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# SUSTAINABILITY IN PRACTICE

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DELIVERING HIGHER GROWTH AND LOWER RISK

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A FORUM FOR CIOs AND INVESTMENT LEADERS

*Digital*

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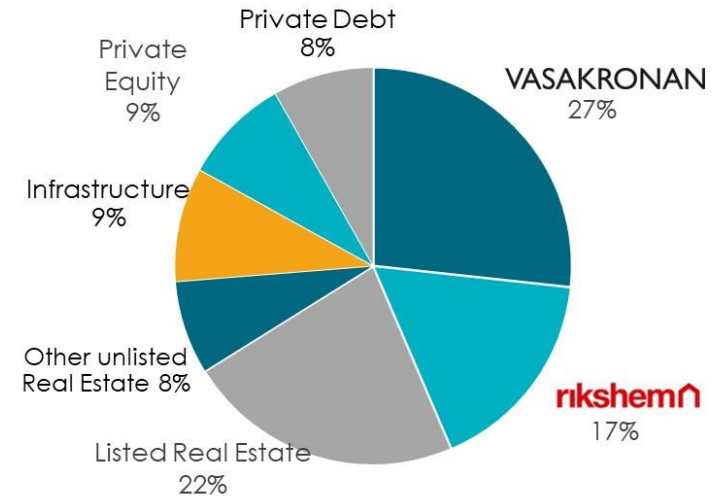
# CASE STUDY: DECARBONIZATION IN ALTERNATIVES

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Head of alternative investments, AP4

# Alternative investments at AP4

- Real estate, infrastructure, private equity, private debt
- Total of SEK 84 billion (17%) + SEK 25 billion in additional commitments
- Complementary to public markets portfolio
- Growth journey
- Long-term, cost-efficient, scalable, sustainable
- Strategic focus to increase share of platforms and thematic investments over time



# AP4 tools to address climate change and risk

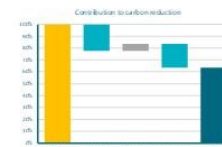
## 4. Investing in strong sustainability themes

Thematic investments in asset classes, sectors, companies (e.g. renewable energy, green infrastructure, focus funds, green bonds)



## 3. Reducing risk

De-carbonize, e.g. low carbon strategies  
Divestments (e.g. thermal coal, oil sand, tobacco)



## 2. Integrating into all investment processes

All investment processes have integrated sustainability: Implementation customized to each asset class and investment process (e.g. fundamental, quant)



## 1. Measure and influence

Collaborations with other investors and commitments (e.g. PRI, CA100+, IIGCC, PDC, TPI)  
Dialogues with companies, other investors and policy makers



# 1. Measure and influence

- Collaboration with other organizations on fund level
- Roadmap to reach net-zero emissions by 2040 at the latest
  
- Selective as to who we work with
- Target legal documentation
- Choice of investment form, and size – want to be partners and have impact
- Measure and report carbon footprint – starting with real assets
- Yearly climate-dialogues with real asset investments

## 2. Integrate into investment process

- Investment strategy – what we invest in and what we don't
- Long-term view and thematic approach
- Team competence
- Integrated in DD: investment house's strategy, practice, culture, resources...
- Integrated in decision process and investment materials
- Measure and follow-up

### 3. Reduce risk

- Climate scenarios integrated in fund's long-term economic scenarios
- Understanding the dynamics, what value chains will be impacted, where and when
- In Alternatives – rather be early to the table than late...
- *New investments*: long-term/thematic approach to avoid stranded assets
- *Legacy portfolio*: use influence and create pressure where needed

# 4. Invest in strong sustainability themes

## ENERGY TRANSITION/MOBILITY



Battery technology for energy storage



New components and systems within mobility



Underweighting ICE components

## RESOURCE EFFICIENCY



Efficient farming



Financing of water infrastructure



*Underweighting resource intensive companies/sectors*

## RENEWABLES



Ownership of wind farms



Financing of renewable energy sources



*Underweighting oil*



## 4. Invest in strong sustainability themes

### CASE EXAMPLE

- Polhem Infra founded by AP1, AP3 and AP4 in 2019
- Long-term owner of sustainable infrastructure
- First investments: Solör Bioenergi, Skaftåsen onshore wind, Telia Carrier



## 4. Invest in strong sustainability themes

### CASE EXAMPLE

- 4 to 1 Investments founded by AP1-4 in 2021
- First investment: co-led financing round in Northvolt, developing the world's greenest battery cell and on a mission to establish a European supply of batteries

# northvolt



## 4. Invest in strong sustainability themes

### EXAMPLES OF THEMATIC FUND INVESTMENTS



**generation**

