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Second AP Fund divests holdings in an additional 19 fossil-fuel production companies

The Second AP Fund is further reducing its exposure to financial risk in the fossil-fuel production sector. The Fund is consequently divesting its shares in an additional eleven coal and eight oil-and-gas production companies. These combined holdings have a total market worth of approximately SEK 550 million.

In 2014, the Second AP Fund conducted its first risk assessment of fossil-fuel production companies, focusing on the potential climate impact, subsequently deciding to divest its holdings in a total of 20 companies. The Fund conducts an annual follow-up of this climate-risk assessment, based on established criteria, to determine which companies fulfil such criteria. Subsequent to the follow-up conducted on December 31st 2015, the Fund is divesting holdings in a further eleven coal and eight oil-and-gas companies. The Fund has no holdings in the newly identified coal companies. A single oil-and-gas production company has been reinstated on the Fund's benchmark index, as in this case, the Fund's criteria for divestment no longer apply. In all, the Fund has now divested its holdings in 23 coal and 15 oil-and-gas companies.

“In assessing the financial impact of climate risks on portfolio companies, the Fund's concern is to determine whether the risks these companies face have been factored into their market price. Both our analysis of fossil-energy companies and our assessment of the energy sector at the close of last year have been conducted in strict adherence to the Fund's stated mission, namely: to take ethical and environmental concerns into account, without abandoning the broad goal of a maximum return on assets. This is why these analyses adopt a financial perspective. Disinvestment from these companies serves to protect the Fund's long-term return on invested assets,” states Eva Halvarsson, CEO of the Second AP Fund.

The majority of turnover generated by the coal companies identified for disinvestment by the Fund derives from the sale of thermal coal. The negative environmental and health risks associated with the climate impact of this fossil fuel pose substantial financial risks.

In the case of oil-and-gas companies, the Fund has identified a number of companies featuring substantial exposure in high-cost projects, such as oil-extraction from oil sands. The Fund believes these companies face serious climate-related financial risks and that it is highly likely that these projects may either find themselves ‘stranded’ or prove unprofitable.

The Fund's holdings in the 19 companies that have been identified amounted to a total market value of about SEK 550 million. The Fund has sold all its shares in the companies identified. The capital released has been reinvested across all sectors.

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