruction of anti-personnel mines, demining and assistance to mine victims.

The Oslo Agreement

Convention prohibiting the use of cluster munitions.

Agenda 2030

The UN Sustainable Development Goals (UN SDGs) were adopted by the UN General Assembly on 25 September 2015. The concept of sustainable development integrates three dimensions of sustainability: social, economic and environmental.

1. No poverty
2. Zero hunger
3. Good health and well-being
4. Quality education
5. Gender Equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

S 16 SUSTAINABILITY POLICY: APPENDIX 2

The review of the funds' company holdings distinguishes between the type of involvement to which the company's revenues are related:

E = Exploitation

P = Production

D = Distribution

S = Services

Below are the limits to be applied depending on the type of exposure and the type of involvement.

Climate related exposures	Limit on share of a company's turnover			
	E	P	D	S
Fossil fuels		25%	50%	50%
Coal mining		5%		25%
Oil sands	0%	0%		5%
Arctic drilling	0%	0%		

Socially related exposures	Limit on share of a company's turnover			
	E	P	D	S
Pornography		0%	5%	5%
Tobacco		0%	5%	5%
Cannabis, recreational		0%	5%	5%