

# Board policy on ownership issues

## Background

In accordance with the Swedish Occupational Pension Undertakings Act (2019:742), AMF is required to adopt principles for shareholder engagement. AMF's ownership practices shall contribute to long-term solid returns in its asset portfolios by promoting sustainable profitability in its portfolio companies. AMF's ownership activities are therefore an integral part of its asset management operations.

## Purpose and objective

The ownership policy aims to express the approach, values and social responsibility that should characterize AMF's ownership work. Through its ownership practices, AMF seeks to take responsibility and contribute to value creation by supporting portfolio companies in developing long-term competitive and sustainable operations based on fundamental business ethics.

AMF invests in Swedish and foreign listed and unlisted equity holdings. Listed holdings refer to ownership in companies whose shares are traded on regulated markets that are publicly accessible. This policy outlines the principles and working methods to be applied in ongoing ownership activities. For holdings such as bonds and fund units without voting rights, this policy shall be followed to the extent applicable.

Unless otherwise explicitly stated, the provisions of this policy apply to all listed, unlisted and limited partnership holdings in AMF's portfolio, hereafter referred to as portfolio companies.

The CEO is responsible for ensuring that routines and processes for AMF's ownership work are in place. Potential conflicts of interest shall be identified in AMF's annual mapping in accordance with the board's policy for managing conflicts of interest.

## Principles för ownership practices

### Prioritized companies

AMF shall prioritize portfolio companies based on its ability to influence, the level of its investment and the company's need for governance. Among the portfolio companies that are designated as prioritized companies, AMF shall identify the most critical ownership issues for long-term development and pursue systematic ownership work aimed at supporting their ability to generate returns for AMF's customers. AMF's ownership and agenda shall be long-term.

AMF shall maintain deep knowledge of each prioritized company, including valuation, potential, board composition and the competence of individual board members and executives. AMF shall regularly meet with the chairperson, CEO and other key functions as needed. AMF shall maintain contact with other major shareholders to coordinate ownership efforts where possible. AMF shall monitor financial and sustainability reporting, analyst reports, press releases and media coverage. AMF aims to participate in nomination committees.

As a guiding principle, AMF shall avoid being the largest shareholder in listed companies.



### **Other portfolio companies**

In other portfolio companies that are not prioritized companies, AMF may rely more on collaboration with other investors, proxy voting, external analysis or consultancy support for suitable assessments and ownership dialogue.

### **Responsibility and sustainability**

Ownership practices shall comply with the board's policies on responsibility and sustainability. AMF shall only invest in companies that integrate responsibility and sustainability into their operations. AMF shall ensure that boards and management proactively identify and manage relevant sustainability issues and risks.

AMF shall strive to reduce the portfolio's climate footprint in line with the Paris Agreement and achieve net-zero impact by 2050.

AMF shall use its influence as an owner to ensure that portfolio companies:

- Set climate targets and take action aligned with the Paris Agreement.
- Comply with international norms and guidelines on environment, human rights, anti-corruption and labour conditions.
- Maintain governance and policies to prevent bribery, undue representation, gifts, rewards and other benefits.
- Identify and manage sustainability risks and report on mitigation strategies.
- Address material sustainability aspects proactively.
- Maintain a transparent and public tax policy with relevant follow-up.

If a portfolio company is found to violate fundamental norms or international conventions (e.g., on controversial weapons), AMF shall act to resolve the issue. If resolution is deemed unlikely, the company shall be divested in a responsible and structured manner, considering customer interests.

AMF shall conduct structured engagement on responsibility and sustainability through dialogue, joint initiatives, or ownership directives.

### **Capital structure**

Boards and management are responsible for effective capital management. AMF believes capital should be invested to generate high and sustainable returns. Stable dividend growth is encouraged.

### **Nomination committees**

AMF shall, in nomination committees, advocate representation of major shareholders and encourage broad dialogue with shareholders.

Nomination committees should ensure board members can dedicate sufficient time and interest to their duties.

Insider information should generally not be shared in nomination work. If necessary, it must be handled according to AMF's internal procedures.

AMF shall proactively seek participation in nomination committees for prioritized companies.

Representatives must have board experience, leadership roles experience and/or long-standing analytical or managerial involvement with the company.

### **Auditor**

AMF shall advocate for the appointment of authorized auditors or audit firms for one-year terms.

### **Boards and board remuneration**

Boards should generally consist of 6–8 members (4–8 in unlisted companies), with diverse backgrounds, competencies and experiences and a balanced gender distribution. Boards must challenge management on strategic and business matters with integrity and independence.

Boards should consist only of regular members; deputies should not be appointed.

The chairperson of listed Swedish companies should be elected at the general meeting and their duties regulated in the board's rules of procedure.

As a general rule, the CEO should not be a board member and a departing CEO should not become chairperson.

Board members should demonstrate commitment by personally owning shares where possible.

AMF shall advocate for market-based board remuneration that reflects engagement requirements. Remuneration should not be supplemented with consultancy payments.

Board members should not participate in employee incentive programs to avoid conflicts of interest. Incentive programs for board members should be rare and require shareholder approval. However, board members investing in the company is encouraged.

In general, AMF employees should not serve on boards of listed portfolio companies.

### **Specific considerations regarding unlisted companies**

AMF employees may be nominated to boards of unlisted companies if appropriate, based on competence and experience. Conflicts of interest must be identified and managed. No compensation shall be paid by the portfolio company.

Nominations must ensure the board collectively has high competence relevant to the company's operations and that nominees understand AMF's ethical standards and values. AMF may conduct background checks before finalizing nominations.

Boards in unlisted companies shall assess the need for committees. If committees are formed, they should follow applicable principles from the Swedish Companies Act and governance code. Committee remuneration should be decided at the general meeting.

Documentation must cover the rationale for nominations and conflict of interest assessments.

### **Governance framework**

Corporate governance shall be based on the requirements and guidelines set out primarily in the Swedish Companies Act, the Swedish Corporate Governance Code ("the Code"), the listing agreement with Nasdaq Stockholm and other applicable legislation and guidelines. These form the foundation for how companies are governed and define the division of responsibilities between shareholders, the board and executive management.

AMF shall promote the application of the Code in all Swedish companies with shares listed on a regulated Swedish market and shall actively participate in the ongoing development of the Code. AMF shall advocate for compliance with the Code based on the "comply or explain" principle.

### **General meetings**

As the general meeting is the highest decision-making body of a company, AMF believes that the documentation provided ahead of the meeting must be of high quality and made available to shareholders in sufficient time to allow for comments and revisions.

AMF shall, to the extent possible, participate in general meetings of companies in which it holds shares, especially when decisions on matters of principle important to AMF are to be made. AMF may refrain from participating in general meetings if the holding is insignificant in AMF's portfolio.

Corporate governance in unlisted Swedish portfolio companies shall be based on the requirements and guidelines of the Swedish Companies Act. In addition, AMF shall promote compliance with the Code to the extent applicable and feasible in unlisted companies or companies traded on markets not regulated as described above.

### **Executive management remuneration**

AMF shall promote that:

- Remuneration to executive management is market-based, structured as a total cost framework and part of a long-term remuneration strategy.
- Pension contributions are premium-based. No payments should be made after termination of employment. Severance pay shall not be granted in cases of voluntary resignation.
- The company openly discloses the principles and structure of executive remuneration. Conditions for variable components shall also be disclosed—though not in such detail that business secrets are revealed.
- Remuneration from variable pay and/or share-based incentive programs is not pensionable unless otherwise stipulated by collective agreements.
- Before implementing share-based incentive programs, the company provides shareholders with detailed information in sufficient time to allow for revisions based on shareholder feedback. The company shall clearly and transparently disclose the structure of the program.

In addition to the provisions of the Swedish Corporate Governance Code and statements from the Swedish Securities Council (primarily AMN 2002:1 and AMN 2010:40) regarding incentive programs, the guidelines of the Institutional Owners Association should also be followed.

### **Ownership in foreign listed companies**

The conditions for dialogue and engagement differ in foreign companies where AMF is typically a relatively small shareholder. The core principles and objectives of ownership work shall remain the same as for Swedish companies but the work shall generally be conducted through various initiatives and proxy voting aligned with AMF's ownership principles and positions.

### **Ownership in unlisted companies**

Ownership directives shall be issued for both wholly owned and associated companies, to be decided at the respective company's general meeting, provided agreement can be reached with co-owners. The ownership directive expresses the shareholders' shared view of the company's objectives, how operations should be conducted to achieve those objectives and the framework within which the work shall be carried out. The directive thus forms the basis for the board's and management's strategic and operational work.

Ownership directives for wholly owned companies shall be submitted to AMF's board for approval. Directives for associated companies shall be issued in collaboration with other shareholders but should, as far as possible, align with AMF's ownership agenda and this policy.

AMF's corporate governance principles shall be applied to ownership governance in wholly owned and associated companies, primarily through regulation via shareholder agreements and ownership directives. These shall appropriately reflect fundamental governance principles as set out in the applicable Companies Act or equivalent legislation.

### **Ownership working methods**

AMF shall maintain thorough knowledge of its portfolio companies at the time of investment and throughout the investment period. Internal and external analysis of prioritized and relevant governance issues shall be conducted continuously.

This does not normally apply to passive positions in foreign companies resulting from portfolio construction.

AMF shall have access to sustainability and governance analysis as well as other financial data to support the ongoing management of portfolio companies.

### **Participation in general meetings**

AMF shall, to the extent possible, participate and exercise voting rights at general meetings of portfolio companies, especially when decisions on matters of principle important to AMF are to be made. AMF may refrain from participating in general meetings if the holding is insignificant in AMF's portfolio and AMF's influence is marginal.

AMF shall always be represented and exercise voting rights at general meetings of prioritized portfolio companies.

Participation in general meetings of foreign listed companies shall normally be conducted through proxy voting. As a general rule, AMF shall vote in all markets and general meetings where it is practically possible.

### **Dialogue with company representatives**

AMF shall conduct engagement dialogues to ensure compliance with this policy, other relevant policies and positions and in the interest of its customers. AMF shall regularly meet with the chairperson and CEO and other key functions as needed in prioritized portfolio companies. Dialogues shall also be conducted in collaboration with other shareholders or major engagement initiatives that promote AMF's ownership and the sustainable and profitable development of each company. Where appropriate, engagement dialogues may be conducted individually or jointly with other shareholders.

### **Collaboration with other stakeholders**

AMF shall maintain ongoing contact with other major shareholders to coordinate ownership efforts where possible. Collaboration shall also be organized through joint engagement initiatives.

### **Conflicts of interest**

The board has adopted rules for identifying and managing conflicts of interest, which shall be considered in ownership practices. All potential conflicts of interest arising in ownership practices shall be identified and managed. Employees and AMF shall avoid conflicts of interest



that may negatively impact customers' interests in long-term high returns at low cost or otherwise adversely affect AMF.

Conflicts of interest between companies within the AMF Group shall be managed by ensuring that each AMF company primarily acts in the interest of its own customers. In each decision, AMF shall consider its customers' interests and AMF Fonder shall consider the interests of its fund unit holders. If the respective customer groups are deemed to have differing interests, no coordination shall occur between AMF and AMF Fonder in ownership matters.

Any insider information must not be acted upon and shall be handled in accordance with the relevant board's policy on this issue.

### **Specific decisions**

The board of AMF nominates members of the board of AMF Fonder and the CEO of AMF represents AMF at AMF Fonder's general meeting. The CEO of AMF shall represent AMF Tjänstepension at AMF Fastigheter's general meeting and decide on the board of AMF Fastigheter based on proposals from a nomination committee. The CEO also decides on nominations of board members on AMF's mandate for associated companies and other unlisted companies. The CEO of AMF has the right to delegate this decision-making authority.

### **Prioritized ownership issues**

The CEO shall annually prepare ownership issues to be prioritized during the year. The material shall be presented to the board.

### **Follow-up**

The CEO shall continuously keep the board informed about ownership activities and specifically follow up and report on prioritized ownership issues.

Annually or as needed, the CEO shall:

- Report on compliance with this policy (deviations shall be specifically addressed),
- prepare and present prioritized ownership issues to be pursued,
- report on the outcomes of prioritized ownership issues,
- report on participation and results from nomination committee work, and
- provide an account of external collaboration initiatives in which AMF participates.

### **Documentation**

Ownership activities shall be documented continuously. The CEO is responsible for ensuring that routines and processes for documentation are in place.

### **CEO instructions**

The CEO may issue additional and more detailed instructions regarding AMF's ownership practices. Such instructions shall adhere to the principles set forth in this policy.