



Kåpan Pensioner försäkringsförening (Kåpan Pensioner) manages collectively agreed occupational pensions for people who are or have been government employees. The purpose of the business is to manage members' pension assets in an efficient, long-term and responsible manner.

Insurance	5
Investment	9
Organisation	21
List of holdings	27

Sustainability report

The society offers traditional pension insurance with guaranteed interest and stable returns over time at the lowest possible cost. In addition, investments must be based on ethical standards and principles which are strongly rooted in Swedish society based on decisions made by the Swedish parliament and government.

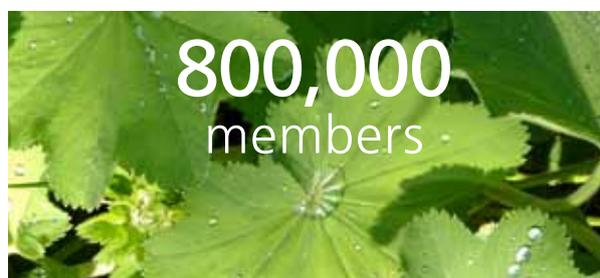
Kåpan Pensioner is a benevolent society which is an economic association that conducts insurance business. This form of association means that the members own the business together. The society acts based on its statutes and in the best interests of all its members.

Sustainability for Kåpan Pensioner

Kåpan Pensioner's sustainability work is split into three areas: insurance, investment and organisation. This means that we must deliver secure and traditional insurance, make responsible and sustainable investments, and safeguard internal sustainability work. These three areas also provide the structure for this sustainability report.

Our assignment

The society has been tasked by the parties to collective agreements in the government agreement sector (the Swedish Agency for Government Employers, the Public Employees' Negotiation Council, the Swedish Confederation of Professional Associations, and the Swedish Union for Service and Communications Employees) with managing the compulsory components of the occupational pensions and functioning as the default supplier for the part of the pension where there is a choice. The assignment from the parties is to deliver stable, good pensions to the society's more



than 800,000 members. The society was formed in 1992 with the task of managing the supplementary occupational pension based on the pension agreement PA-91. Since then new pension agreements have been negotiated and on 1 January 2016 the most recent agreement, PA 16, came into effect. The new agreement means that the society's operations are secured in the long-term and work on offering members sustainable and well-balanced pension insurance can continue. Kåpan Pensioner works with sustainability as an integrated part of day-to-day operations. Sustainability work is based on the society's assignment from its members, its statutes and the Board's decisions and policy documents.

Insurance

Kåpan Pensioner offers resource-efficient and simple insurance solutions with a good balance between promises made and the risks in obligations.

Investment

Investments are made based on achieving a good return with reasonable risk and low costs. Sustainability is an integrated part of management.

Organisation

Sustainable resource management – Thrifty use of resources and consideration for the environment must permeate the entire business.

Basis of sustainability work

Kåpan Pensioner works continuously to improve and develop its own sustainability work. The foundation is the investment policy which defines the ethical framework for asset management. This, in turn, is based on ethical standards and principles which are strongly rooted in Swedish society based on decisions made by the Swedish parliament and government. Investments are guided by the principles in the international conventions:

- UN Global Compact
- OECD's guidelines for multinational companies
- Oslo and Ottawa Conventions
- UN Principles for Responsible Investment (UN PRI)
- UN Sustainable Development Goals – 2030 Agenda for Sustainable Development

An in-depth description of international principles and conventions can be found on page 19.

Kåpan's sustainability work in 2017 – in brief

- In collaboration with our main supplier of global equities, SSGA, we have transitioned to investing in a sustainability index, MSCI World Universal ESG index.
- We have invested in three new emerging markets funds with clear ESG profiles. Our index fund has also been changed to an ESG aligned index fund for emerging markets.
- We have invested in a newly-started global index fund with a clear ESG direction, Handelsbanken's index fund Global Småbolag Index Criteria.
- Through our partner ISS-Ethix we have carried out lobbying dialogues with 105 companies.
- We have invested in a positive energy building in Västerås.
- We have participated in the process for 32 wind energy turbines outside Falun.
- We have invested in a retail property in Södertälje which has one of Sweden's largest solar panel arrays on the roof which provide the building with energy.
- Within fixed-income management we have increased our holding in Castellum to its maximum limit. During the year Castellum stood out as the most sustainable real estate developer in the world.
- We have invested in Vasakronan's green bonds.

What ESG stands for:

ESG (Environmental, Social, Governance) is a common term for sustainability criteria in investments and stands for criteria relating to the environment, social conditions and corporate governance.

Sustainability – Insurance

Sustainable traditional insurance

For Kåpan Pensioner, taking responsibility on behalf of our members is part of sustainability work. This applies to the various insurances we offer, guarantees and interest as well as surplus and generation savings. We are a default alternative and are therefore extra careful to guarantee confidence and security for our members who did not make an active choice themselves.

Kåpan Pensioner works solely in the government agreement sector and does not offer insurances in other agreement sectors. Nor does the society offer any unit-linked insurance. The strategic focus means that marketing efforts and dedicated resources to build value in a brand can be restricted. From a sustainability perspective this means that mailshots and other types of promotion can be avoided which leads, among other things, to reduced environmental impact and the society's low level of costs.

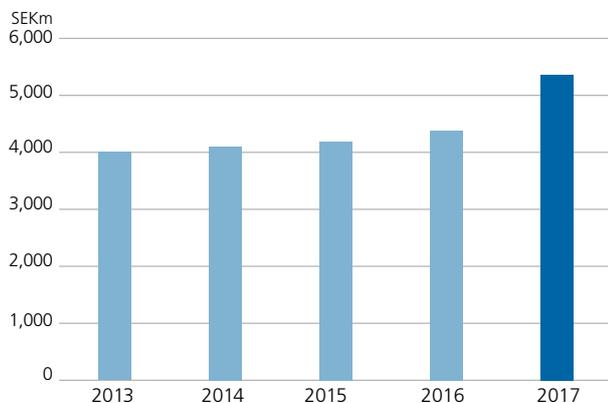
The society's cooperation with SPV, the National Government Employee Pensions Board, means that employers and government employees can be given a simple and efficient point of contact for their government occupational pension. Through shared use of existing capacity, facilities and other common functions, both the authority and the society contribute to sustainable resource utilisation. The society also minimises resource requirements by refraining from cooperation with various types of insurance agents in distribution of its insurances. The society does not, therefore, pay any commission or other form of sales-stimulating remuneration to external players.

Secure insurance

Kåpan Pensioner's principal business is the compulsory and default components of occupational pensions in the government collective agreement sector. Members who do not make an active choice of pension manager within the agreement sector will have their premiums paid into Kåpan Pensioner. During the year paid-in premiums totalled SEK 5,365m. Kåpan Pensioner's traditional insurance is designed to suit those who do not want to make an active choice or put time or effort into their pension savings. The aim of the design of the insurances is to give members a return which reflects the risk assessed as reasonable in relation to the long-term stability which is expected from traditional pension insurance. Kåpan Pensioner has a high proportion of members who have not made an active choice of

During the year
paid-in premiums totalled
SEK 5,365m.

Paid-in premiums



occupational pension manager and who probably also have limited interest in pension management. For the component of pension premiums where there is a choice, the society receives the bulk of premiums and the proportion has risen in recent years. Kåpan Pensioner therefore has a responsibility for the design of the guarantees and commitments found in the insurance terms.

Saving in traditional insurance is a trade-off between the security provided by the commitments made by the society in every insurance and the possibility of taking a risk in investments which can give a higher expected return. The commitments in the insurances are:

- protection of paid-in capital through a guaranteed interest on paid-in premiums,
- protection against high charges through a specified maximum charge until the pension is paid out,
- protection in the long term through a commitment to pay the pension for life.

A high level for the various components of the commitment means fewer opportunities to take risks. It is up to the society to strike a balance and continually adjust operations to changes in the business environment in order to meet commitments in a long-term sustainable manner.

Guaranteed interest and protection of paid-in capital

Each insurance premium has a premium guarantee in the form of interest on the paid-in capital until it is paid out as a pension. The interest applies unchanged for each individual premium paid in. In other words, the paid-in capital is secured against reduction in size.

The interest guaranteed by the society has changed over time and been adjusted to developments in the capital market. In step with the fall in market interest rates, the guaranteed interest has also decreased. Since 1992 the society has received premiums on which it has paid

guaranteed interest. The return on the society's investments must exceed the guarantee level in order to be sustainable in the long term.

In recent years asset management has delivered a significant surplus which provides a buffer for the future. This buffer can be calculated in different ways but the method which is currently used in Sweden and by the society is based on guidelines decided by the Swedish Financial Supervision Authority.

The value of the society's outstanding commitments at year-end 2017 amounted to SEK 51.5 billion which can be compared with the society's total assets of SEK 87.4 billion. The buffer amounts to SEK 35.9 billion and is designated as solvency capital. The society's solvency ratio at year end was 170% which exceeds the legal limit of 104% by a wide margin.

The society has
a well-balanced
solvency ratio of
170%

It should be noted, however, that several times in recent years the Financial Supervisory Authority has changed the way the discount rate is calculated and thus the value of the outstanding commitments. There are also restrictions in the Swedish bond market which make it difficult to secure when necessary outstanding commitments with matching investments in a sustainable manner.

Low charges

In the same way that the society guarantees the capital from paid-in premiums, protection against high charges is included. The statutes state that the cost of administering the insurance shall not exceed 0.2% of the capital per year. Administrative costs have fallen over time and amounted to 0.07% of the insurance capital in 2017.

The society continues to try to reduce costs and thus provide a higher paid-out pension. The fixed charge per insurance is SEK 6. The variable administration charge in 2017 was

Charges for traditional insurance for government employees

Insurance provider	Annual fixed charge, SEK	Variable charge as % of pension capital
Kåpan Pensioner	6	0.11
Alecta	75	0.20
AMF	75	0.18

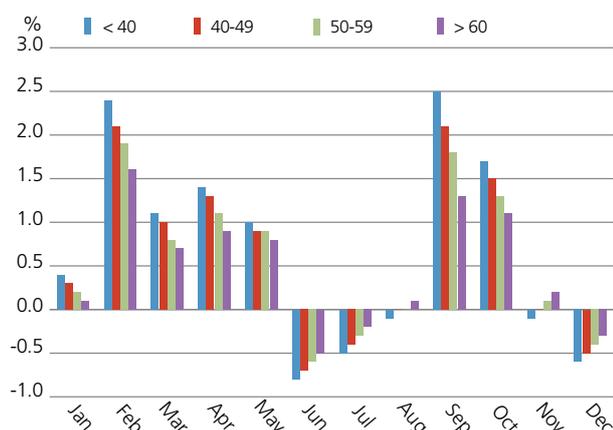
0.06% of the pension capital. The cost of investment management was 0.05% of the pension capital. Altogether the costs that the society charges to members' insurances are at a significantly lower level than other players registered with the choice centre for the government agreement sector.

Fair distribution of capital and costs

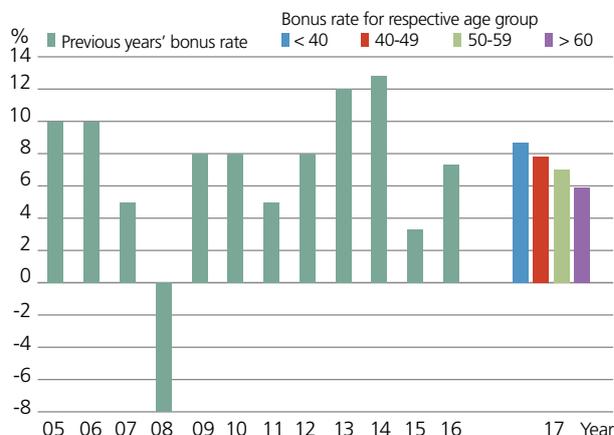
Kåpan Pensioner operates on the basis of two overall principles for the insurance business. The first is the precautionary principle. This means finding a reasonable balance between an assessment of the expected outcome for different assumptions and the risk level of these assumptions. The second is the contribution principle which means that each insurance should bear the returns, risks and costs which the insurance is assessed to contribute to or cost the business. To ensure that the principles are followed, the responsible actuary prepares an annual technical provisions report for the Board and the Swedish Financial Supervisory Authority.

To ensure fairness between members Kåpan Pensioner uses monthly bonus interest to distribute the society's surplus or deficit across all insurances. This means that the surplus is continually allocated across the insurances and that no surplus or deficit is retained undistributed at a collective

Monthly bonus rate 2017



Annual bonus rate



level. The bonus interest rate can therefore be both positive and negative.

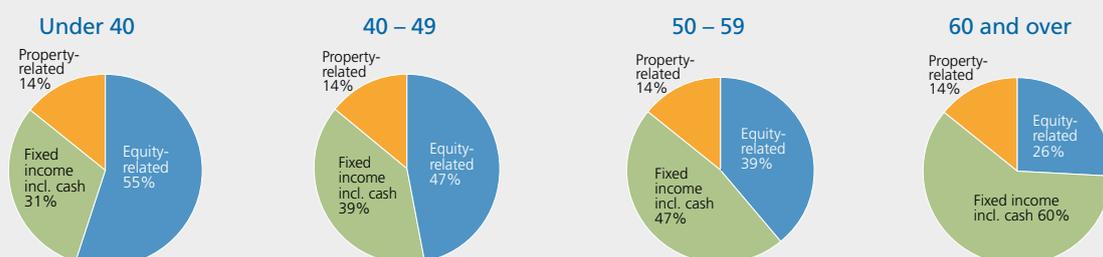
Generation savings and fair distribution

Fairness between members further improved when the society switched to so-called generation savings on 1 January 2017. This means that we split the membership into four generation groups where the youngest group has a greater proportion of high-risk assets in their portfolio. The proportion of equities is successively reduced with age. The four different groups thus have different amounts of high-risk assets and therefore different bonus interest rates.

Commitment to pay pension for life

The dominant part of premiums for the new pension agreement PA 16 are in the basic configuration paid out for life. In previous pension agreements a large part of premiums went into an insurance with temporary payment in its basic configuration (Kåpan Tjänste). Before payment of the pension starts, members can choose the desired payment period. This applies to all the society's insurances. In the members' insurance there is also a lifelong guarantee associated with each premium payment in the same way as the guaranteed interest. The lifelong guarantee means

Distribution of investments for each age group across the three asset classes



that even if future assumptions about life expectancy change, the assumptions which are guaranteed at the time of payment will not worsen.

The life expectancy assumptions used by the society determine the size of the monthly pension payment. A lifetime pension is paid out for life and the members' different life spans are balanced within the framework of the insurance operations as a whole.

The society uses gender-neutral life expectancy assumptions. This means that when the pension is calculated based on available pension capital, the amount of the pension payment will be the same regardless of gender. The society's actuary continually follows up the sustainability of the assumptions used to calculate outstanding insurance commitments and life expectancy.

Repayment cover means you receive a lower pension

Age	Payment	
	For 5 years	For life ¹⁾
25	- 6%	- 12%
55	- 4%	- 10%

¹⁾ The figures are based on a new employee continuing to work until age 65.

Repayment cover means a lower pension

Members can choose whether or not to have repayment cover for all their premiums and in the event of changed family circumstances change this for their entire pension capital. Repayment cover means lower expected pension payments (4% – 12%) in exchange for the existing pension capital being paid out to designated survivors. The parties in the government sector have chosen in the new pension agreement PA 16 to assume insurance without repayment cover for all premium payments.

Within the framework of the government collective agreements there is relatively good protection for survivors other than through repayment cover.

Within the framework of the government collective agreements there is relatively good cover for survivors other than through repayment cover. A defined contribution based pension insurance has its maximum capital when pension payments start. The insurance cover provided by repayment cover is relatively limited for younger members which means that a separate life insurance is normally a better choice if the cover in the collective agreement needs to be reinforced.

Members' integrity

Kåpan Pensioner is responsible for large amounts of sensitive personal information and other member information. It is vital that as much as possible is done to protect members' personal information. The information is primarily stored by SPV, who administer the insurances. They work among other things with training employees to ensure competence in the Personal Data Act (PuL), data storage and secrecy. Kaplan Pensioner and SPV have personal data representatives who are the contact with the authorities and responsible among other things for helping the business interpret and apply current regulations for personal data processing. In 2018 the new EU GDPR regulation covering integrity protection and data security will be introduced into operations.

The Occupational Pension Fund Association

Kåpan Pensioner is a member of the Occupational Pension Fund Association and also participates as an expert when new regulations for the pension system are being developed for example by participating in studies or responding to consultations. This means that members' interests are taken into account at higher levels.

Summary of sustainability work in insurance operations

Kåpan Pensioner conducts its business in order to provide members with a long-term sustainable pension insurance. The society acts on the basis of what is best for all members as a whole within the framework of balanced risk and efficient operations. The commitments that the society makes by providing insurances to members are handled on the basis of fundamental insurance principles. Outstanding commitments are assessed to be able to be met in the long term through fair distribution and cautious buffers in the commitments made. The aim is to continue to conduct the business in a balanced and sustainable way at the lowest possible cost.



Sustainability – Investment

Responsible asset management

Kåpan Pensioner's members must always feel confident that we manage and invest their pension capital responsibly. Sustainability is an integrated part of investment operations. We work continually to improve our sustainability work and in 2017 we adopted several measures for further improvement.

Kåpan Pensioner's managed assets at year-end amounted to over SEK 87 billion. Investments are made based on the investment policy decided by the Board. The overall goal for investment operations is to achieve a long-term sustainable balance between return and risk in a cost-effective manner. Further, the society's investments must be made based on a number of overall ethical standards and principles.

Management is focused on investments in equities, fixed-income securities and property. Investments in equities are primarily listed holdings but also to some extent unlisted minority holdings in various types of venture capital funds. Fixed-income securities are mainly Swedish bonds with a high level of security but also include some foreign interest-

bearing instruments through various fixed-income funds. Our property-related investments are unlisted holdings in commercial properties, forest and land and also various infrastructure investments through different funds.

The current investment strategy means that almost half the capital is placed in fixed-income securities, just over one-third of the capital is placed in equities and the remainder of the society's capital is invested in property and other types of assets to complement the risks inherent in fixed-income and equities. Overall the investment strategy means that about half the assets are invested with low risk and the other half with higher risk.

The society's asset management model



Kåpan's process for sustainability work in investment operations



Process for sustainability work in investment operations

The foundation for Kåpan Pensioner's sustainability work is a number of leading standards and principles widely rooted in Swedish society based on decisions made by the Swedish parliament and government.

- UN Global Compact
- OECD's guidelines for multinational companies
- Oslo and Ottawa Conventions
- UN Principles for Responsible Investment
- UN Sustainable Development Goals – 2030 Agenda for Sustainable Development

An in-depth description of international principles and conventions will be found on page 19.

To achieve sustainable management in accordance with these guidelines we work with both norm-based screening and positive screening (rating model) of our underlying holdings. Further, we work with dialogue and lobbying with the aim of improving companies' ESG work. Our management includes ESG as an integrated part of analysis. Our Ethics Committee regularly reviews the results of screening and lobbying and decides if we need to take any action from a sustainability perspective.

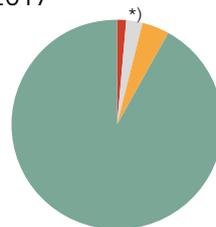
Norm-based screening

The society continuously reviews its equity and fixed-income holdings through norm-based screening which assesses a company's compliance with global standards relating to the environment, human rights, working conditions and anti-corruption. Screening is also carried out for controversial components for anti-personnel mines, cluster bombs, nuclear weapons outside the non-proliferation treaty and chemical/biological weapons.

We use ISS-Ethix as an external supplier for our norm-based screening as well as screening for controversial weapons. Using their analysis tool we can follow-up our holdings from a normative perspective. ISS-Ethix has a database with over 20,000 companies and uses a simple traffic-light model as well as a rating from 1-10 in its analysis and screening process.

In total only 1% of Kåpan Pensioner's entire listed equity and fixed-interest portfolio at 31 December 2017 was red-listed, grade 10, according to norm-based screening and screening for controversial weapons. This corresponds to 33 companies of which we have excluded one-third through short-selling. We follow developments for the remainder and carry out active lobbying.

Norm-based screening of Kåpan Pensioner's entire listed equity and fixed-interest portfolio at 31 December 2017



^{*)} The grey segment means that ISS-Ethix does not cover these companies.

Kåpan Pensioner preferably invests in passive index funds for our global exposure to listed equities.

In 2017 one of our broad global (excluding emerging markets) index funds managed by State Street Global Advisors (SSGA World SRI ¹⁾ index) changed its guideline to an ESG index developed by MSCI. The switch to this index resulted in an improvement in norm-based screening. The number of red-listed companies has fallen by about 30% from a total of 1.5% to just over 1% of the fund's total value.

We have also sold one of the broad emerging markets funds in favour of a SRI fund. This has resulted in the number of red-listed companies falling by 50% and now accounting for less than 1% of the specific fund.

¹⁾ SRI stands for Socially Responsible Investment

Assessment signal	Score	Description
	10.	Verified failure to respect established norms
	9.	Imminent failure to respect established norms
	8.	Alleged failure to respect established norms
	7.	Verified failure to respect established norms, undergoing remediation
	6.	Fragmentary information
	5.	Under observation
	4.	Undergoing remediation
	3.	Involvement beyond scope
	2.	Past involvement
	1.	No allegation

Summary of what ISS-Ethix does

ISS-Ethix works on behalf of investors with norm-based screening and lobbying of companies that do not respect international standards:

- Environment
- Working conditions
- Human rights
- Anti-corruption

Positive screening – rating model

In addition to norm-based screening, Kåpan Pensioner also works with a process for positive screening. The aim of positive screening, as opposed to norm-based screening, is to give all companies a rating for how they handle ESG issues. This means that we as investors can work on prioritising companies with a high ESG rating. It is our opinion that this type of rating model continuously stimulates companies to improve within ESG, which is better than simply achieving the lowest level of acceptability.

For the past couple of years the society has cooperated with MSCI which is one of the world's leading index providers and has worked for a long time with analysis and evaluation of environmental and sustainability assessments at corporate level.

The agreement with MSCI gives the society access to the entire sustainability assessment carried out by MSCI. MSCI's analyses today cover over 5,700 companies on the equity side where a sector-based assessment is made and a rating given of different sustainability and ESG criteria (Environmental, Social, Governance).

On the environment side, there are underlying considerations within, for example, climate change, carbon dioxide emissions, water stress, toxic emissions and waste. In the social category, assessments are made in areas such as labour management, health and safety, product safety and quality. Under governance, analyses and assessments are made of the composition of the board, remuneration, owner structure, accounting and business ethics.

In the short term the aim is that the society's investments shall have a weighted average rating above the weighted average for the companies which are part of the MSCI All Country World Index (MSCI ACWI), something we have achieved since measurements started in 2015. The aim is that over time the rating for those companies to which the society has direct or indirect exposure improves from today's level.

In last year's analysis of the society's entire equity investments, Kåpan Pensioner's share portfolio had a rating of 6.3, which is an improvement over the previous year. At the same time, our portfolio has a higher rating than the MSCI ACW index and is at parity with MSCI's ESG index.

The overall goal of ongoing work is to contribute to and stimulate companies' improvements in the areas of sustainability and social responsibility. During the year we have evaluated different investment management models to better meet our ESG criteria.

In 2017 we therefore took several actions aimed at improving ESG work. Among other things we invested in several specific ESG funds for global equities. This has resulted in an improvement in both our norm-based screening and our ESG rating for the entire portfolio.

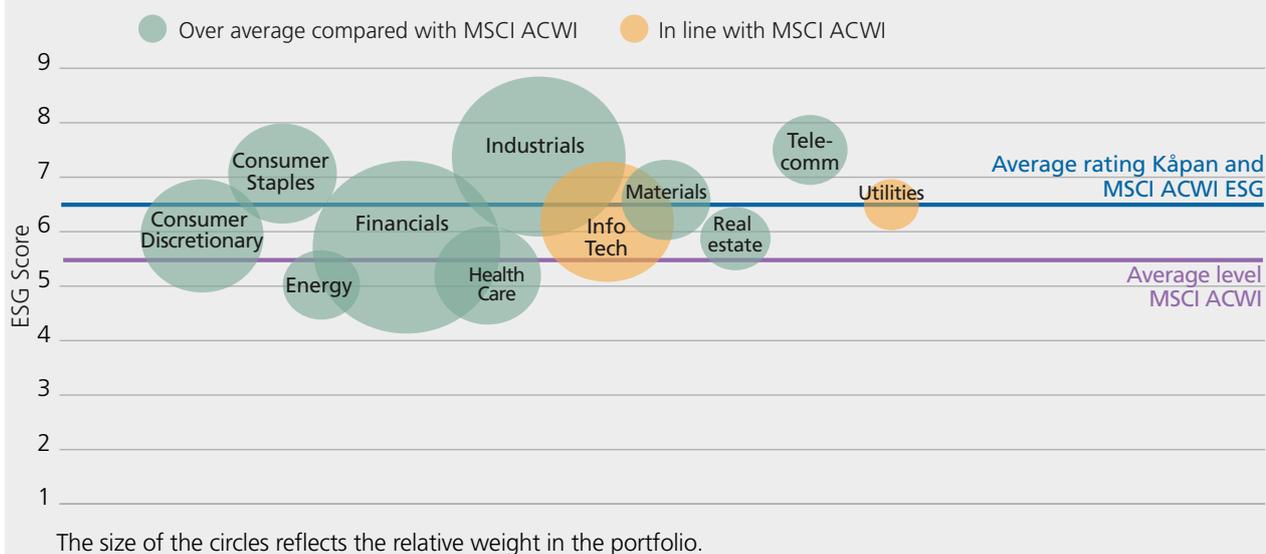
In 2018 work will continue reviewing the option of more than previously directly owning our global equity holdings which will simplify work with integrating ESG analysis in the selection process.

MSCI's rating model for Environment, Social responsibility, Governance – ESG criteria

Environment		Social responsibility		Governance
Climate Change	Environmental Opportunities	Human Capital	Product Safety	Business Ethics
Carbon emissions	Clean Tech	Controversial Sourcing	Chemical Safety	Anticompetitive Practices
Energy efficiency	Green Building	Health & Safety	Financial Product Safety	Business Ethics and Fraud
Insuring Climate Change Risk	Renewable Energy	Human Capital Development	Insuring Health and Demographic Risk	Corruption and Instability
Product Carbon Footprint		Labour Management	Privacy & Data Security	
		Supply Chain Labor Standards	Product Safety & Quality	Corporate Governance
Natural Resource Use	Waste Management	Social Opportunities	Responsible Investment	Corporate Governance
Biodiversity & Land Use	Electronic Waste	Communications		
Environmental Stress	Packaging Material & Waste	Finance		Government and Public Policy
Raw Material Sourcing	Toxic Emissions and Waste	Health Care		Financial System Instability
Water Stress		Nutrition & Health		

MSCI has a nine-point rating scale from 0-9.

Assessment of the society's holdings based on ESG criteria within each sector and their relative weights



Lobbying

In order to have the possibility to influence our holdings in external funds from a sustainability perspective, we increased and deepened our collaboration with ISS-Ethix in 2017.

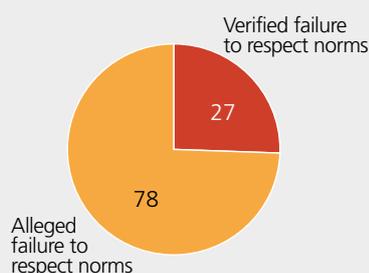
ISS-Ethix developed some 20 years ago the methodology they call norm-based screening. This methodology was developed to meet the demand for objective and fair assessment of companies worldwide in all markets and sectors based on international standards for environment, human rights, working conditions and anti-corruption. The method reviews and analyses companies' compliance with

international standards. On our and other clients' behalf, ISS-Ethix holds a dialogue with those companies that are involved in situations where international standards are violated. Through dialogue with the companies ISS-Ethix can identify how the companies take social and environmental responsibility for a specific problem situation and also how the companies are taking preventive measures to conform to relevant regulations, standards and principles for social responsibility and the environment.

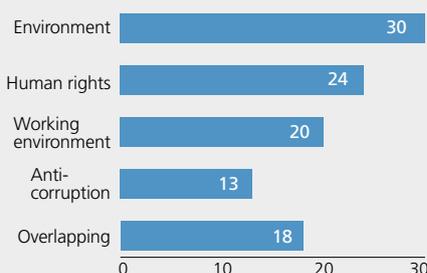
Through ISS-Ethix we have carried out lobbying dialogues with 105 companies in 2017.

Kåpan Pensioner's lobbying in 2017 through ISS-Ethix

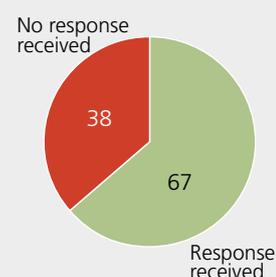
105 dialogues in 2017



Split across



Of 105 companies



Exclusion of companies

The overall strategy is not to invest in companies which on repeated occasions violate principles for human rights, labour law or the environment as specified in internationally accepted documents. We therefore work with both norm-based screening and positive screening of our holdings and use these as a basis for decisions. Primarily we work with choosing a suitable ESG index and fund managers which integrates sustainability in its processes. In addition we work with lobbying dialogues with affected companies. When we judge that these actions are not sufficient, we choose to completely exclude certain companies.

The society invests a large part of its foreign share capital in various types of fund or instruments based on different forms of index. Through various indices and funds the society has a total indirect investment in some 6,000 different listed companies with an invested capital of over SEK 17 billion. These index-related investments are passive which means that the society is an owner in all the companies in the index. This has the effect in practice of creating an exposure to companies that do not meet Kåpan Pensioner's sustainability criteria.

The aim of excluding or neutralising indirect holdings is to achieve a financial situation for the society which corresponds to a decision not to invest in a company. The method chosen by the society means that indirect positions are neutralised through a direct sale of a matching position in the indirect holding. The method is called short selling and means that the society takes an active approach to the company concerned. The assessment is that the method sends a clear signal to the company, not least because the number of short-sold shares is reported in various contexts and can be seen, among other things, as an indication of lack of confidence.

At year-end the society had direct negative positions to neutralise indirect holdings in companies that do not meet Kåpan's sustainability criteria. The process for short-selling involves obtaining information and analyses from our suppliers ISS-Ethix and MSCI and then evaluating the size and cost of excluding the holding. We also look at other exclusion lists, among others the Ethical Council, the state AP7 pension fund and the Government Pension Fund Global (formerly Petroleum Fund of Norway). Our Ethics Committee convenes to evaluate and decide which companies should be neutralised in the portfolio.

Process for external funds

In addition to directly-owned equities and passive index management, Kåpan Pensioner has assets placed in active external funds. In 2016 the society sent an ESG questionnaire to all our external funds, including those for listed and unlisted shares as well as fixed-income, with the aim of identifying how our external funds handle ESG issues in investment management and to improve our own knowledge of these issues.

In 2017 in our meetings and contacts with the funds we started to take up the questionnaire as part of the discussions in order to get a better and broader understanding of their sustainability work and follow up their agenda for improving and developing work on and responsibility for ESG issues. This work will be broadened and deepened in 2018.

When procuring new funds the society has a policy of asking for the managers' ESG policy and the questionnaire is used as a basis for these discussions.

The society is guided by the UN Principles for Responsible Investment (PRI), so we try to ensure that our external funds have signed up to PRI. The principles aim to support investors to respect and include ESG aspects in investments and are today a global sector standard for responsible investment.

Negatively listed holdings to neutralise indirect holdings in funds

Negative holding	Assessed value, SEKm
Wal-Mart	-46.2
Boeing	-37.4
Lockheed Martin	-19.5
Freeport Mcmoran	-14.2
L3 Technologies	-7.3
Motorola Solutions	-5.8
Textron	-5.3
Potash Corp of Saskatchewan	-1.9
Agrium	-1.3

Negative holdings with an assessed value under SEK 1m are not reported.

Governance issues

The purpose of Kåpan Pensioner's investment work is to create long-term, stable and good returns for members within the framework of insurance commitments made. Asset management invests in many different companies in order to be diversified and thus reduce the risk in investments. The broad spread of investments means that the society is as a rule a small investor in each individual operation.

The society's limited ownership shares and the need for efficient management mean that active participation in corporate governance issues is not as a rule exercised, especially regarding listed public companies.

The ownership policy decided by the Board states that Kåpan Pensioner intends to exercise its owner influence in listed companies as follows:

- to participate in general meetings where ownership exceeds 1% of the votes in the company and there exercise the voting rights attached to the society's shares,
- to carefully prepare and establish the society's position at the general meeting,
- to participate if necessary in the work of the nomination committee in those companies where the society is among the larger owners.

But our corporate governance looks different for unlisted holdings in venture capital and property, for example. In some of these investments we take active and significant owner responsibility, for example by participating in the funds' advisory committees. In these committees we have as an owner the possibility to contribute with supporting knowledge as a discussion partner as well as with advice.

During 2017 the society participated in two nomination committees, three boards and 10 advisory committees. One of the nomination committees was for a listed company. The board of that company has an equal gender distribution.

Assignments within the society in 2017

	Number of assignments
Boards ¹⁾	3
Nomination committees ²⁾	2
Advisory committees	10

¹⁾ No listed companies

²⁾ Of which one listed company

In a few individual cases we have had private dialogues with companies in which we have a holding when information has emerged or events occurred which conflict with our views on sustainable investment. In 2017 we finished an over one year long dialogue with an issuer within fixed-income management. We considered that information disclosure was unclear and not transparent following media reports on the issuer. The dialogue covered several meetings of which the last was with the company's managing director. The dialogue resulted in our receiving satisfactory information and we now consider the company suitable for investment although with a somewhat higher risk.

Kåpan Pensioner has significant holdings of forest and land with an estimated positive climate impact

Analysis of the holdings' climate impact

Kåpan Pensioner's strategy is that the aggregate holdings over time shall be climate neutral. As part of this work the society has over the past ten years made ongoing investments in forestry and land and has today, in relation to comparable players, a significant holding with an estimated positive climate impact which is able to compensate for the holdings which can be assessed as less positive from a climate perspective.

The society measures the carbon footprint for our listed shares. This is part of global efforts to limit climate change caused by human impact. The carbon footprint is a way of expressing the amount of greenhouse gas emissions contributed by the companies in which we have invested. There are currently a number of companies that report an assessment of their carbon footprint in their company information. The reports must often be complemented with various assumptions and estimates since they are not consistent, the information is not always complete, all emissions are not included, or the effect of emissions reduction in the form of improved products is not taken into account.

The society has chosen to follow the recommendation of the Swedish Insurance Federation for reporting carbon footprint. The measurement used is the carbon footprint in relation to the portfolio company's revenues.



The result is then weighted with the society's ownership share in the company. The carbon dioxide intensity for Kåpan Pensioner's listed share portfolio improved in 2017 by 10% in dollar terms compared with the previous year. Compared with the world index (MSCI ACWI) the portfolio showed an almost 30% lower carbon footprint.

Expressed in Swedish kronor, the portfolio's carbon dioxide intensity at 31 December 2017 was 20.8 tonnes CO₂ equivalent per million kronor in revenues (net sales) which is unchanged from the previous year. The krona strengthened against the dollar during 2017 by 10% which explains the difference in result in dollar versus kronor terms.

The key indicator gives a snapshot of the equity portfolio's greenhouse gas emissions. The figure does not show the total climate impact of investments. The value will also vary in step with changes in the portfolio companies' emissions and revenues and also when the manager buys or sells shares in the portfolio. Changes in exchange rates also affect this measurement.

The portfolio's
carbon footprint has
improved by 10%

Measurement and method for the equity portfolio's carbon footprint

The reported key indicator measures the equity portfolio's carbon footprint in relation to the portfolio companies' revenues (net sales). This can be taken as a measure of the carbon efficiency of companies in the equity portfolio.

The key indicator shows how many tonnes of carbon dioxide equivalent (CO₂e) which the companies in the current portfolio emit per million kronor in revenues. The indicator is reported as tonnes CO₂e/SEKm.

Reporting is based on data for the equity portfolio's holdings and market value at 31 December. Emission measurements follow the global accounting standard according to the GHG Protocol and are based on the most recently available carbon dioxide data for direct (Scope 1) and indirect emissions associated with energy consumption (Scope 2).

Emissions of greenhouse gases are measured in terms of carbon dioxide equivalent (CO₂e). This is a unit which enables the measurement of different greenhouse gases in the same way. By expressing emissions of a specific greenhouse gas in CO₂e, a value is obtained for how much carbon dioxide would be needed to give the same climate impact.

The GHG Protocol (Greenhouse Gas Protocol Corporate Standard) is the most common accounting standard for calculating emissions of greenhouse gases. The methodology in the GHG Protocol is used by among others Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), WWF's Climate Savers, EU Emissions Trading System (EU ETS), Climate Registry (US) and US EPA.

Examples of our sustainability initiatives 2017

We work continually to improve our sustainability efforts. We want our members and other stakeholders to easily follow and update themselves about the work we are doing within sustainability. Therefore in 2017 we started to regularly publish, on our website, kapan.se, the activities that we, our partners or our managers are carrying out in order to improve our sustainability work.



Photo, Sveafastigheter Neptun apartment block

Sweden's first apartment block to be built as a positive energy building which means that the building produces more energy than it consumes

The Neptun block to be positive energy building

As part of Kåpan Pensioner's investment in Sveafastigheter, we have encouraged the construction of a positive energy building in Västerås. This will be Sweden's first apartment block to be built as a positive energy building. Using energy from 1,250 square metres of solar panels and modern technology, the building can utilise surplus heat which means that the building produces more energy than it consumes. This is a test block in a research project in cooperation with the Royal Institute of Technology, KTH. In the 121 apartments, residents will have access to reasonably priced rental homes and a cohesive neighbourhood that promotes a sustainable society.



Photo, Svenska Handelsfastigheter

Solar panels cover a
roof area of
2,800
square metres

Solar panels in Rinken

Via Svenska Handelsfastigheter Kåpan Pensioner has invested in a retail property in Södertälje that uses solar panels. The facility was completed in September-October and covers a roof space of approximately 2,800 square meters. Electricity production corresponds to the annual energy consumption of 48 average single-family homes. This means it is the largest solar panel array in Södertälje and one of the biggest in Sweden.



Photo, Bergvik Skog

Renewable energy in wind farms

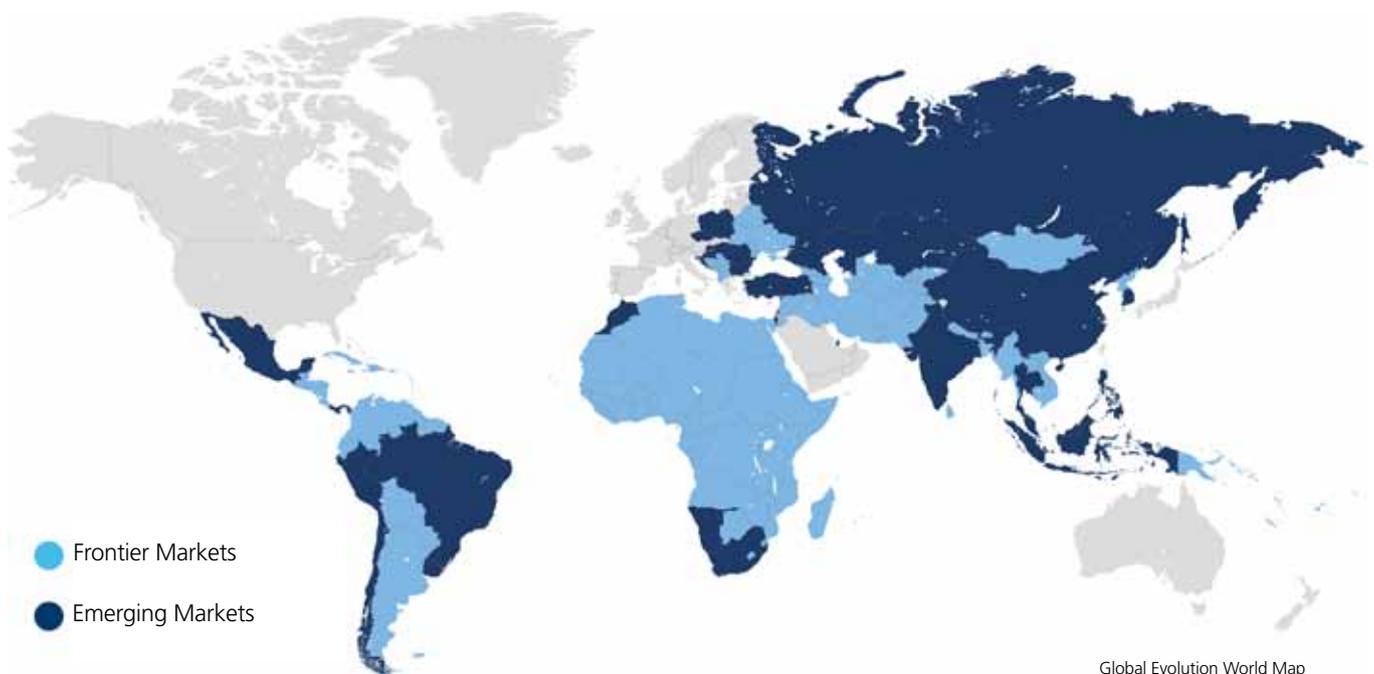
Kåpan Pensioner's largest single investment is in Bergvik Skog. Wind power is one of their business areas and promotes a sustainable and environmentally friendly energy source. Wind is a renewable energy source which in the short and medium term has a greatest potential to make a powerful contribution to the transition to a more renewable society, both internationally and in Sweden. Today there are 112 wind turbines in operation on Bergvik's land and over 200 are under development. In the third quarter of 2017, the Svartnäs project outside Falun was completed with 32 wind turbines which are planned to go into operation in 2018/2019. In mid-December 2017 another key project was brought to a successful conclusion where an additional 85 wind turbines will be built outside Ockelbo and Bollnäs. The decision to build these wind turbines means that Bergvik Skog will reach its environmental target of 2 TWh wind power production on the company's land.

ESG-compliant equity funds

We have made a major shift towards more ESG-compliant management of our emerging market portfolio. In the past year we chose to invest in three new emerging market funds all of which have ESG criteria as an integrated part of their management process. They are RBC, Fisher and East Capital. We have also moved our investments from a pure-play index fund at SSGA for an ESG-compliant index fund for emerging markets with the same manager.

We have invested in Handelsbanken's global (not emerging markets) smaller company fund with a clear ESG profile. In this way we acquire a good complement to the rest of our global equity portfolio through additional diversification combined with a good sustainability process.

We have collaborated with our largest fund provider, SSGA, to improve our ESG profile for our index-linked funds. This has resulted, among other things, in our broad global (excluding emerging markets) equity fund (SSGA World SRI) changing focus during the year and today this is managed on the basis of the MSCI World Universal ESG index. The index is constructed on the basis of MSCI's analysis model where companies with higher ESG ratings are given greater weight.



Global Evolution World Map

Global Evolution earned the highest possible rating from UN PRI for its commitment and attitude to sustainable investments.

A sustainable Swedish fixed-income investment

Within fixed-income management we have actively increased our holding in Castellum to its maximum limit since during the year the company placed itself, among other things, as the most sustainable property developer in the world according to a Global Real Estate Sustainability Benchmark (GRESB) study and ranking.



The Global Real Estate Sustainability Benchmark (GRESB) conducts an annual global survey of sustainability performance in large property companies and property funds. 823 property companies worldwide participated in this year's study. Castellum was number one – the most sustainable property developer in the world. Furthermore, Castellum, for the second consecutive year, was cited at Global Sector Leader which means that Castellum is ranked as number one in the world in the commercial and industrial premises sector.

Sustainable fixed-income management in new markets

Kåpan Pensioner has invested in Global Evolution, an investment manager specialised in fixed-income management in frontier and emerging markets, since 2010. The company has a long and successful background in this segment and is known for its innovative processes. Global Evolution is involved in impact investment which involves financing loans that provide macroeconomic sustainability and promotes productivity in impoverished regions. This includes investments to expand infrastructure such as electricity production, water, safety and transport as well as school systems and housing. Environmental, social and governance-related factors (ESG) are incorporated into Global Evolution's investment process through various models and rating systems.

In August, it was announced that Global Evolution, from among 681 global managers, received the highest possible rating from UN PRI for its commitment and its attitude to sustainable investments. This rating confirms that their work is in line with UN goals. Kåpan Pensioner sees Global Evolution as a possibility to promote sustainability initiatives at a global level. Through Global Evolution, Kåpan Pensioner can support involvement and development projects with good potential to contribute to long-term global sustainability.

Summary of sustainability initiatives in investment operations

The method chosen by the society, to combine a both positive and negative selection, achieves the aim of a good ethical level for the investments based on decisions by state authorities and the resources of the organisation. This method stimulates a process that includes continual improvement and that can be maintained within the framework of the overall aim of a good return, at a low cost for investment operations as a whole.

IN-DEPTH

International principles and conventions

Kåpan Pensioner's investment management is based on the investment policy which regulates the ethical frameworks for investment management and is based on ethical norms and principles that are widely supported in Swedish society.

Investment management is guided by the principles in international conventions. These principles have recently acquired increasing significance due to a greater focus on sustainability throughout society as well as among players in the financial market.

The UN has played a leading role in many of the basic principles drawn up as a starting point for companies and society. The UN Global Compact for companies was formed in 1999. Today more than 12,000 companies are members of the UN Global Compact. A corresponding stakeholder group was founded on the initiative of the UN in 2005 for

financial market players, the UN PRI, which stands for the UN's Principles for Responsible Investment. Today more than 1,750 financial players from more than 50 countries are affiliated to UN PRI.

An increased focus on sustainability has also been brought to the fore with the UN's 17 new global sustainable development goals which were adopted by world leaders in 2015, the 2030 Agenda. The goals are to eradicate extreme poverty, reduce inequalities and injustice in the world and solve the climate crisis.

UN Global Compact:

Contains principles for human rights, rights at work, environment and corruption aimed at companies. The ten principles have been drawn up based on the UN Declaration of Human Rights, the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

UN Principles for Responsible Investment (UN PRI):

The six principles promote responsible investment. The intention is to increase responsible activities within ethics and the environment among companies and players.

Global Compact's 10 principles

Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure 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.

PRI's six 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's Sustainable Development Goals – 2030 Agenda

The global goals and the 2030 Agenda are intended to eradicate poverty and hunger, promote human rights for everyone, achieve equality and ensure lasting protection for the planet and its natural resources. The global goals are integrated and balance the three dimensions of sustainable development: economic, social and environmental.

OECD Guidelines for Multinational Enterprises

Joint recommendations for enterprises from 40 governments. These recommendations partly overlap the UN Global Compact, but also include aspects on how companies should handle the provision of information, consumer interest, science and technology, competition and taxation.

Oslo and Ottawa Conventions:

Totally prohibit the use, stockpiling, production and transfer of anti-personnel mines (AP-mines). They also contain rules on the destruction of landmines, mine clearance and assistance to victims of landmines.

UN global goals



Additional conventions that Sweden supports include controversial weapons.

Controversial weapons:

- **Cluster weapons** – the Convention on Cluster Munitions (CCM) forbids the use, production, stockpiling and transfer of cluster munitions.
- **Chemical weapons** – the Chemical Weapons Convention (CWC) outlaws the development, production, stockpiling and use of chemical weapons.
- **Biological weapons** – the Biological and Toxin Weapons Convention (BTWC) is intended to prevent the development, production and stockpiling of biological weapons.



Sustainability – Organisation

Sustainability initiatives in ongoing operations

Kåpan Pensioner has over 800,000 members and therefore has a major responsibility to communicate and provide information on the pension and pension savings that members have in the society.

To make things easier for members and among other things enhance the efficiency of communication with members, Kåpan Pensioner and SPV have cooperated since the formation of the society. This cooperation means that members turn to the joint customer service which SPV operates, where they can obtain information and take care of their insurance issues within all areas of their government occupational pension.

To simplify the overview for members of their entire pension savings, Kåpan Pensioner cooperates with the organisation Min Pension (My Pension) where an individual's total pension savings are reported regardless of whether they are state pension, occupational pension or private pension savings.

Information to members

Pension savings in Kåpan Pensioner is a compulsory component of the pension agreement in the government agreement sector. Experience shows that many members have a low interest in their pension savings until it is time to retire which makes special demands on information and objectivity. This means that the society cannot rely solely on members actively seeking information. The focus is therefore to provide complete information via the website, customer service, and targeted mailshots to members once a year. The society does not use resources for brand promotion or additional sales. Mailshots are coordinated as far as possible with SPV to reduce the use of paper and transports. For the financial year 2017 the society sent out a total of approximately 895,893 items of mail with a total weight of almost 29,307 kg. This means about 35 grams per member. The number of mail items in 2017 was at the same level as in 2016. The new pension agreement, PA 16, which was introduced in January 2016 affected the volume of mailings since information about the agreement was sent to new members. In addition, information was sent out about the new insurance product Kåpan Flex introduced in 2017. The long-term goal is a volume of about 20 grams per member, based on a strategic focus of one item per member annually and information to new members about insurance terms, etc.

Follow-up of information to members

As part of the collaboration with SPV, regular surveys are carried out designed to improve service and information. Based on members' contacts with customer service, different issues are evaluated and the need for improved information identified. The surveys are carried out from the coordinated customer service function and provide a basis for both SPV's and the society's ongoing improvement work.

Pensioners are slightly more satisfied with SPV than last year. Men and women are equally satisfied and the level is assessed as a high pass. Comparisons between years are difficult, however, due to some changes in methods. In previous years we turned to pensions of all ages. In 2017 we decided to limit the survey to pensioners up to the age of 75. This year the pensioners were contacted by SMS messages instead of by telephone as previously.

Employees are less satisfied with SPV than pensioners. This year employees were contacted via their employers, selected by SPV. Due to the chosen survey method it is not possible to statistically report differences in results between the years.

Some conclusions from SPV

- Employees have a low awareness of the benefits linked to an occupational pension from their employment in the government sector. However, awareness has

improved over the previous year. A large number of people also have a low awareness of where they can find more information.

- In the employee group men consistently have a higher opinion of SPV than women. The exception is perceived access to information about the occupational pension at their workplace. Men feel slightly more involved than women and also have slightly higher confidence in SPV than women in general.

Customer Satisfaction Index 2017



In addition to surveys, the number of calls to customer service is measured. This provides at an overall level an indication of the need for complementary information and identified inadequacies in the information provided.

The number of calls to customer service increased in 2017 to 99,727 from 83,168 mainly due to the fact that SPV changed its bank in 2017. The number of visitors to SPV's website and the minpension.se website also increased during the year, which also means that the number of calls increased.

Only one
mailing per member
and year

The focus is on continuously improving information and awareness not just of the pension agreement in the government sector but also of the pension system as a whole. The society tries to get an ever increasing amount of information on the minpension.se website.

Emissions from business travel

As a small service company with few employees, Kåpan Pensioner has no direct emissions of any significance. The society's largest climate related emissions occur with business travel. Business trips to visit operations are a way to obtain a better understanding of their circumstances. As owners, we have a natural platform in addition to profitability and value development to make demands on their work with environment, human rights, anti-corruption and business ethics. Kåpan Pensioner's travel policy governs

travel for the staff. A business trip, choice of route and means of transport must be based on a trade-off between cost-efficiency and the environmental impact of the journey. Rail journeys are preferred to flights since they are a more climate-efficient means of travel, especially for trips under four hours. Flights should be made in economy class, unless there are special circumstances, since this gives better use of resources. This also applies to flights outside Europe. The policy for the society's company cars is that by 2020 these should be zero emission or meet the requirements for super ultra-low emissions vehicles. A condition, however, is that the necessary infrastructure is in place and available to individual employees.

Skills development and equal opportunities

Kåpan Pensioner has 14 employees. This means that committed and skilled staff are decisive for Kåpan Pensioner to be able to run its business. Equal opportunity is an obvious and basic requirement. At the same time it is important that all assessments are made on objective grounds and in the first instance within a framework of skills and suitability. Recruitment and skills development are carried out based on prioritising equal opportunity and treatment as fundamental values.

Kåpan Pensioner has an even gender distribution in the Board and in the organisation. Within the different areas of competence in the organisation, gender distribution is also even. The society's Council of Administration is appointed by the parties to the government agreement sector.

The strategy is that Kåpan Pensioner should be a society entirely without discrimination and which strives to give all employees equal rights and development opportunities. We work actively with the internal culture to take advantage of differences and their positive effects. The organisation's limited size means that comprehensive reporting according to the Global Reporting Initiative (GRI) is judged to create integrity problems which means that only limited reporting is made of equal opportunity in the organisation.

SWESIF

Kåpan Pensioner is a member of SWESIF, Sweden's forum for sustainable investment. This is a way to learn more and monitor development with sustainability initiatives in the industry as well as to become involved in advocacy centred on sustainability issues. We have taken part in several seminars where sustainability has been discussed.

Suppliers

The society's main supplier is SPV. SPV is an authority which operates under rules decided by the Swedish Parliament and Government. Within the limits of the authority's current regulations, Kåpan Pensioner strives to have the authority make optimal use of its resources.

Suppliers of IT services to the business are responsible for ensuring that operations and maintenance are resource-efficient and that redundant hardware is recycled in accordance with current regulations and contracts.

Kåpan Pensioner sits in rented office premises in Stockholm. The landlord's responsibility is to take long-term responsibility environmentally and socially as well as for economic development. Sustainability work is also about providing flexible and good working environments, continual monitoring of existing climate systems, changing over to low-energy lighting, choosing green electricity, providing space for waste sorting, installing chargers for electric cars in the garage and offering tenants a bicycle garage. The society participates in the landlord's sustainability initiatives by monitoring and taking part in activities offered by the landlord and active influence through its own suggestions for improvements.

As part of continued sustainability efforts, the society is studying the possibilities of implementing a code of conduct for its larger suppliers. The code of conduct would mean that they must accept and act in accordance with the basic principles of the UN Global Compact. These demands must, however, be put into relation with the supplier's organisation and resources. As an authority and major supplier, SPV is already bound by conventions ratified by Sweden's Parliament and government.

Summary of sustainability work in ongoing operations

The society's own organisation is small which means limited direct impact in a holistic sustainability perspective. The greatest impact is from the society's need of information on operations and individual savings. A large part of the membership does not actively seek information on their pension. The aim is that all members shall get good and concise written information about their pension savings at least once a year. Overall the society is assessed as running its ongoing operations in a resource-efficient manner and the aim is to try to find a long-term balance between the need for good information and the environmental impact that distribution of paper always involves.

Regulations and governance – basis of the business’s sustainability work

Kåpan Pensioner’s sustainability work is based on the society’s statutes and the strategic direction decided by the Board. The focus that applies to the society is stipulated in investment guidelines, actuarial guidelines and rules for risk management decided by the Board. The President has operational responsibility for sustainability work being carried out in practice and covering the entire operations.

Sustainability work is an integrated part of the organisation

Kåpan Pensioner’s most important contribution to a sustainable society is the provisions of a secure pension at the lowest possible cost. The society belongs to its members and all surplus is returned to them in the form of a higher pension. Kåpan Pensioner’s Board has ultimate responsibility for the society’s activities where sustainability initiatives form an integrated part.

The President is responsible for operational implementation of the strategic plan and the targets set by the Board. Sustainability work is divided into three areas: insurance, investments and organisation. Sustainability is governed by adopted strategies and goals as well as the rules that apply to the business. All employees are responsible for ensuring that sustainability is an integrated part of day-to-day operations and is present in all decisions made. It is of utmost importance that the business is run in such a manner that members’ confidence in Kåpan Pensioner is maintained and the operations are regarded as healthy and responsible.

“Kåpan Pensioner’s most important contribution to a sustainable society is the provisions of a secure pension at the lowest possible cost

Kåpan Pensioner complies with applicable laws and regulations regarding money laundering and also has internal rules that clarify efforts to prevent the operations from being used for money laundering and financing of terrorism.

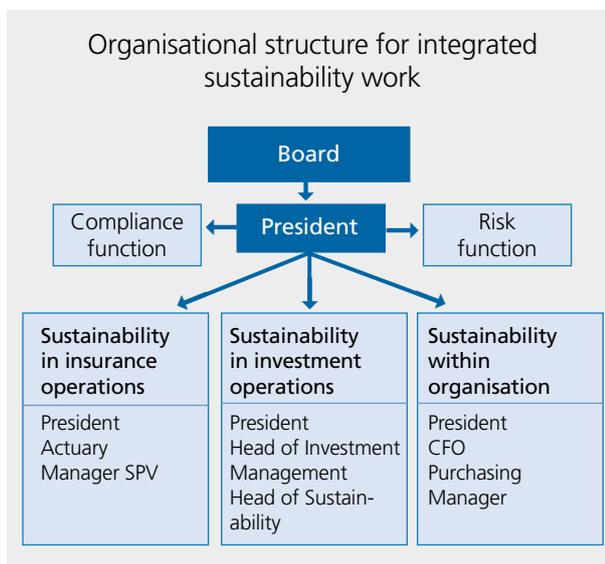
Council of Administration

Kåpan Pensioner’s highest decision-making body is the Council of Administration. The Council has thirty members and the same number of personal deputies. The members are appointed by the parties in the government sector with half being appointed by the Swedish Agency for Government Employers and half by the trade unions.

This means that the Council of Administration represents employers and trade union members equally. Members of the Council of Administration must be members of the society.

Board

The Council of Administration appoints Kåpan Pensioner’s Board which manages operations. The Board consists of six members and the same number of personal deputies. Here, too, half of the members are appointed by the employee side and half by the Swedish Agency for Government Employers. The same person cannot be a member of both the Council of Administration and the Board. For both boards, the mandate period is one year with the possibility of re-election.



Laws and regulations

Kåpan Pensioner is an independent legal entity in the form of a mutual insurance society which is a specific form of an economic association. The business is regulated by a number of laws enacted by Parliament, including the Friendly Societies Act^{*)} and the Economic Associations Act as well as a large number of regulations and general advice published by the Swedish Financial Supervisory Authority. The regulations are based on the EU's Institutions for Occupational Retirement Provision (IORP) Directive.

The society's business is governed by statutes decided by the society's Council of Administration. The statutes provide the basic conditions for operations and the limitations that apply.

Insurance conditions are determined by the current collective agreement and the society's statutes. The statutes are available on the society's website and information on applicable pension agreements will be found on arbetsgivarverket.se or on one of the trade unions' websites.

To ensure that we get calculations right and the conditions of all insurances are followed correctly, the society uses an actuary. The actuary is independently responsible to the Board and the Financial Supervisory Authority and is responsible among other things for calculating the value of the pension capital and the pension paid out. The actuary's work is based on the society's actuarial guidelines adopted by the Board.

^{*)} The Friendly Societies Act (1972:262) was repealed when the Insurance Business Act (2010:2043) came into force on 1 April 2011. According to the Law (2010:44) on the Introduction of the Insurance Business Act, societies were permitted to continue to conduct their operations until year-end 2014. Subsequently the transition period was extended until 30 June 2019.

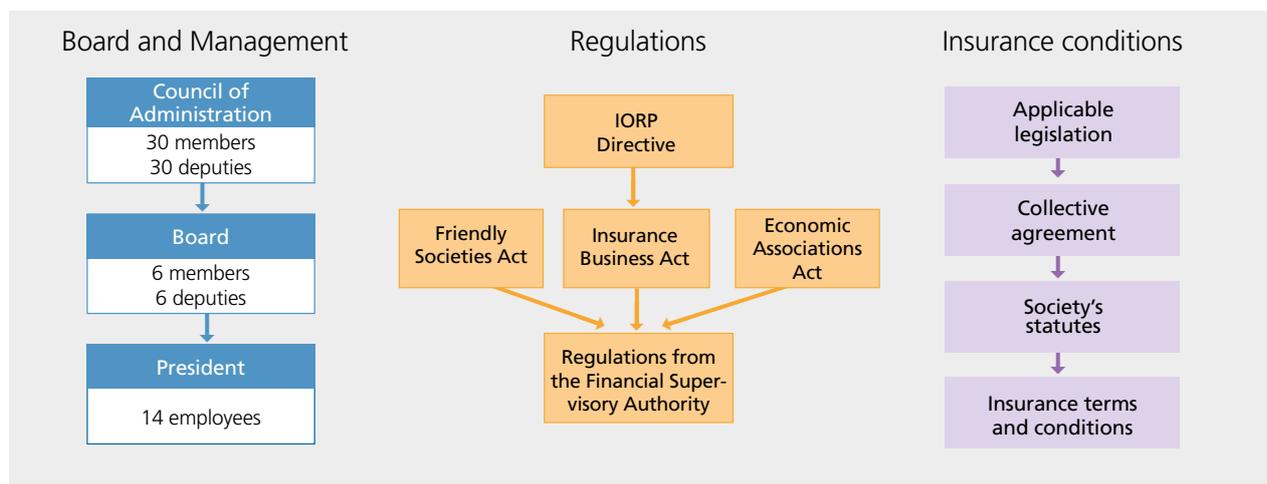
The society's operations are continuously reviewed through internal controls which make risk assessments and specific analyses which are presented to the Board. Additionally, the Council of Administration appoints external auditors who review investment management and ensure compliance with applicable accounting regulations. The auditors present the result of their review to the Council of Administration each year. The Financial Supervisory Authority exercises oversight of the business.

Kåpan Pensioner has a responsibility to follow current regulations towards its members, authorities and employees as well as other stakeholders. Deviation from or breaches of current regulations must generate an incident report and an assessment of risk and compliance with the regulations is regularly reported to the Board.

Stakeholders

Kåpan Pensioner's most important stakeholders are the society's members and the parties to the collective agreements in the government sector, primarily the founder of Kåpan Pensioner, the Swedish Agency for Government Employers (Arbetsgivarverket), the Public Employees' Negotiation Council (OFR/S,P,O), the Swedish Confederation of Professional Associations (Saco-S) and the Service and Communication Union (Seko).

Kåpan Pensioner's statutes govern operations and the constitution of the Board. Individual members who wish to influence the society's operations and direction can make their views known to a local trade union representative, the trade union main office or one of the members of the Council of Administration. Employers in the government agreement sector can influence operations by contacting their representatives on the Council of Administration.



Employees are another stakeholder group which together with suppliers contribute to development of operations. Regular refinement and improvements are a pre-condition for a positive development of the business over time.

Kåpan Pensioner is under the oversight of the Financial Supervisory Authority and pays tax on returns to the Swedish Tax Agency. This makes these authorities and agencies that decide on regulations significant stakeholders.

Taken as a whole, the stakeholder dialogue provides a good basis for the Board's work with making strategic decisions.

The society's total long-term value creation

The value-creating society contributes with a long-term positive return on the society's investments combined with a falling level of costs due to high operational efficiency. The biggest actual costs that affect pension payments are the tax on returns and costs of investment and insurance management. Unlike many other players in the pensions sector, the society has marginal costs for marketing.

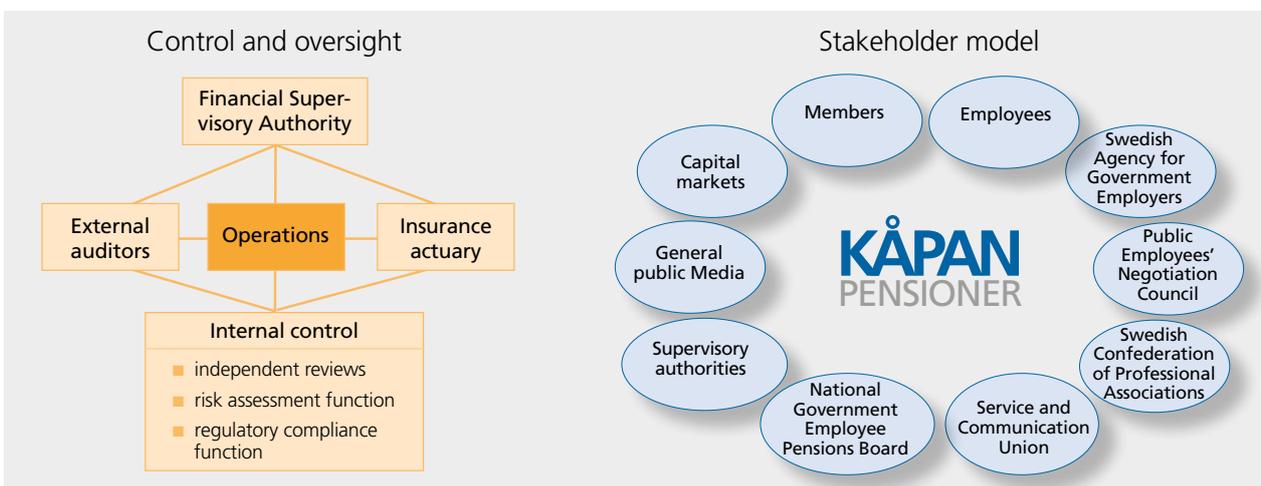
The business has no other purpose than to create value for its members. Costs that do not make a positive contribution to that goal should be avoided even if they can contribute to job-creation and welfare in other parts of society, but it lies outside the remit which is to carry out the assignment as well as possible in relation to the members.

About the sustainability report

Kåpan pensioner försäkringsförening is a benevolent society with a pension insurance business. Members of the society are and can only be persons who are covered or have been covered by a pension agreement in the government agreement sector. This report covers all operations within the society. This year's report has not been subject to an external audit.

This sustainability report does not fully follow the rules of the Global Reporting Initiative G4 (GRI G4) but summarises the society's sustainability work. The society's operations are limited and relate to a restricted group of members and only one insurance product. The development of rules, guidelines, instructions and other governance documents is often suited to regulation of operations in extensive global and commercial businesses and the proportionality principle is often difficult to apply to the society's stakeholders. The society works continually with analysis of the conditions for a small efficient operation such as the society's to fully adjust to GRI G4. In addition, the society is following work on the introduction of Swedish legislation for sustainability reports and any resulting new guidelines.

This sustainability report has been approved by Kåpan Pensioner's Board.





LIST OF HOLDINGS

at 31 December 2017

Bonds and other fixed-income securities

	Assessed value, SEKm		Assessed value, SEKm
SEB Bolån 2021-12-15	2,884	Spintab 2020-12-01	165
Nordea Hypotek 2021-05-19	2,734	Hexagon 2020-09-17	161
Stadshypotek 2021-12-15	2,347	Kinnevik 2020-05-29	160
Stadshypotek 2021-03-17	2,315	Husqvarna B 2021-05-03	157
Spintab 2021-09-15	2,168	Stena Metall 2018-02-27	156
Nordea Hypotek 2022-04-08	1,774	Fortumvärme 2020-09-17	153
Stadshypotek 2022-09-21	1,605	NIBE 2018-03-05	151
Spintab 2022-06-15	1,572	Ellevio 2018-02-28	150
Länsförsäkringar Hypotek 2021-09-15	1,071	Wallenstam 2020-11-23	139
Spintab 2020-12-16	902	Sparbanken Skåne 2018-03-12	138
Spintab2023-03-15	508	Sandvik 2021-01-14	132
Landshypotek 2022-10-14	500	Sveaskog 2021-03-01	130
Landshypotek 2022-05-09	426	Scania 2018-03-16	127
Vasakronan 2021-12-15	420	SBAB 2018-03-12	126
DNB Bank 2018-02-28	404	LeasePlan 2020-09-10	124
Hufvudstaden AB 2021-12-08	403	Willhelm 2018-02-01	121
Nordea 2020-09-17	362	Vasakronan 2018-02-27	120
Rikshem 2020-11-18	360	Länsförsäkringar Bank 2018-01-26	120
Saab 2022-09-28	277	Telia 2023-11-08	117
Tele2 2018-02-12	263	Sandvik 2021-10-11	111
SBAB 2022-06-15	259	Castellum 2018-01-15	110
Vasakronan 2020-10-22	257	Länsförsäkringar Hypotek 2024-07-10	109
Danske Bank 2020-08-05	256	Billerud 2018-02-21	109
Vasakronan 2021-10-11	250	Sveaskog 2020-01-22	108
Danske Bank 2019-06-05	241	Volvo 2020-06-10	108
Vattenfall 2022-11-01	239	Sveaskog 2018-01-22	107
Vasakronan 2020-11-10	231	Volvo 2019-04-15	105
Danske Bank 2023-12-08	226	Landshypotek 2025-12-09	105
LKAB 2019-12-09	223	Hufvudstaden AB 2022-08-24	104
SBAB 2021-01-27	223	Volvofinans 2018-03-29	102
TVO Power Co 2019-10-30	218	Castellum 2018-03-01	102
SBAB 2022-06-08	215	Volvofinans 2018-03-22	102
Swedavia 2019-10-02	212	Hemsö 2019-10-21	102
Scania 2018-03-06	210	Hemsö 2018-03-16	102
Hemsö 2022-10-26	209	DNB Bank 2020-05-26	102
BMW 2020-10-06	207	Jernhusen 2018-03-19	101
SBAB 2021-03-17	206	Jernhusen 2018-01-25	101
SBAB 2021-04-19	206	Volvofinans 2018-03-27	101
Länsförsäkringar Bank 2021-05-18	206	Billerud 2018-03-08	100
Volvofinans 2020-11-27	205	NIBE 2018-02-28	100
Länsförsäkringar Bank 2018-02-17	205	Banco Santander 2018-03-14	100
Willhelm 2020-01-27	204	Volvofinans 2022-11-09	100
Svensk Hypotekspension 2020-01-27	203	Akademiska hus 2018-03-21	99
Länsförsäkringar Bank 2021-01-27	201	Castellum 2024-09-20	98
Statnett 2018-02-15	198	General Electric 2018-03-08	98
Leaseplan 2022-01-26	195	Jyske Bank 2021-05-19	97
Fortumvärme 2022-05-18	177	Jyske Bank 2018-02-19	96
Vasakronan 2021-11-15	174	TVO Power Co 2023-01-13	94
Sveaskog 2021-07-12	167	Billerud 2022-02-21	88

Fixed-income-related funds

	Assessed value, SEKm
Tele2 2018-03-16	87
Akelius 2021-10-04	86
Ikano Bostad 2019-03-25	84
Telia 2019-12-04	81
Hexagon 2019-11-26	79
Danske Bank 2018-03-05	78
Elekta 2020-03-26	77
Volvofinans 2018-01-25	76
Willhem 2018-01-18	76
Husqvarna B 2018-03-01	75
Municipality Finance 2022-04-01	74
Balder 2018-02-21	73
Fastpartner 2018-03-21	69
Arla Foods 2019-05-28	68
Hufvudstaden AB 2022-02-21	65
Sveaskog 2023-10-30	63
Sveaskog 2024-03-06	59
Länsförsäkringar Hypotek 2022-09-21	54
Saab 2019-12-12	52
Öresund 2018-02-27	51
Castellum 2020-09-17	51
Saab 2018-03-12	51
Hexagon 2018-02-26	51
NIBE 2021-06-21	50
ICA Gruppen AB 2019-06-17	47
Vasakronan 2018-01-18	42
Sagax 2018-04-16	41
Klövern 2018-03-05	40
Husqvarna B 2018-02-05	31
Leaseplan 2019-04-05	31
Vasakronan 2019-07-08	27
TVO Power Co 2018-03-19	25
Jyske Bank 2018-03-16	22
Scania 2020-03-16	10

	Assessed value, SEKm
Aktia EMD Frontier Fund	294
Wellington ELD Fund	276
Danske/Symphony US Loans	256
Napier Park European Credit Opportunities Fund	229
GAM MB Local EMD	214
M&G Loan Fund European	213
Nordea International High Yield Bond Fund	205
Global Evolution Frontier Markets	189
ICG Total Credit Fund	170
Tetragon CLO Equity Fund II LP	163
Deutsche Bank CLN Trafin 2015-1	161
Cheyne Total Return Credit Fund	132
Mercer Global High Yield Bond Fund, M-4	119
Edelweiss Credit Fund II	114
Guggenheim US Loan Fund	82
Highland Credit Opportunities Fund Ltd	12

Listed shares

	Assessed value, SEKm
Nordea	1,088
Hemfosa Fastigheter	905
Investor	782
Volvo	773
H&M	640
Atlas Copco	581
Svenska Handelsbanken	577
Swedbank	552
Atlas Copco	546
SEB	544
Sandvik	506
Assa Abloy	503
Telia	470
Ericsson	447
Essity	431
Hexagon	382
ABB	363
Electrolux	215
AstraZeneca	208
SKF	208
Boliden	208
Autoliv	204
Alfa Laval	200
Skanska	187
ICA Gruppen	179
Lundin Petroleum	173
Securitas	168
Kinnevik	164
Swedish Match	162

	Assessed value, SEKm
Tele2	156
SCA	145
Millicom	139
Castellum	135
Volvo	127
Trelleborg	124
Saab	118
Kindred Group	109
Intrum Justitia	108
Axfood	95
SSAB	89
Balder	83
Husqvarna	82
Swedish Orphan Biovitrum	79
Billerud Korsnäs	77
Fabege	76
Hexpol	72
Holmen	70
Getinge	66
Elekta	66
Modern Times Group	55
Industrivärden	45
NCC	39
Stora Enso	28
Ratos	20
Betsson	19
SSAB	17
Husqvarna	16
Arjo	13

Holdings below an assessed value of SEK 10m and holdings marked for sale or liquidation are excluded.

Equity funds

	Assessed value, SEKm
SSGA S&P500	3,061
SSGA Enhanced Emerging Markets SRI Equity Fund	2,682
SSGA MSCI World Index	2,407
SSGA World ESG Index Eqt Fund	1,963
SSGA S&P 500 Equal Weight Index	1,586
SSGA Multifaktor Global Equity Fund	1,275
SSGA FTSE RAFI	726
SSGA MSCI Europe Index	667
SSGA Europe Index Fund	648
SHB Global Småbolag Index Criteria	513
Montanaro European Smaller Companies	376
SSGA Emerging markets Select Equity Fund	284
Nordea Global Stable Equity Fund	284

	Assessed value, SEKm
Banque de Luxembourg European Eq	254
JPMorgan European Small Cap Eq fund	212
RBC Emerging Markets Equity Fund	190
JPMorgan EM Opportunities Fund	167
Nordea Stabila aktier EM	153
East Capital Sustainable EM fund	120
Fisher Investment EM ESG Fund	115
Iridian US Mid Equity Fund Value	112
Montanaro European Mid Cap Fund	100
Goldman Sachs China Fund	91
SSGA Europe Value Spotlight Equity Fund	75
Goldman Sachs India Eq Fund	49
Fisher Investment EM ESG Small Cap	10

Negative listed holdings to neutralise indirect holdings in funds listed above

Negative holdings	Assessed value, SEKm
Wal-Mart	-46
Boing	-37
Lockheed Martin	-20
Freeport-McMoran	-14
L3 Technologies	-7
Motorola Solutions	-6
Textronic	-5
Potash Corp of Saskatchewan	-2
Agrium	-1

Negative holdings with an assessed value below SEK 1m are not reported.

Unlisted holdings and property funds

	Assessed value, SEKm
Bergviks Skog AB	1,748
JP Morgan Infrastructure Investments Fund	900
LSTH Handelsfastigheter i Sverige AB	993
Stenvalvet AB	520
Rockspring German Retail Box Fund	492
Fastighets AB Stenvalvet	434
Profi Fastigheter IV AB	422
Midstar Hotels AB	375
Cheyne Real Estate Credit Holdings III	372
Bridge Debt Strategies Fund II	360
Landmark Real Estate Partners VII Offshore, LP	343
Antin Infrastructure Partners Fund II L.P.	307
Molpus Woodlands Fund IV, LP	274
Newbury Equity Partners III (Cayman) L.P.	267
Southern Pastures LP	244
Perella Weinberg Real Estate Fund II LP	239
Molpus Woodlands Fund III (Cayman), LP	234
Infrared Active Real Estate Fund III	232
Portfolio Advisors Secondary Fund II (Offshore), L.P.	216
Profi III Infracity AB	212
Areim Fastigheter 2 AB	198
Global Infrastructure Partners, L.P.	185
Gottex Real Asset Fund, L.P.	181
Sveafastigheter Bostad	178
Global Energy & Power Infrastructure Fund II	168
Warburg Pincus Private Equity XII, L.P.	167

	Assessed value, SEKm
Portfolio Advisors Private Equity Fund V (Offshore), L.P.	166
Welsh, Carson, Anderson & Stowe XII Cayman, L.P.	162
Long Horizons Forestry Fund	152
ACM Permanent Crops, LLC	141
Profi III InfraCity AB	137
Cheyne Real Estate Credit Holdings Fund	132
PW Real Estate Fund III LP	131
GS International Infrastructure Partners I, L.P.	124
TA XI L.P.	113
Advent International GPE VI-A Limited Partnership	94
Triton Fund III LP	91
Cubera VIII LP	91
COREplus II Diversified Feeder, SICAR S.C.A.	65
Antin Infrastructure Partners Fund II L.P.	58
UOB Portfolio Advisors Pan Asia Select Fund II, L.P.	54
HG Capital 6, LP	53
Portfolio Advisors Secondary Fund, L.P.	52
White Peak Real Estate II L.P.	51
GS Capital Partners VI Offshore, L.P.	44
Infrared Active Real Estate Fund IV	44
ACM Fund II LLC	43
Vintage V Offshore LP	41
Sixth Cinven Fund (No.2) LP	41
Areim Fastigheter 2 AB	40
The Forest Company Limited	25
White Peak Real Estate I L.P.	16

Holdings below an assessed value of SEK 10m and holdings marked for sale or liquidation are excluded.

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