



Financial Reporting Council
Aldwych House
71-91 Aldwych
London WC2B 4HN

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AP3 DISCLOSURES IN RELATION TO STEWARDSHIP CODES

The Third Swedish National Pension Fund (AP3) is one of five buffer funds in the national pension system. We are mandated by Parliament to generate maximum possible benefit for the pension system by managing our fund capital so as to deliver strong investment returns at a low level of risk. AP3 manages a diversified portfolio of approximately SEK 210 billion in global assets. We have equity holdings in about 4,500 companies.

AP3 welcomes the new UK Stewardship Code (Code) developed by Institutional Shareholders Committee (ISC) and the Financial Reporting Council (FRC). Though this is the first code of its kind, we think that there will be moves around the world to develop similar codes for institutional investors. This type of national ownership codes are intended to increase the involvement of institutional shareholders, thereby increasing the pressure on the responsible management of companies.

Generally speaking, Swedish institutional owners have a highly responsible management of its portfolio companies. In principle, all institutions have well-conceived corporate governance policies, which normally are public and available. Most institutions are voting, in whole or in part, for its investments in portfolio companies, either in-house, through custodian banks or through external corporate governance consultants. Many institutions, such as pension funds within the national pension system, also report publicly on how they voted.

Through this letter, AP3 is communicating its compliance with the principles of the Code, including:

- Publicly disclose our policy on how we will discharge our stewardship responsibilities.
- Publicly disclose a robust policy on managing conflicts of interest in relation to stewardship.
- Monitoring our investee companies.
- Establish clear guidelines on when and how we will escalate engagement activities as a method of protecting and enhancing shareholder value.
- Willingness to act collectively with other investors where appropriate.
- Publicly disclose a clear policy on voting and voting activity.
- Report periodically on our stewardship and voting activities.

AP3 intend to comply with the principles. However, the benefit of active ownership should always be weighed against the cost from complying with the principles. For instance, the ownership share can affect how active the fund will be.

For detailed information on AP3's corporate governance policy and activities, please go to:

<http://www.ap3.se>

Yours sincerely,

Peter Lundkvist

Head of Corporate Governance, AP3