

# **REQUEST FOR PROPOSAL**

## **PROCUREMENT OF A GLOBAL VOTING SERVICE**

**FIRST AP-FUND (AP1) (dnr 2009:41 001.LED)**

**SECOND AP-FUND (AP2) (dnr AP2 2009/0026)**

**THIRD AP-FUND (AP3) (dnr 2009/0185)**

**FOURTH AP-FUND (AP4) (dnr 2009/0087)**

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## **1. BACKGROUND**

The Swedish National Pension Funds are part of the Swedish retirement pension system. The Funds are part of the pay-as-you-go component of the pension system where the basic principle is that the current pension benefits are financed by contributions. The role of the AP Funds is to act as a buffer in the system.

The First to Fourth AP Funds (The Funds) are regulated by the Swedish National Pension Funds Act (2000:192). The Funds have a common mission and identical guidelines. The overall mission is to manage the net assets to the largest possible benefit for the pay- as- you-go part of the pension system. The administration of the Funds shall take the liability side in the pension system as a starting point. The management of the funds shall not be influenced by prevailing government policies whether industrial or economic. The goal is to maximize long-term return, with a low level of risk, for the benefit of those insured in the retirement pension system. Risk diversification is a guiding principle in the management of the Funds. Consideration shall be given to ethics and the environment without compromising the overall goal of attaining a high return.

Each Fund is managing well-diversified domestic and non-domestic portfolios comprised mainly of equities and fixed income instruments. For more detailed information regarding the Funds please log-on to the Funds individual websites ([www.ap1.se](http://www.ap1.se), [www.ap2.se](http://www.ap2.se), [www.ap3.se](http://www.ap3.se), and [www.ap4.se](http://www.ap4.se)).

## **2. THE PROCUREMENT**

### **2.1 Assignment**

The Funds have highly diversified global equity portfolios that contain more than 4,000 securities worldwide. The Funds are active owners and have since the start 2001 played an important role within Swedish governance by voting, taking part in nomination committees, working with policy makers etc. However, the Funds are successively expanding their direct involvement in voting activities in global equity portfolios as a result of increased commitment to corporate governance. This undertaking builds trust in the Funds governance and will help the Funds in the long run to achieve higher returns.

During 2009 the Funds are running a joint pilot voting project and have voted at the shareholder meetings of around 300 foreign companies. Each Fund made its own decision in each individual company. A Swedish corporate governance consultancy administrated the votes and a UK consultancy provided the electronic voting platform. Equity selection was based primarily on each company's weight in the global MSCI share index but other selection criteria were also used. For example, the Funds voted at foreign AGMs on matters relating to international initiatives that we support and at AGMs where we filed resolutions. The Funds also voted on environmental and social responsibility-related resolutions raised by other investors at the AGMs of various North American corporations.

To facilitate our voting procedures and engagements, we have a global voting policy. The policy is based on internationally accepted corporate governance principles, namely the OECD's Principles of Corporate Governance and Multinational Enterprises and the United Nations' Global Compact.

The main purpose with this procurement is to expand the global voting covering more specified stocks. During 2009 the Funds have voted at AGMs for approximately 300 companies spread over stock markets in the US, Canada, Japan, UK, Switzerland, France, Germany, Spain, Italy and the Netherlands. At this time we do not plan to expand voting to more markets. It is important that the Funds work procedure for global voting is simple to administrate. We want to control our voting policy and final vote decision while outsourcing the processing and management parts of the process. The Funds intend to sign agreements with a proxy voting agency for a 3 year period.

The requests and requirements of the services will be clarified below.

## **2.2 The Funds joint relationship in connection with the procurement**

The procurement will be carried out through a partially coordinated procedure. Each fund has decided to procure a global voting service including advice. AP1 has been assigned to advertise the procurement on behalf of the Funds (AP1, AP2, AP3 and AP4). The bid shall be submitted to all four funds by submitting a bid to AP1, see section 3.1 (if you have any questions regarding the procurement please refer them to AP1, see below). The procedure of evaluating the tenders will be done jointly by the Funds. Each Fund will be making independent decisions regarding the procurement and the agreements will be signed separately by each Fund.

## **2.3 A tender in sections**

The bidder does not need to bid for all services under sections 5.1-5.2. The Funds could sign agreements with bidders who only submit bids on one section.

## **2.4 Procurement Form**

The procurement will be carried out as a simplified procurement according to the Swedish law pertaining to public procurements (LOU) chapter 15 (2007:1091). When there is a simplified procurement the authorities have the possibility but not the obligation to engage in negotiations. The bidder shall bid as if the bid will not have the possibility to be negotiated.

## **2.5 Time line for procurement**

The procurement will follow the time line below:

2009-10-30 The advertisement will be sent to the "Anbudsjournalen".

2009-11-27 Last day for the submission of bids.

2009-11-30 The submitted bids will be opened.

2009-12-11 The Funds award a bid and inform the other suppliers who have participated in the bidding process (preliminary date).

2009-12-18 The agreement is signed by the respective funds (preliminary date).

## 2.6 Evaluation Procedure

The bidders who on the basis of the evaluation criteria (section 7) and, in addition, give the most economically advantageous tender will take part in the agreement. Each Fund will sign one agreement, see point 2.1 above. The evaluation procedure will proceed according to the following:

The evaluation of the tenders will start with the review of the fulfillment of the requirements in the request for proposal which is marked **MUST** (sections 3 and 4). Tenders that do not have all of the **MUST** requirements fulfilled will not be part of the Funds' evaluation procedure. Thereafter the rest of the tenders will be evaluated according to the evaluation criteria in section 7.

## 3. ADMINISTRATIVE CONDITIONS AND REQUIREMENTS

### 3.1 Submission date for tenders

The tender **MUST** be submitted to AP1 no later than November 27, 2009 at 5:00 p.m. The bidder is responsible for the bid arriving on time. The funds cannot accept bids that are not submitted on time.

### 3.2 Address

AP1's postal address:

Första AP-fonden P.O. Box 16294 SE-103 25 Stockholm Sweden Please mark the envelope "dnr 2009:41 001.LED"
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The tenders can be delivered personally or by courier to the following address:

Weekdays from 8:30-12:00 a.m. and 1:00-5:00 p.m. at Skeppsbron 2, Stockholm.

Tenders cannot be accepted via fax or e-mail because confidentiality cannot be guaranteed.

### 3.3 Notice of tender and confidentiality

In order for the Funds to maintain confidentiality, the tenders must be submitted anonymously (without the company's name or insignia on the envelope) and the envelope should be labeled "dnr 2009:41 001.LED".

The bidder shall give notice as to any confidential information in the tender.

### 3.4 Tender Form

The tender **MUST** be in writing and **MUST** be written in either Swedish or English.

The responses **MUST** be concise and **MUST** follow the same numerical order as the Request for Proposal.

The bidder **MUST** give his name, telephone number, and e-mail address for a contact person with the ability to answer questions regarding the tender.

The tender **MUST** be submitted in its original form along with four (4) copies.

### **3.5 Signatures**

The tender **MUST** be personally signed by a person authorized to sign on behalf of the company or another person who has power of attorney to sign on behalf of the bidder. The power of attorney need not concern itself specifically with this procurement but **MUST** contain the person with the power to decide and sign on behalf of the bidders company regarding questions concerning the tender.

Evidence: If the tender is signed by someone with power of attorney, then the power of attorney **MUST** be attached to the tender.

### **3.6 Validity**

The tender **SHALL** be valid until February 28, 2010.

### **3.7 Questions and Information**

Any questions regarding the procurement and the Request for Proposal shall be put forth, in writing, to the following e-mail address: Procurement2009\_41\_001\_led@ap1.se with the reference "dnr 2009:41 001.LED, Procurement of a global voting service". The answers to certain questions that are relevant to all suppliers will be posted on AP1's website, www.ap1.se.

## **4. SUPPLIERS STANDING AND EXPERIENCE**

The following information **MUST** be submitted.

**4.1 Certification regarding corporate registration, business register or corresponding register.**

**4.2 Certification that evidences that prescribed taxes and fees are paid.**

**4.3 Certification showing that the bidder is not in bankruptcy, liquidation or insolvency procedure, forced liquidation or any other similar procedure.**

**4.4 Most recent annual report.**

**4.5 Information regarding the length of time the company has been in the business.**

**4.6 Information regarding how large the bidders' turnover is for different services.**

#### **4.7 Information about any other operation and turnover.**

#### **4.8 Information regarding staff.**

- a) Please specify which countries the bidder is represented in with its own staff working specifically with global voting respectively analysis.
- b) Please specify in tabulated form: Name, position, number of yrs with the teams, number of yrs of experience, market coverage if applicable and location.
- c) Please specify in tabulated form how many of the global voting analysts/global voting relation managers that can communicate in Swedish.

#### **4.9 Information about customers.**

Please indicate the number and, if possible, which customers that are comparable with the Funds in terms of portfolio size, work method etc.

#### **4.10 Information regarding the company's main owners and partners.**

Please indicate if the company is part of a network and describe how the collaboration works.

### **5. THE FUNDS REQUIREMENTS FOR A GLOBAL VOTING SERVICE INCLUDING ADVICE**

The Funds are interested in choosing different services from the suppliers' range of services without binding itself to purchase all of the suppliers' services. The bidder **MUST** answer the following questions below.

#### **5.1 Research and proxy voting service**

- 5.1.1 Please describe the voting procedure/the different steps in the voting chain. If tendering for the advice and support is part of the procurement, please include these steps in the presentation.
- 5.1.2 What is the main mean of communication with the custodian banks? Please specify which systems are used.
- 5.1.3 What type of systems do you use for corporate governance research, proxy voting and reporting?
- 5.1.4
  - a) Do you present analyses and recommendations of the questions which are to be processed during AGMs?
  - b) If so, please provide an example of a company analyzed.
  - c) Which countries/markets do you analyze?
- 5.1.5 What sources do you use in your analysis?
- 5.1.6 The voting records must be kept separately for each Fund with no possibility for one Fund to access another Fund's records.
  - a) Please describe how the voting records are maintained.
  - b) Please list reports available of compliance reporting as well as statistics of the voting.
- 5.1.7 Please indicate the number of parameters that is needed to process when setting up the voting template.
- 5.1.8 If needs arise to change the set-up of the template and /or adding parameters to

- the template during the voting season, please describe the procedure, what the requirements are, costs (if any) and timeframe for implementation.
- 5.1.9 How often, with what interval, and time of the year do you make revisions of parameters in the voting template?
  - 5.1.10 Please describe the back-up system for the voting platform in regards to IT systems and personnel.
  - 5.1.11 If need arise for manual voting and exclusion of a company from the voting template, what is the procedure and time needed for executing such demand.

## **5.2 Advice and support**

During the pilot voting project the Funds used a Swedish corporate governance consultancy to administrate the votes, to assist the manual handling in the ballots that could not be voted automatically and to give some vote recommendation according to the Funds ownership policies. The service procured within 5.2 concerns the ballots which cannot be voted automatically in the proxy voting system.

- 5.2.1 What is your experience in corporate governance research, proxy voting and reporting?
- 5.2.2 Do you have the ability to maintain a daily monitoring of AGMs and EGMs?
- 5.2.3 How do you maintain vote records and provide compliance reporting?
- 5.2.4 Please describe the voting procedure/the different steps in the voting chain.
- 5.2.5 Please name all analyses cooperation partners and in which markets they are supporting the voting services.

## **6. PRICE**

The Funds intend to purchase agreements for a global voting service including advice for a 3 year period. Due to the fact that the Funds have not yet decided on how to expand the global voting the bidder **MUST** indicate the price related to a stock voting universe of 300, 500 and 1,000 companies respectively.

### **6.1 Price for different services**

The bidder **MUST** indicate the price for all services that the bidder can supply. Please indicate any one-time costs and on-going costs. If there are different alternatives in price, please indicate each one.

- 6.1.1 Research and proxy voting service  
Please indicate the price for global proxy voting in 300, 500 and 1,000 companies respectively.
- 6.1.2 Advice and support  
Please indicate the price for advice and support regarded global proxy voting in 300, 500 and 1,000 companies respectively.

## **7. TENDER EVALUATION**

The Funds will accept one or two (section 2.3) tenders. The following criteria will be given great importance during the evaluation of the bids. The sections are ranked in order of importance with the sections of the highest importance given priority.

1. Quality of the analysis.
2. Ability to cover all the shares that the Funds have opportunity to invest in.
3. Simplicity, clarity and flexibility.
4. The price for services.