



# DEEP DIVE: AN ALIGNMENT METHODOLOGY USING PUBLICLY AVAILABLE DATA

## AP7 (SJUNDE AP-FONDEN)

AP7 (Sjunde AP-fonden) is a universal owner with over 3,000 listed equities globally. AP7 has set a portfolio coverage target of 50% of the ICAP portfolio by 2025. For more detail of AP7's targets, see their target disclosure [here](#).

The alignment methodology is set out below, highlighting:

- AP7's approach to limited data
- Baseline calculations
- The assessment and measurement of alignment.

AP7 bases the assessment of company net zero alignment on publicly available data from the Climate Action 100+ Net Zero Company Benchmark and Transition Pathway Initiative. Both are asset owner led initiatives providing reliable and transparent data. However, data coverage is currently limited.

**Table 1. Data coverage for AP7 equity portfolio**

	Number of companies	AUM (million SEK)	Financed GHG emissions (tCO <sub>2e</sub> )
<b>AP7 equity portfolio</b>	3 056	829 128	3 932 182
<b>AP7 equity portfolio – net zero data coverage</b>	7.2%	11%	62%

Due to issues of data coverage AP7 developed an approach to targets based on an 'ICAP Portfolio'. This portfolio is composed of the companies with the largest carbon footprints (scope 1 and 2), which in aggregate correspond to at least 70% of financed emissions for the entire fund.

**Table 2. Data coverage for ICAP portfolio**

	Number of companies	AUM (million SEK)	Financed GHG emissions (tCO <sub>2e</sub> )
<b>ICAP portfolio</b>	132	86 349	2 753 580
<b>ICAP portfolio % of entire portfolio</b>	4.3%	10.4%	70%
<b>ICAP portfolio – net zero data coverage</b>	74%	44%	83%

Whilst the ICAP portfolio represents only 10% of the total assets under management, it represents 70% of financed emissions. Net zero data covers 74% of companies and 83% of financed emissions in the portfolio.

Company alignment categorisation is evaluated using the [Supplementary Guidance on Target Setting](#) for the Net Zero Investment Framework. Portfolio companies are evaluated and categorised according to the alignment maturity scale based on publicly available sources in the following hierarchy:

1. Climate Action 100+ Net Zero Company Benchmark (March 2022 or latest available)
2. Transition Pathway Initiative (TPI) – Carbon performance metrics and underlying datapoints within the Carbon Management assessment (April 2022) *Net zero categorisation and criteria used for assessment.*

AP7 takes a conservative approach to categorisation of companies:

- TPI carbon performance of “1.5 degrees” on short- or medium-term targets is a requirement for “aligning” status (“below 2 degrees” is not sufficient)
- AP7 recognises that the CA100+ Net Zero Company Benchmark and TPI criteria are not identical which may lead to discrepancies between evaluation methods implemented by investors
- Data from Science Based Target Initiative (SBTi) may be incorporated in future reporting as methodologies and guidance develops.

**Table 3. Net zero categorisation and criteria used for assessment**

	<b>“Aligned”</b>	<b>“Aligning”</b>	<b>”Committed”</b>	<b>”Not aligned”</b>
<b>Net Zero Company Benchmark</b>	Higher impact companies: Yes, on criteria 1-6 Lower impact companies: Yes, on criteria 2, 3, 4	Yes, on criteria 2 and 4 Partial fulfilment of criteria 5	Yes on criteria 1	All other CA100+ companies
<b>TPI data</b>		Management quality: Yes, on Q3, Q4, Q5, Q7, Q8, [Q12 where applicable] Carbon performance: “1.5 degrees” in 2025 or 2035		All other companies

### Baseline results

Companies identified as “Achieving”, “Aligned”, “Aligning” and “Committed” are defined as “transitioning companies”, which constitutes our asset level alignment portfolio coverage target.

### Linking alignment assessment to corporate engagement

AP7 has identified a list of priority companies for active ownership. The list consists of all companies within the ICAP Portfolio (covering 70% of financed scope 1 and 2 emissions), as well as additional companies which are climate disclosure laggards or have significant scope 3 emissions.

AP7 has set a target on active ownership:

- 2025: 100% of the priority companies will be subject to active ownership activities

Active ownership tools include collaborative and bilateral dialogue with companies, annual meeting actions, public blacklisting and legal processes. In addition, AP7 exercises its voting rights for all companies in its portfolio, (approximately 4000 meetings per year) with a strong voting policy on climate.

**Table 4. Baseline results for ‘Transitioning companies’ in the ICAP Portfolio on which the asset level alignment target is set**

	<b>Achieving</b>	<b>Aligned</b>	<b>Aligning</b>	<b>Committed</b>	<b>Transitioning companies</b>	<b>Not aligned</b>	<b>No data</b>
<b>% Companies</b>	0%	0%	5.3%	20.5%	25.8%	48.5%	25.8%
<b>% AUM</b>	0%	0%	2.1%	11.0%	13.1%	31.3%	55.6%
<b>% Financed emissions</b>	0%	0%	2.3%	29.9%	32.2%	50.6%	17.2%
<b>Transitioning companies</b>							