



Guidelines for the terms of employment that apply for senior executives and other employees at Sixth AP Fund

The guidelines apply to all employees. Those who are considered as senior executives at Sixth AP Fund are the Managing Director and other employees at Sixth AP Fund who are members of the executive management team.

Remuneration to senior executives and other employees at Sixth AP Fund shall meet the following criteria:

- 1. Definition of, and decision process for remuneration**
 - Remuneration means all remuneration and benefits to employees, such as salary benefits and severance pay.
 - There must be written documentation detailing the cost to Sixth AP Fund before any issues pertaining to individual remuneration may be decided.
 - Salary reviews are conducted on an annual basis and the boundaries are decided by Sixth AP Fund's Board of Directors. Final salary decisions shall be approved via signature by the Managing Director along with the Chairman of the Remuneration Committee.

- 2. Total remuneration shall**
 - be reasonable and moderate. A maximum limit must also be established. It shall be a carefully weighed decision that contributes to good ethics and a good culture in the organization.
 - be appropriate for the work concerned, i.e. the level of expertise, experience and professionalism required.
 - be competitive, thus taking into consideration the fact that the organization, going forward, must be able to recruit skilled employees with the right qualifications, and which meet the legal requirement of, in a professional way, managing fund capital to be able to generate a long-term high return with adequate spread of risk.

Variable salary shall not be awarded and this applies to all employees at Sixth AP

- 3. Pension benefits shall be defined contributions, unless they do not follow the applicable collective**
 - In any instances where the Sixth AP Fund enters into a defined benefit pension plan, it must comply with the applicable collective pension plan.
 - Any increases to the collective pension plan on salary components exceeding the income level that are covered by the plan must be defined contributions. The Sixth AP Fund's pension costs shall be covered during the employee's active working years.
 - No pension premiums for additional pension costs shall be paid by the Sixth AP Fund after an employee has retired. The pension age shall not be less than 62 years and it should be at least 65 years.

4. For notice of termination issued by the Sixth AP Fund, the notice period shall not exceed six months.
- For notice of termination issued by the Sixth AP Fund, severance pay may also be awarded for an amount corresponding to, at most, 18 months of salary.
 - Severance pay shall be paid on a monthly basis and comprised only of the fixed monthly salary without any additional benefits. With new employment or with receipt of income from business activity, remuneration from Sixth AP Fund shall be reduced by an amount corresponding to the new income during the time when dismissal salary and severance pay are paid.
 - For notice of termination issued by the employee, no severance pay shall be awarded. Severance pay shall never be paid beyond the age of 65 years.

Routine for checking compliance with guidelines for remuneration to senior executives and other employees at Sixth AP Fund.

- The Sixth AP Fund’s Board of Directors is responsible for checking compliance with guidelines. In addition, the Sixth AP Fund’s auditors issue a written statement to the government stating their opinion on whether there has been compliance with the guidelines.
- The Board of Directors is responsible for ensuring that remuneration to employees is reviewed on an annual basis to ensure that it is fair, moderate and competitive. As the basis for the review, a comparison is made with comparable institutions, companies and funds. This is done every year.
- The conclusion from the Board’s check of compliance is documented and published in the annual report. In conjunction with that, any deviations from these guidelines are also reported.

To the extent possible, routines for implementing guidelines for remuneration shall also apply to companies in which the Sixth AP Fund has invested.

In companies where the Sixth AP Fund is a joint owner, the Sixth AP Fund should, on issues pertaining to the Board and Managing Director, communicate with the other owners and strive to ensure that the aforementioned guidelines are applied to the extent possible, and to the extent that it has been deemed commercially feasible.

The following, in particular, should be considered:

- The remuneration structures for boards of directors and senior executives is a key component of the PE model, designed to create alignment of interests and motivation. Such structures typically include a combination of part-ownership, options and variable salary.
- The Sixth AP Fund is, in general, in favor of applying such remuneration structures as a tool for ensuring alignment of interests and motivation in the portfolio companies, provided that they have been thoroughly considered and adapted based on the ownership plan and the specific portfolio company’s needs and prerequisites.

Responsibility for applying the guidelines always lies with the owner-in-charge, within the boundaries of ordinary corporate governance, and, as necessary, after consultation with, and approval by, the Sixth AP Fund's Nomination and Remuneration Committee.

However, consideration must always be given to the fact that governance varies, based on the form of ownership.

Accordingly, the following applies:

1. For joint investments, remuneration to the Board of Directors and Managing Director (and for larger majority holdings also senior executives) shall be reported each year to the Sixth AP Fund's Nomination and Remuneration Committee. Deviations from the guidelines shall be noted and explained to the Sixth AP Fund's Nomination and Remuneration Committee and the Board's remuneration committee.
2. For co-investments (characterized by a more indirect form of governance) there must, instead of follow-up and assessment of the remuneration structure for the specific portfolio company, be a dialog with the fund team on their general remuneration principles for the portfolio companies' boards of directors and senior executives. This is must suitably done in conjunction with the ordinary fund evaluation and ESG follow-up.
3. For fund investments (which are an indirect form of ownership) there must be dialog with the fund team on their general remuneration principles for the portfolio companies' boards of directors and senior executives. This is must suitably done in conjunction with the ordinary fund evaluation and ESG follow-up. The funds' internal remuneration models shall be evaluated as part of each fund evaluation, along with the funds' fee and profit-sharing structures (which should then also be negotiated when doing so has been deemed relevant and possible).