



**Ownership
policy
for
The Sixth AP Fund
(AP6)**

1 Purpose

The Sixth AP Fund (AP6) is an active, demanding owner in the venture capital market, i.e. the market for unlisted investments. The purpose of this policy is to describe AP6's role and working method as the owner of such investments. The policy shall provide the foundation for discussions with other investors and stakeholders so that they understand AP6's approach and role as a long-term, responsible owner. It is also important that business partners and owners are aware of the values that guide AP6's actions. This approach and these values are explained in a separate Code of Conduct.

The point of departure for this Ownership Policy is based the Sixth Swedish National Pension (AP) Fund Act (2000:193) and the guidelines that govern the business. The Ownership Policy applies to all of AP6's investments in various types of unlisted holdings. The Ownership Policy has been adopted by AP6's Board of Directors and it is revised each year.

1.1 AP6's investment focus

AP6's mission is to generate a long-term high return with adequate risk diversification. AP6's role in the Swedish AP pension system is to invest in the Private Equity (PE) market, which is the market for unlisted assets. These types of investments typically have the following characteristics:

- Unlisted shares are, as a rule, less liquid than listed shares
- Ownership in a particular company is, as a rule, concentrated to a limited number of professional managers who actively control development of the company.
- The ownership horizon is relatively long-term and usually for a limited period of time, which means that, once the owner has achieved the expected long-term benefits, all (or parts) of the company is sold.
- Professional managers typically organise their activities in closed funds in which investors are offered the opportunity of committing capital.

Investing in unlisted companies requires specialist expertise and well-developed models for exercising the role of active owner. AP6's investment strategy is based on combining specialist expertise in order to invest both indirectly (through external funds) and directly in unlisted companies.

Indirectly; by committing capital to Private Equity (PE) funds;

AP6 invests in funds that have experienced managers who, in turn, invest the capital by acquiring unlisted companies. There is a specific strategy and focus for each fund. AP6's strategy is to create a well-diversified portfolio of funds with complementary strategies. This includes primary commitments to buyout funds (with a focus on mature companies), along with select venture capital funds (with focus on relatively new start-ups). AP6 also makes indirect investments by purchasing and selling fund units that already exist (i.e. investments in the secondary market). This is done, for example, through collaboration with external players highly specialized in these types of secondary transactions, or via own transactions.

Directly; by investing in unlisted companies through collaboration with external funds to which AP6 has committed capital, or with other financial players;

AP6's strategy is to be a minority investor in unlisted companies. Accordingly, the investments are made in collaboration with other players. These could be funds that AP6 has already invested in, and where AP6 co-invests in the fund, directly in a specific portfolio company (i.e. co-investments). Investments are also made with other types of investment organisations that are active in the private equity market. When AP6 has a larger ownership share in a direct investment, which, for example entitles it to representation on the Board, it is referred to as a joint investment. AP6's investment activities are described in more detail in a separate Investment Policy.

2 Overall information on the ownership role

AP6 is an investor that is both engaged and demanding. The ability to exercise an active ownership role is a key component of its strategy. Active ownership is about creating long-term value growth in the investments that are made. In its role as owner, AP6 is also responsible for ensuring that value growth occurs in a responsible, sustainable way. In that same role, AP6 strives to be perceived as Responsible and long-term, Businesslike and professional, Demanding and engaged.

2.1 Responsible and long-term

AP6 has ratified the UN Principles for Responsible Investment (PRI) along with the ten principles of the UN Global Compact. Accordingly, AP6 is committed to integrating sustainability issues into its investment activities. This occurs, primarily, via a working method that is demanding and which involves follow-up and evaluation in line with accepted international conventions.

2.2 Businesslike and professional

In order to succeed with the overall goal of delivering a long-term, high return with adequate risk diversification, it is necessary to maintain a high level of businesslike behaviour and expertise in many areas. AP6's employees have a wide variety of expertise and experience in evaluating and investing in unlisted companies.

2.3 Demanding and engaged

As a demanding owner, it is necessary to formulate, anchor and monitor that the organisation is achieving its established goals. As owner, the goals of an investment must be clearly formulated so that it is possible to exercise the ownership role. AP6's expectations are included in goal formulation, along with how these should be translated into action for each individual holding.

3 Ownership role for various types of investments

AP6 has developed an internal working method and processes for being an active, demanding owner as regards both indirect and direct investments in unlisted companies. The various investment forms require different types of expertise. There is also variation in how an active ownership role should be exercised.

A commitment to invest in a PE fund should be regarded as long-term collaboration with an external manager. Over time, the funds invest the committed capital in unlisted companies.

The lifespan of a typical fund is around ten years and it consists of 15 to 20 holdings. The fund is closed once all of the companies have been divested and the capital (including the return) has been repaid.

A co-investment is a direct investment in a specific company, along with a fund in which AP6 has committed capital (however, it could also involve funds in which AP6 has not committed capital). The ownership role and governance that is involved in this type of investment is managed as if it were a fund commitment, i.e. indirectly, via a dialogue and demands that are placed on the manager, who is responsible for the fund and its holdings.

A joint investment is a direct investment in a company that is made together with a partner. AP6 actively participates in evaluation, investment and development of the company, together with the partner. AP6's ownership role in this type of investment is more directly focussed on the company via its position on the board of directors and other forms of direct engagement.

3.1 Fund investments

AP6 invests in Private Equity funds that have experienced managers. With this type of ownership, AP6 only has an indirect interaction with each company. It does, however, have an active ownership relationship with the fund itself. The management team is responsible for the investments, which includes such things as investment and divestment decisions, along with exercising governance and value creation in the portfolio companies. This is why AP6 directs its demands to the fund itself and its management team.

3.1.1 Evaluation process

As an investor in PE funds striving to achieve long-term high returns with adequate risk diversification, it is of utmost importance to choose a management team with the right prerequisites for responsible value creation.

AP6 is selective in its choice of PE funds and it strives to create a well-diversified portfolio in terms of the number of teams, vintage year (i.e. year in which the first influx of investment capital is delivered), industry, geographic location and phase.

Over a long period of time, AP6 has built up structural capital via a well-developed evaluation process for investments in PE funds. The evaluation process is managed and executed primarily by AP6 employees. The most important components of the evaluation process are assessments of the following:

- investment strategy and market position
- organisation and expertise
- investment processes and ownership (including nominations to the board of directors and remuneration issues)
- historical returns and value creation
- contract terms
- sustainability efforts

In parts of the evaluation, AP6 engages external advisers and consultants. AP6 is responsible for ensuring that they act professionally, carefully, responsibly and that they observe confidentiality requirements throughout the entire process. Efforts to make a potential investment transparent

involve a variety of analyses and issues that require specialist expertise in the area. An evaluation process typically takes three to six months, during which there is extensive dialogue with the management team. Resource consumption varies depending on the type of investment and scope of analyses and evaluations required for providing thorough documentation to the AP6 Investment Committee so that it can make a decision. During an evaluation, AP6 strives to clearly communicate its view on businesslike behaviour, ethics, transparency and sustainability efforts.

3.1.2 Decision process and documentation

Each investment that AP6 makes is assessed in light of the criteria that fund assets should be invested such that they deliver a long-term high return with adequate risk diversification. Negotiations between the investors and management team lead to a fund agreement where the PE fund's commercial, legal and financial boundaries, along with the boundaries for sustainability efforts, are regulated. The results of the evaluation process are recorded in the decision documentation. The investment case is prepared in a multi-stage decision process at AP6, where the Board of Directors addresses cases that have already been approved by the Investment Committee.

3.1.3 Ongoing ownership role, governance and control

AP6 has structured processes for active governance and control so that it is able to exercise active, engaged ownership with the ability to influence. This involves continual dialogue with the management team, along with routines for regular monitoring and evaluation. AP6 strives to secure a position on the advisory board of the funds, which typically consists of representatives from the major investors, whose role is specified in the fund agreement. This is the means by which more information is obtained on a fund's development and how work with the portfolio companies is carried out. This information facilitates AP6's ability to pursue important issues and make demands.

The main rule is for AP6 employees to serve as representatives on the advisory boards and similar committees. Employee job descriptions include the function of representing AP6 and having ownership responsibilities. Besides the formal participation on advisory boards, AP6 strives to have ongoing dialogue with the management team so that it can monitor and influence how the fund develops. Certain types of evaluations (e.g. work with sustainability issues) are done annually, using AP6's own templates and formats. Formal reporting from the funds occurs quarterly and annually, as well as via regular informational meetings aimed at investors.

3.1.4 Active participation in how the industry develops

For AP6, it is important to be involved in how the industry develops. For this reason, AP6 is a member of several industry-specific organisations, like ILPA¹, Invest Europe² and SVCA³. They strive to, for example, develop standards in a variety of areas that are of joint interest to players in the industry. Such issues include governance, transparency and reporting. ILPA also provides training and seminars to investors in PE funds. This facilitates an exchange of knowledge and experience with other investors and the ability to follow trends in the industry. It also provides AP6 with valuable information as an investor.

¹ ILPA – Institutional Limited Partners Association

² Previously EVCA – European Private Equity and Venture Capital Association ³

SVCA – Swedish Private Equity & Venture Capital Association (SVCA)

3.2 Co-investments

A co-investment is where AP6, through its investment in a PE fund (or a fund in which AP6 has committed capital) is offered the opportunity to also make a direct investment in conjunction with the acquisition of a new portfolio company. Prior to making such a transaction, it is possible to review the evaluation conducted by the fund as well as make one's own analysis and assessment of the investment opportunity. Collaboration is based on mutual respect for the expertise that each partner contributes to the evaluation. For AP6, an evaluation of a co-investment opportunity is based on an analysis of the following three main areas:

- The investment's fit in the AP6 portfolio
- The fund's ability to promote value creation in the company
- The attractiveness of the company and investment

During the evaluation, there is considerable interaction with the team at the fund that is working with the project. When possible, AP6 also engages in a direct dialogue with the company's executive management team. Although the ownership share can vary, AP6 is always a minority owner in a co-investment and as such, it is seldom entitled to representation on the board of directors. For co-investments, AP6's governance therefore follows the model used for fund investments. During the ownership phase, AP6 has an ongoing dialogue with the fund managing the investment in the company. Therefore, both monitoring and requirements that are placed on the co-investment occurs indirectly, via the model for active ownership of a fund, which is described above.

3.3 Joint investments

AP6 collaborates with various types of financial partners on joint investment projects. In a joint investment, AP6 has a direct ownership role in relation to the individual company. Together with the joint investor, AP6 has shared responsibility for the holding, which includes such things as investment and divestment decisions, along with exercising governance and value creation in the company. With joint investments, AP6 typically has an ownership that entitles it to representation on the board of directors.

3.3.1 Evaluation

Each investment that AP6 makes is assessed in light of the criteria that Fund assets should be invested such that they deliver a long-term high return with adequate risk diversification. AP6's evaluation of a joint investment also includes evaluating the partner with whom AP6 is making the investment. That evaluation relies on the methods developed for evaluating an external management team in conjunction with a fund commitment. The company evaluation, however, is carried out jointly with AP6's partner. The business plan is a key component of the decision documentation prior to making an investment and it is drawn up together with the company and joint investor. The business plan provides the foundation for the work that follows after making the investment and for designing the governance system. It contains, for example, the business concept, strategy and market conditions. The assumptions that are made when drawing up the business plan must be based on facts and reality. Accordingly, there are extensive efforts to verify the key assumptions underlying the business plan and thereby the value-creation plan, which, in turn will be used to determine the price.

A structured investigation process is used to ensure that reasonable assumptions have been made regarding the opportunities and risks in the value-creation plan. The areas that are investigated are unique for each investment. They may, however include such things as the following:

- The market's development, players and how it functions
- The company's position and its uniqueness
- Legal and regulatory risks
- Sustainability challenges and opportunities
- Valuation of similar companies

3.3.2 Decision-making process

The investment case is prepared in several stages in AP6's internal decision-making process. Relevant documentation for making the decision is distributed to the Investment Committee and Board of Directors. The cases considered by the Board of Directors have already been approved by AP6's Investment Committee. Investment decisions are complex and they are dealt with on an ongoing basis during the evaluation process, which can take several months.

3.3.3 The ongoing ownership role

For joint investments, AP6 typically has a significant ownership share that entitles it to representation on the board of directors together with the majority investor, and other independent members. It is important that AP6 is perceived as an active, responsible owner by the entire company. Accordingly, there must be a dialogue between AP6 and both the investee company's executive management team and its board of directors. AP6 exercises its voting rights and, in certain cases, it also actively participates in the general shareholder meetings of the company holding. Governance is a key component of the ownership role and it is described in more detail below in this document.

3.3.4 Governance and control

Ownership responsibility involves regular monitoring of the company's development and how it compares to the value-creation plan that was drawn up. As owner, AP6 is responsible for, via the company's board of directors, identifying the need for making changes and implementing them so that the goals for the investment can be achieved. In order to do this, there must be effective governance and control systems in the owned companies. AP6 must also remain constantly updated on issues concerning the particular company and the industry as a whole. Investment managers at AP6 document the company's development in tertiary reports. When there are indications of deviations from the value-creation plan, an analysis of the situation is required. Afterwards, the owners, along with the board of directors, evaluate the alternative corrective measures. Examples of such measures include, via the company's board of directors and executive management team, initiating cost-savings, making structural changes, making supplementary acquisitions or injecting capital.

In some cases, it might even be necessary to make changes to the company's executive management team. For holdings where AP6 has assessed that it is impossible to meet the long-term return targets, the investment will be divested in an orderly manner.

3.3.5 Terms for executive management teams

The AP6 Board of Directors has established guidelines for remuneration to senior executives. The guidelines require boards of directors to treat the terms for senior executives in a deliberate, responsible and transparent way. Boards of directors must ensure that the total remuneration package is reasonable, moderate, well-balanced and that it promotes good ethical behaviour and a decent company culture. Ownership responsibility also involves consultation with the AP6 Nomination and Remuneration Committee (NEK) whenever there is uncertainty on how to apply these guidelines. The AP6 Nomination and Remuneration Committee must approve any cases where the employment terms or remuneration to senior executives exceeds the boundaries of these guidelines.

3.3.6 Board work

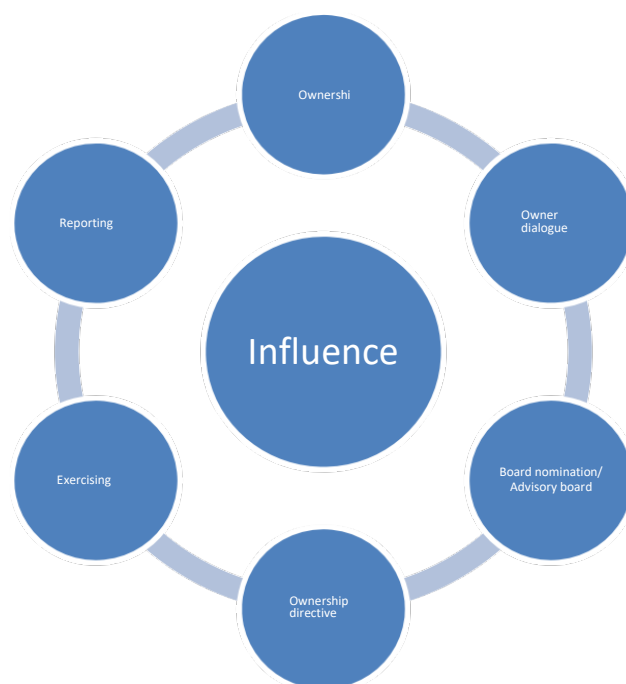
Each company must have a board of directors that looks after the best interests of the company and all of its shareholders. Board members are appointed only after it has been assessed that they have relevant expertise to contribute. Efforts are also focused on setting up a board of directors with a good balance in terms of equality and diversity. Board members must be well informed about the owners' intentions with the particular investment and they must understand the ownership policy. Board work must be conducted in an efficient way. The tasks that have been allocated to board members must be coordinated by the chairman. AP6 strives for board work where there is a high level of documentation and transparency. This includes the reporting structure, reporting frequency and deviation reporting.

4 Governance

AP6's governance model consists of a number of established steps that provide the foundation for interaction between AP6, its partners and the holding. In addition, there is an internal working method for management and governance of investment activities, which enables AP6 to be efficient in its decision-making and influence over its holdings.

4.1 Foundation for governance

AP6's most important tool for achieving long-term value growth in the holdings is its ability to influence. This requires a clear description of what AP6 is trying to achieve with the holding, clear communication with the other stakeholders and systematic evaluation and monitoring efforts. The items described below provide the foundation for active ownership and governance. With these as its point of departure, AP6 strives to work in a systematic way, where each step is well documented and clear for each individual holding. The basic governance model is essentially the same for a joint investment, fund or co-investment.



4.1.1 Ownership plan

AP6 has a documented plan for its ownership of each individual holding. The analyses and assessments that have been made in conjunction with the acquisition/commitment are an important point of departure for this plan.

The ownership plan describes AP6's goals for the holding, along with how long-term value growth shall be achieved. The sub-goals described in the plan must be measurable and monitored in the internal reporting. They must include both financial and operational goals for the business, along with specific sustainability goals that are both short-term and long-term.

4.1.2 Owner dialogue

AP6 is almost always one of several owners to its holdings. Clear and continuous communication with the other owners of the holdings is therefore an absolute necessity. In its dialogue with owners, AP6's views on how to develop the holding and the priorities must be clearly communicated and agreed.

4.1.3 Nomination to the board of directors and advisory boards

For joint investments, a board of directors is set up that represents all owners. AP6 will actively participate in the nomination process when it has an ownership share that entitles it to exercise influence. The composition of the board is decided through a close dialogue with AP6's partners. For co-investments, AP6 typically has an ownership share that does not entitle it influence the composition of the board. AP6 thus relies on the majority-owning fund having well-developed processes and networks for setting up an effective board of directors. AP6 strives to secure a position on the advisory board of the funds, which typically consists of representatives from the major investors. However, the management team decides which of the funds' investors will be represented in this forum. For joint investments, the basic principle is for the investment manager at AP6 to serve on the board of directors. The same applies for AP6's representatives on advisory boards.

4.1.4 Ownership directive/ communication

AP6 must ensure that its long-term goals for each investment are clearly communicated to the portfolio companies/partners. This occurs via a close dialogue between the the investment manager and representatives for the holding.

4.1.5 Exercising governance

AP6 allocates investment responsibility for the holding to employees of its investment organisation. The role of investment manager could involve, via representation on the board of directors, helping to ensure that the company is developed in line with the ownership plan and monitoring that the holding is developed in accordance with the established plan.

An employee who is the investment manager for a fund holding must monitor development of the fund and its portfolio companies. The employee must also maintain a dialogue with other owners/investors.

Ownership responsibility is a role that is not firmly tied to any individual employee. Instead, there is a rotation of responsibilities at regular intervals, which is why it is particularly important that there are unified processes and clear documentation.

The one with ownership responsibility must collect and analyse information about the holding and market, along with sharing that information and any conclusions with AP6's organisation. The one with ownership responsibility is responsible for ensuring that issues to be reconciled and decided in committees, by the CEO or board of directors, are prepared in an adequate way.

4.1.6 Reporting and monitoring

The one with ownership responsibility must monitor how well the holding is following its plan. AP6 has a broad portfolio and the holdings vary in both size and focus. As such, the content and design of reports must be specific to the holding. Reporting on each holding must occur at least once per quarter, but for board work, the goal should be monthly reporting.

Internally, AP6 issues tertiary reports on its holdings. The reporting format for this is continually developed, but, it typically covers how the holding has developed, the status on priority activities, the financial situation, market, management and remuneration issues, sustainability issues and all of the necessary information for making a valuation of the holding.

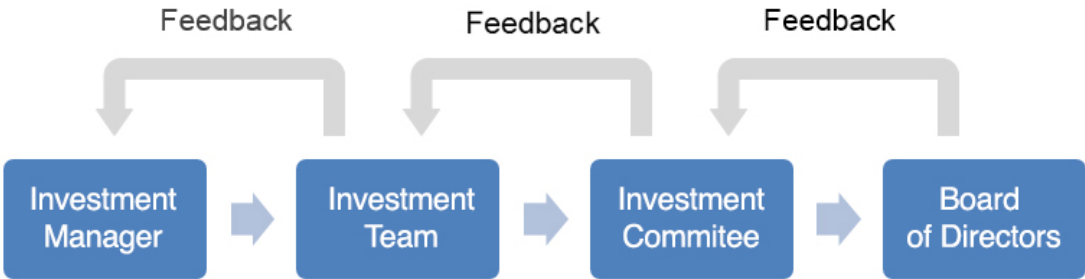
Each person with ownership responsibility is responsible for reporting, which is based on current information about the holding. Such information is typically derived from board reports, but also via continual dialogue with the executive management team and other owners.

4.2 Internal working method and roles

Effective governance requires an internal working method for ensuring that employees represent AP6's views on how each holding should be developed, along with the issues that must be addressed and promoted. It is also necessary that employees fully respect and represent AP6's values.

An effective owner representative should feel that his or her primary association and loyalty lies with AP6, rather than with a particular investment. However, an owner representative must have the authority to act and actively pursue issues in the holding. This dynamic is achieved through an internal working method that is based on teamwork, openness, mutual respect and joint responsibility for ensuring that AP6 achieves its overall goals.

AP6’s internal working method and decision processes have been designed to ensure that it can exercise effective governance. The important components of this working method are described below.



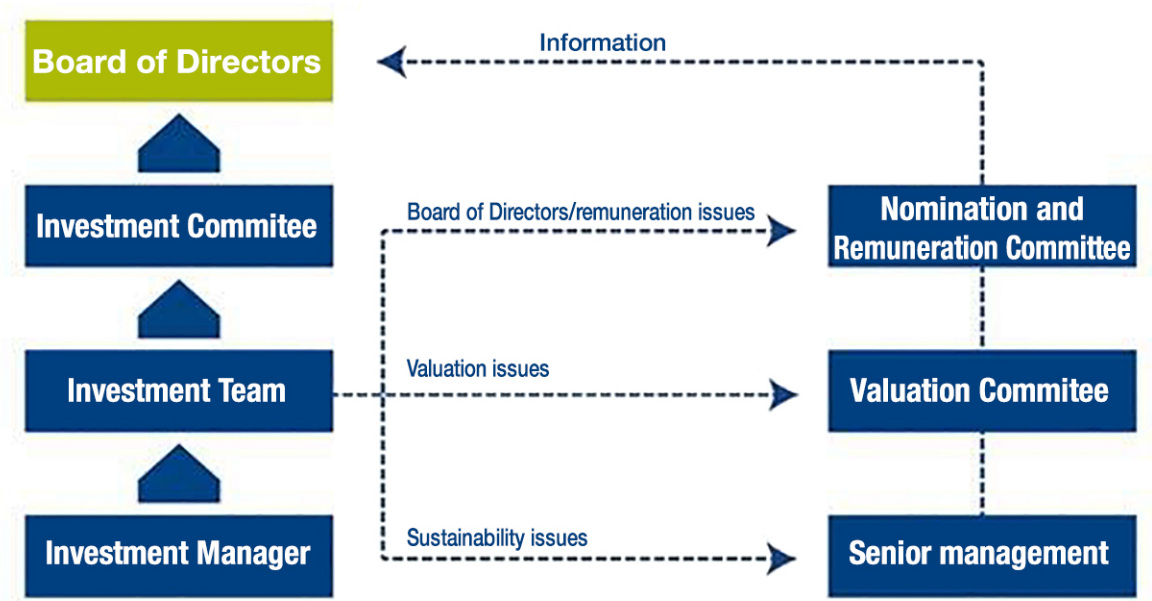
AP6’s decision-making process starts with the investment manager. The gathering of facts and preparation of documentation that will be used in decision-making occurs via a dialogue with the holding’s board/executive management team. The Investment Committee discusses and makes decisions, or submits a recommendation to the board of directors. The investment manager is responsible for presenting information to the Investment Committee. The matter to be decided by AP6’s Board of Directors is presented by the investment manager or person responsible for direct investments or fund investments. Feedback from discussions at Board meetings is presented at Investment Committee meetings and at team meetings.

4.2.1 Investment managers

An investment manager is an AP6 employee with main responsibility for a holding. Investment managers serve as the AP6 contact person for the holding. They are also responsible for sharing information about the holding with other employees. Within the investment groups, there should be complete openness about the challenges associated with each holding. Investment managers are entrusted with a great deal of responsibility in sharing this information with the group such that everyone can constructively discuss the risks and opportunities. Investment managers present information at decision meetings and they are responsible for providing the team with feedback.

Therefore, AP6 always strives to create situations where it is possible to make rational decisions. This requires always having a senior manager with the authority to take action, whenever necessary. It means that those responsible for AP6’s direct investments, along with the Managing Director and Deputy Managing Director, shall only in exceptional cases act as investment manager or serve on the board for a holding.

4.3 Decision-making processes and committees



AP6 strives for as much openness as possible at all decision levels. The underlying documentation for making decisions, which is compiled by the investment manager and discussed at both team meetings and Investment Committee meetings is essentially the same material that is distributed to the Board of Directors. An investment decision is a multi-step process. The investment team and employees in the project team compile and anchor the documentation that will be used to make a decision. Decisions are then made by the Investment Committee and Board. AP6 works in a unified way with well-documented information that it uses to make decisions. Decisions taken in all forums are documented in the minutes.

The tertiary reports on companies and funds always contain certain general areas:

- Financial development
- Board composition and remuneration to the board and senior executives
- Sustainability efforts in the portfolio company/fund
- Valuation principles and valuation suggestions

The AP6 Nomination and Remuneration Committee compiles information from the company reports that has to do with board composition and remuneration issues. The Committee assesses whether there has been any deviation from policies and if so, the reasons for it. Feedback is given to the investment team and reporting is done to the Board via the Remuneration Committee.

Sustainability issues are of utmost importance to AP6. The investment team communicates demands to the portfolio companies/funds and it regularly monitors the progress of sustainability efforts. The challenges and risks that exist in the industry and company are identified. The senior management group compiles and evaluates the sustainability efforts of companies/funds and regularly reports to the Board’s Sustainability Committee and to the Board.

The investment team provides suggestions on valuations of holdings in tri-annual reports. These suggestions must be well substantiated and in line with the valuation principles that AP6 applies. The Valuation Committee gathers documentation for making valuations of significant holdings before any valuation changes are entered into AP6's reporting. The Valuation Committee is responsible for a quality audit of the underlying documentation and highlighting the main valuation issues that need to be investigated/anchored. The Valuation Committee reports to the Board of Directors via its Audit Committee.