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Sixth AP Fund in five minutes

Specialist in unlisted securities

The Sixth National Pension Fund (Sixth AP Fund, AP6) differs from the other National Pension (AP) funds in the Swedish buffer capital system in that it has a special mandate to invest in unlisted assets. These assets are companies that are not listed on any stock market. AP6 is also a closed fund. In simplified terms this means no new money coming in, no money going out. AP6 manages the capital allocated to it at inception in 1996, plus the returns that have been generated.

Directly and indirectly

AP6 invests in unlisted companies in two ways, directly and indirectly. Direct investment means that AP6 buys shares in an unlisted company. This amounts to direct ownership and AP6 often takes a seat on the board and thus has direct influence. Indirect investment refers to AP6 making an investment in a private equity fund, which in turn invests in unlisted companies. In this case, AP6 does not have a direct ownership interest in the actual companies. Instead, AP6, together with other investors, has a stake in the private equity fund. In the case of investments in private equity funds, AP6's influence takes the form of ongoing contact and often a seat on the so-called advisory committee. Many of the largest investors in a private equity fund have a seat on the advisory committee.

Long-term ownership

Like many other players in the unlisted market, AP6 is a long-term investor, with an investment horizon of between five and ten years. Investors in unlisted assets need perseverance. Unlisted investments are often described as not being liquid in the same way as, say, listed companies, whose shares can be acquired and disposed of much more easily and quickly.

Stable, high returns

Unlisted companies are often characterised by a small number of owners and a mutual ownership agenda which must be implemented within a specified time frame. This in itself brings value creation into focus. Unlisted companies are not affected by the occasionally sharp swings on the stock market during short-term upward or downward trends. Viewed over time, the valuation of an unlisted company shows a more even development. International research suggests that the return on investments in unlisted assets is higher in the long term than the return on stock market investments.

Specialist skills

Investing in unlisted assets is a knowledge-intensive activity that requires specialist skills. AP6 has built up the specialist competencies and necessary support processes required for this type of investment activity over a period of nearly 20 years. The fund has developed internal working methods and processes that enable it to be an active, responsible and demanding owner, which more than holds its own in international comparisons.

Sustainability

As a state-owned pension fund manager and investor in unlisted assets, AP6 is able to have a lot of influence when it comes to sustainability. Sustainability is an integral part of the investment process which includes models for ESG due diligence and monitoring. AP6 regards sustainability to be a prerequisite for achieving high returns in the long term.

26.4

billion (SEK) of assets under management by the Sixth AP Fund

2,867

million (SEK) – profit for the year

12.2%

return for the year

Sixth AP Fund manages SEK 26.4 billion



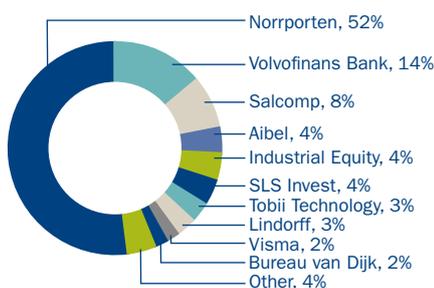
- **Companies, 47%**
approx. 30 companies
- **Private equity funds, 26%**
approx. 300 companies
- **Liquidity, 27%**

Sixth AP Fund in figures

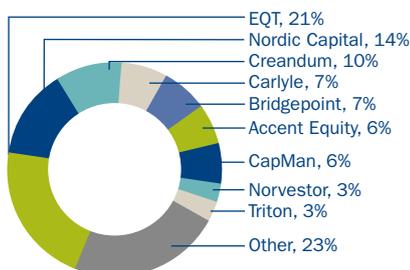
11.3%

The average return on mature investments in the last 10 years

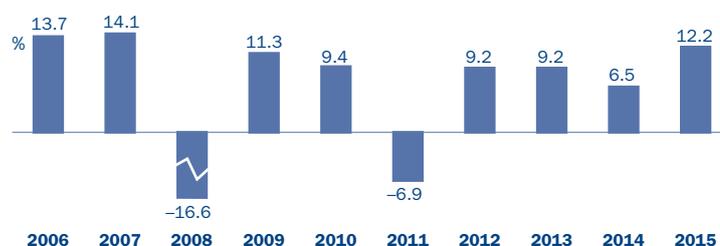
Major company investments



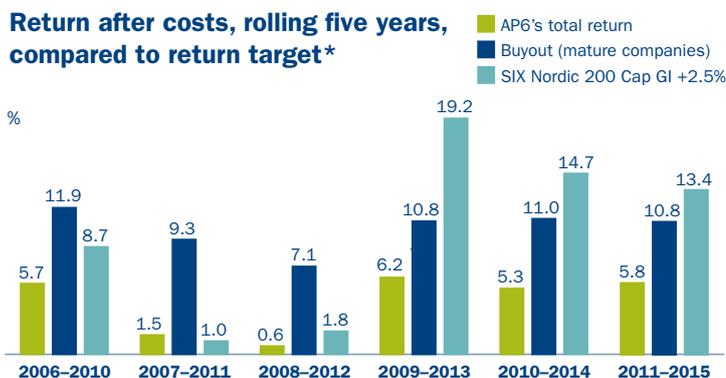
Major fund investments



Return after costs 2006–2015



Return after costs, rolling five years, compared to return target*



* Buyout (mature companies) is reported separately since investments in this segment are in line with AP6's strategy since 2011.

Return over ten and five years, and in 2015

Years	2006–2015	2011–2015	2015
Total buyout, %	11.3	10.8	14.6
– Funds (indirect investments)	15.7	15.4	9.2
– Companies (direct investments)	9.2	8.5	17.4
Total venture capital, %	-7.2	-7.8	15.3
– Funds (indirect investments)	-0.2	12.2	18.5
– Companies (direct investments)	-14.3	-19.0	10.8
Return target	11.0	13.4	15.4

Profit/loss breakdown by segment, 2006–2015

SEK million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Average return, %
Buyout (mature companies)	1,422	1,976	-875	937	1,548	1,104	1,566	998	971	2,177	11.3
Venture Capital (early phase)	-46	468	-874	-121	-683	-2,087	-131	176	196	331	-7.2
Return on capital employed	1,376	2,444	-1,749	816	865	-983	1,435	1,174	1,167	2,508	6.3
Treasury, risk management and internal costs	688	-12	-1,503	1,037	841	-397	266	686	274	359	-
Profit/loss	2,064	2,432	-3,252	1,853	1,706	-1,380	1,701	1,860	1,441	2,867	5.7

Key events in 2015

Sivantos

Co-investment that was undertaken in cooperation with EQT VI, a fund in which AP6 is also an investor. The company is a leading, global manufacturer of hearing aids (formerly known as Siemens Audiology Solutions). Sivantos's research and development unit is based in Germany and its head office is in Singapore.

Tobii

AP6 was involved in the flotation of Tobii on the Stockholm Stock Exchange in 2015. In connection with the listing, AP6 underwrote part of the share issue.

Bridgepoint

An international private equity firm focusing on medium-sized buyouts of well-established, market-leading companies. This is a new co-operation partner for AP6's portfolio of private equity funds, and the company is expected to contribute new co-investment opportunities.

Carlyle

Carlyle is one of the world's largest private equity firms with over one hundred different funds. In 2015, AP6 entered into cooperation with, and completed an investment in, Carlyle Europe Partners IV, a buyout fund focusing on medium-sized and large companies, primarily in Europe. Carlyle makes active use of its global network of specialists to contribute to the development of the companies in which it invests.

Silverfleet

This is another new cooperation partnership we entered into in 2015. Silverfleet is a European buyout player focusing on acquisitions of medium-sized companies. Among other things it focuses on helping portfolio companies undertake complementary acquisitions in order to achieve strong growth.

EQT

AP6 has enjoyed successful cooperation with EQT for a long time and is continuing to cooperate with the company as an investor in EQT's new buyout fund, EQT VII, which was set up in 2015.

Volvofinans Bank

AP6, which has been the second largest owner in Volvofinans Bank since 2007, decided to sell its shares to Volvo Car Corporation in 2015. During the time AP6 was a shareholder in the company, it performed well and the transaction, including dividends, resulted in a good return for the fund.

Climate change assessment 2015

For the second year running, AP6 has conducted an analysis of climate change in order to improve understanding of climate change-related risks and opportunities in the portfolio. The analysis consists of two parts, the first consists of carbon footprint and the second maps how portfolio companies and funds manage climate change in their operations and investments. All of the funds and almost all of the companies consulted participated in the analysis.

AP6 joins CDP

CDP – formerly known as Carbon Disclosure Project – is a non-profit, independent organisation, which has the world's largest collection of climate change related data, reported by companies worldwide. By joining CDP, AP6 is declaring its support for the initiative and the recommendation that more companies should measure and disclose their carbon emissions.



▲ Technology from Tobii that enables computers to be controlled by the eyes is an important aid for people with limited mobility.

Sivantos is a leading, global manufacturer of hearing aids.

Methodical approach to value creation behind this year's results

Persistent value creation in cooperation with our holdings, together with the disposal of Volvofinans Bank AB, are the reasons behind this year's good results. The long-term process of building our portfolio is continuing, and we are also continuing to develop our work concerning sustainability issues.

The results for 2015 show a profit of around SEK 2.9 billion, which corresponds to a return of around 12.2 per cent for the year. The value creation that resulted in this gain stems from AP6's long-term cooperation with private equity firms and our active corporate governance with regard to our company investments. Because of the long-term nature of our investing activities, the results and the return should be evaluated over a much longer time frame than one year. Looked over the last ten years, our return in the segment that for some time has been the fund's strategic focus – investments in mature, unlisted companies – has been 11.3 per cent per year, which exceeds the fund's performance target. Over a period of 5 years, the corresponding figure is 10.8 per cent. This includes both our own investments directly in mature companies and our indirect investments via buyout funds.

PERFORMANCE IN 2015

2015 was an eventful year, both with regard to our direct investments and for our private equity funds. Only a few days before the year-end, AP6 carried out a significant deal in which Volvofinans Bank AB was sold to Volvo Car Corporation. Having had a 40% ownership interest in the company, AP6 has since 2007 contributed a number of value-creating actions, which were carried out together with other shareholders and management. The company is in a good market position and is able to offer customers attractive solutions both in terms of credit cards and car financing.

The transaction is subject to the usual investigations and approvals on competition grounds, and the deal is expected to be completed in the first half of 2016. Norrporten, in which AP6 has a 50% ownership interest, also performed well in 2015 and played a large part in the positive results. The property company, one of the largest in Sweden, has achieved a good growth in value and dividend stability for a large number of years. It is also positive to see that the new direct investments carried out in cooperation with other financial investors and private equity funds in recent years are showing very good value growth. Holdings which have shown a positive development include Tobii, Lindorff, Visma and Sivantos.

As in previous years, value creation and successful disposals by AP6's Fund Investments unit account for an important part of results. AP6 has for nearly two decades been cooperating with, and undertaken investments via, external private equity firms, whose investing activities have produced very good net returns. Among our funds, 2015 was characterised by a large number of company disposals, often via stock market flotations, while the pace of new investments was satisfactory. Long-established and well-functioning cooperation with partners such as Nordic Capital and EQT has lately been complemented with a number of new cooperation partners.

While the majority of our holdings are performing well and are enjoying favourable market conditions, our holding in Aibel has had to cope with a much more challenging environment. The company is active in the service and maintenance sector on the Norwegian continental shelf, and the all-time low oil price has resulted in challenging market dynamics. This has resulted in a number of tough decisions aimed at rationalising activities and adjusting the organisation. It is our opinion, however, that these measures have enabled the company to strengthen its relative market position and win a number of major projects in tough competition with other players. The challenges and trials in the industry are likely to continue. However, it is our opinion that the company's opportunities for value creation in the long term remain good.

LONG-TERM VALUE CREATION

Investments in unlisted companies require a significantly longer investment horizon compared with investments in other asset classes, such as listed shares. In the case of unlisted companies the entire cycle is longer, from months of analyses and bidding processes ahead of an acquisition, to investment horizons of 5–10 years and extensive processes on disposal.

Since 2011, when AP6 began focusing its investment strategy on mature com-



...new direct investments undertaken in cooperation with other financial investors and private equity funds in recent years are showing very good value growth.



panies, practically the entire portfolio of direct investments has been restructured and a number of new holdings have been added. With regard to investments in funds, which are held for around 10 years on average, the portfolio has been broadened substantially by adding new commitments and entering into cooperation with new partners. What we ourselves have referred to as a major restructuring of our portfolio is now a matter of continuing to build a well-balanced and diversified portfolio of holdings in accordance with our strategic focus on cooperation and mature companies. The conditions for this are very favourable. The restructuring of the previous portfolio has resulted in several successful disposals, which in turn has resulted in AP6 being in a position where it has a lot of capital available for future investments.

AP6 has also established itself as an attractive cooperation partner for both Swedish and foreign players in the unlisted investments market. AP6's unique ability to invest in companies both directly and indirectly via private equity funds has meant that we were able to continue to enter into cooperation agreements in 2015 which we believe have the potential for good value creation in the long term. New relationships were forged with international buyout funds such as Carlyle, Bridgepoint, Silverfleet and LGT. With regard to existing General Partners, we are involved in continuous cooperation concerning potential co-investments. This year, we carried out such a co-investment in the company Sivantos in partnership with EQT.

This type of deal has clear advantages

for both partners. In AP6's case it means we are able to access interesting direct investments in a very efficient way, thereby achieving lower costs and improved returns on our total commitment in a fund.

SUSTAINABILITY

In 2014, AP6 took the initiative to start measuring the carbon footprint of the majority of its investments. It is not very common for investors in unlisted assets to be doing this. Such measurements are mostly associated with listed assets, the reason being that listed companies disclose a broad range of facts and information that makes it easier to calculate the carbon footprint.

In 2015, we have undertaken more in-depth and detailed carbon footprint calculations for our holdings, and our intention is to continuously improve further. The aim is to encourage action for change in cooperation with our partners, in order to reduce carbon emissions in the long term. Another aim is also to encourage increased awareness about climate change related risks and opportunities among private equity investors.

Even though AP6 is significantly different from the other National Pension (AP) funds because of its specialist mandate to invest in unlisted assets, we believe there are great advantages in cooperation whenever possible in practice. This is why AP6 and the other AP funds will be coordinating the way we report the carbon footprints of our investment portfolios.

The aim is to increase transparency and make it easier to evaluate the AP funds' efforts concerning climate change, and also

to encourage more investors to report their carbon footprints.

INTERESTING FUTURE PROSPECTS

Given our well-established and partly unique market position in an attractive asset class, and with a very strong balance sheet, we are confident in the outlook for the coming years. Of course there are signs that urge caution. There is no shortage of liquidity and it is very important to maintain price discipline with regard to new acquisitions. Many new private equity funds have been fundraising recently and many have been significantly oversubscribed, that is, there has been more interest from investors than there is space for in the funds.

On the strength of our considerable experience, we are convinced that an even pace of investment over the years, together with assured access to liquidity, are important factors for success for long-term investors in unlisted assets.

We believe we are in a good position from which to continue to manage public pension assets within our specialist segment. We have the resources to support our investments and are in a state of readiness to implement interesting acquisitions. This points towards us continuing to create value for Swedish pensioners, who are our ultimate clients and owners.

Gothenburg, February 2016

Karl Swartling
Managing Director, Sixth AP Fund



Unlisted companies:

An attractive asset class, which AP6 specialises in

The Sixth AP Fund (AP6) is the only one of the AP funds to specialise in unlisted companies. These companies are an attractive asset class, which are attracting interest from a growing number of international pension funds.

Investing in unlisted companies is very different from investing in listed shares or fixed income instruments. It requires a different kind of competence and a different way of exercising ownership influence.

Internationally research shows that investments in unlisted assets (private equity) are an efficient form of ownership. Research also shows that sectors in which this form of ownership is more prevalent show higher growth over time. According to international studies, this asset class is the largest contributor to additional rates of return for large pension funds. AP6's mandate is to invest in this asset class.

International pension fund managers' approach to investments in unlisted assets have developed over time and are continuing to do so. The trend has been moving from passive strategies, such as investments via fund of funds, to a more active approach involving investments directly in private equity funds as well as direct investments in companies.

AP6 SPEARHEADING DEVELOPMENT

AP6 is at the forefront of this development internationally, and has long-established processes and routines for active ownership of unlisted holdings. Investing in unlisted assets is a knowledge-intensive activity that requires specialist skills, and it is relatively resource-intensive compared with other forms of asset management.

There are several reasons for this. The fund manager must have the collective skills to assess widely different investment opportunities in order to make well balanced investments based on risk and expected rates of return.

Working with these types of investments involves the integration of a number

of specialist skills, such as financing, valuation, commercial law and sustainability analyses. It also requires experience of different kinds of industry sectors. A single investment decision is preceded by months of analysis.

Unlike listed companies, where it is possible to measure the value every day through the share price, the value of unlisted companies is determined by the market only when there is a change in ownership. This can take several years, sometimes ten years or more.

While in the case of listed companies there is a wealth of available information, from quarterly reports to analyses by various financial players, investors in unlisted companies, such as AP6, must by and large do this work themselves. The ability to perform such work requires experience of investing and a well developed capacity for analysis.

The more investments that are analysed and implemented, the greater the ability to make commercial decisions. AP6 has been investing in unlisted companies for nearly 20 years.

The organisation's extensive experience has enabled it to develop wide-ranging analysis and assessment procedures. Unlike listed companies, which may have thousands of shareholders, unlisted companies

often only have a handful of owners.

Owners of listed companies are in principle able to buy and sell shares at any time. In the case of unlisted companies, this is impossible to do in practice.

In these companies, it is the owner or owners who decide if and to whom they would like to sell. The same applies when a new owner is looking to buy into the company.

FEW OWNERS AND A COMMON AGENDA

As one of thousands of owners in a listed company, an investor does not necessarily have to share the views or values of other shareholders. In an unlisted company this is essential. In principle, a shared vision by the owners is the deciding factor in whether an unlisted company is able to function well and develop in the right direction. It is these special conditions that apply to unlisted companies that account for much of the strength and success when it comes to value creation. Few owners, a shared agenda, short decision-making paths and clear follow-up. These are the factors that create very good conditions for active corporate governance, and are some of the main reasons why this form of ownership is so effective when it comes to value creation. All in all, unlisted investments are regarded as an



The special conditions that apply to unlisted companies are the very factors that account for much of the strength and success when it comes to value creation.

» **This type of cooperation gives us, as pension fund managers, access to investment opportunities that it would otherwise be unrealistic for us to access on our own.**

Investment process

The work involved in screening a potential investment consists of conducting a number of different analyses and evaluations. This process usually takes from a month or two up to a year. It all depends on the type of investment involved and how many analyses and evaluations are required in order to present solid supporting evidence to AP6's investment committee. The project group working on the supporting evidence is invited to an examination, complete with questioning, based on the material submitted. Generally, project groups are invited to an examination by the investment committee at various stages of the process, as fact-finding progresses, analyses are updated with new information and questions are answered. The Managing Director provides information on ongoing projects to AP6's Board of Directors, which takes a decision on all major investments.

It is important to AP6 that all cooperation partners are familiar with AP6's core values. These values and approaches are described in our Code of Conduct.

Screening of a potential investment always consists of three parts: financial issues, legal issues and sustainability..

As a state-owned pension fund manager, AP6 clearly communicates its position with regard to business matters, ethics, openness and its view on sustainability when AP6 makes contact with a potential cooperation partner.

attractive asset type; stable, and with value creation that beats the stock market for long periods at a time. This explains why it is predominantly pension assets that tend to gravitate towards unlisted companies.

Given these special conditions and requirements, AP6 has established itself as an experienced investor in unlisted companies. AP6 is seen as an attractive cooperation partner among various players in this asset class. In its role as a state-owned pension fund manager, AP6 combines both financial resources, a long-term investment horizon and an approach to ownership that focuses on responsibility and longevity.

DIRECTLY AND INDIRECTLY

AP6's investment strategy is built on the strength derived from being able to invest both directly in unlisted companies and indirectly via external private equity funds. Investments in companies are when AP6, together with experienced financial and industrial players, invests directly in mature companies with growth potential. AP6 receives an ownership interest in the company and often takes a seat on the board. Fund investments are when AP6

invests indirectly in unlisted companies via private equity firms.

AP6 becomes a limited partner in the private equity fund that subsequently chooses a number of companies to invest in. In these cases, AP6 does not have ownership interests in the companies themselves.

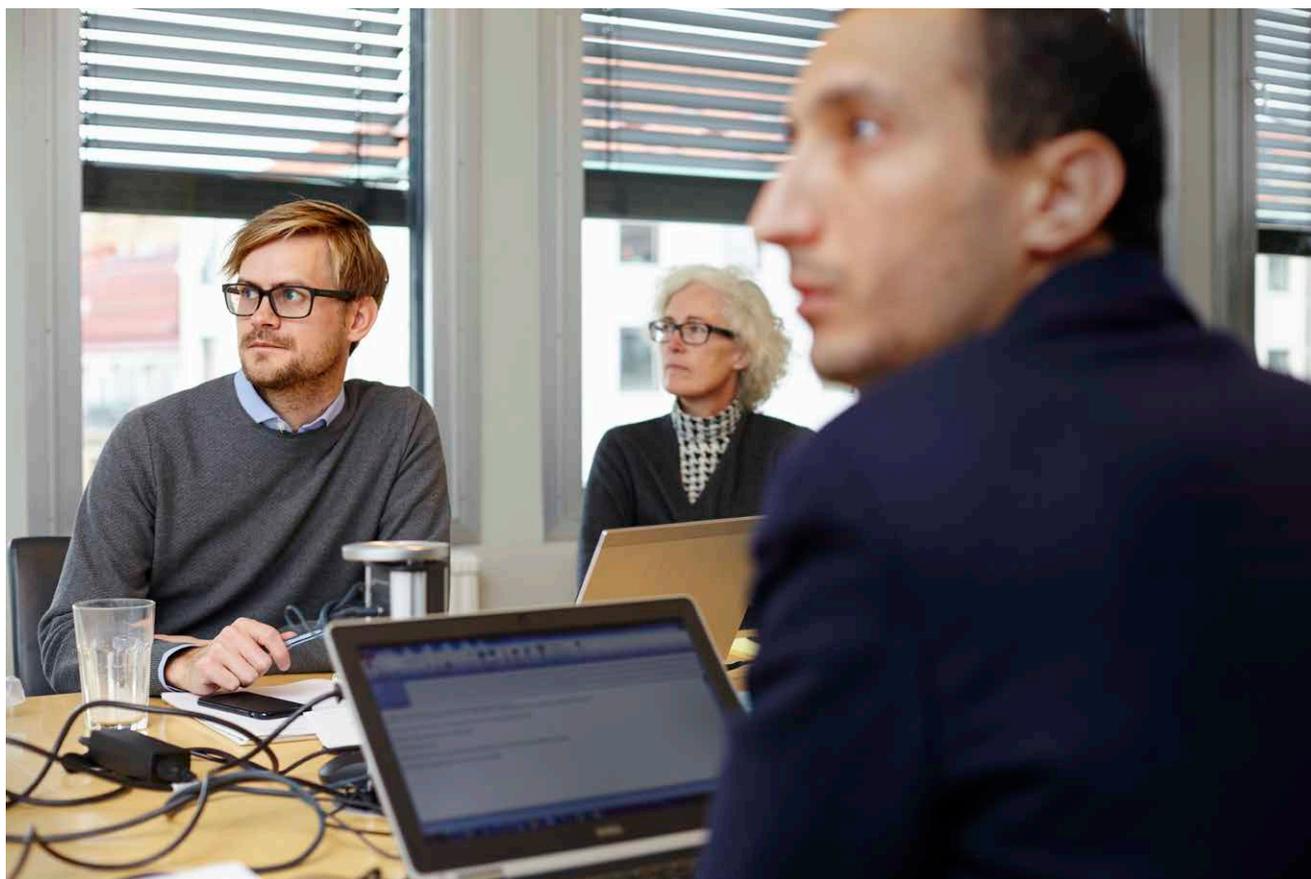
ADVANTAGES OF COMBINED APPROACH

As we have already pointed out, the international trend is towards an increased proportion of direct investments among leading pension fund managers. Since launch, AP6 has been combining its role as a direct investor with commitments to external funds. Based on our vast experience, we see strong synergies between these two investment forms.

The combined approach has the following advantages:

- Better access to attractive investment opportunities
- Stronger position from which to place demands on our cooperation partners
- The opportunity to be more flexible in





optimising the total portfolio of holdings

- Lower average management costs, since direct investments do not involve any external fees

ADVANTAGES OF CO-INVESTMENTS FOR AP6

In our cooperation with the private equity funds we have invested in, we are actively looking for opportunities for so-called co-investments.

This means that we make parallel investments in companies that one of our funds has identified, analysed and acquired. This type of cooperation gives us, as pension fund managers, access to investment opportunities that would otherwise realistically be beyond our reach. Furthermore, this access comes at a relatively low cost.

AP6's organisation has a lot of experience of analysing and assessing investments in unlisted companies, and it always takes its own, active decisions concerning such investments. Cooperation with private equity firms does, however, give us access

to detailed analyses that we can use as a starting point.

Actual investments are then made without any external management costs or profit sharing. By systematically working with this type of investment, we are able to lower the average external management cost for the total amount of capital employed via cooperation with a specific fund.

However, in order to qualify for such investments, several conditions and requirements have to be met. A very important aspect is that investors must have the competence and experience required to make their own direct investments. This means an organisation like AP6 is more than qualified.

In order to be able to handle the frequently brief and intensive process that this type of transaction involves, it is an essential requirement that prospective investors have experience of making direct investments. Most investors normally only invest in private equity funds and therefore do not have this type of experience. Those, like AP6, who have such competence,

receive all the more offers and can therefore generate higher returns.

ACTIVE CORPORATE GOVERNANCE

As a state-owned pension fund manager with a mandate to invest in unlisted companies, AP6 should, and must, shoulder its responsibility as owner. This can take several forms, but common to all is that AP6 always tries to have influence, regardless of the type or size of investment. At the core of this approach are the processes for active corporate governance that AP6 has developed over the years.

A direct ownership interest in a company, which often involves AP6 taking a seat on the board, offers plenty of scope for control. One way is through an ownership plan for the company. This outlines the way in which AP6, together with other owners, is looking to increase the value of the company.

The ownership plan comprises both financial measures and sustainability measures. Indirect ownership via private equity funds means that AP6 does not have

an ownership interest in the companies in which the fund is invested, but only in the private equity fund itself. AP6's demands are therefore aimed at the fund. When entering into an investment agreement, AP6 makes clear its requirements and wishes regarding matters such as terms and conditions of contract but also requirements concerning sustainability efforts.

AP6 always seeks to obtain a seat on the fund's advisory committee, which consists of the largest investors in a private equity fund. Membership of the advisory committee gives AP6 a better opportunity for insight into, and information about, how the private equity fund works with the companies it invests in. On the basis of this knowledge, AP6 is better able to drive certain issues and make demands. AP6 follows up the individual companies in the fund. Whenever there is an indication that individual companies do not meet AP6's expectations regarding sustainability, for instance, AP6 routinely asks for information about the situation and about the measures the private equity fund is planning to take. It then follows this up in order to ensure that the private equity fund's proposals for improvements have produced results. ◀

Annual return for the period 1996–2015*

	Direct investments	Fund investments
Buyout (mature companies)	Accumulated profit/loss: SEK 9.6 billion	Accumulated profit/loss: SEK 6.8 billion
	Annual return: 15.4 %	Annual return: 14.7 %
Venture capital (early phase)	Accumulerat resultat: SEK -4.1 billion	Accumulerat resultat: SEK -0.6 billion
	Annual return: -14.9 %	Annual return: -2.0 %

Information: Liquidity management investments are excluded.
* Return on unlisted investments.



The point of having a dual approach is that AP6 not only gets access to more attractive investment opportunities than it would otherwise have done, but also that it is able to cut costs.

The Sixth Swedish National Pension (AP) Fund Act

AP6's mandate was decided by Parliament and is described in the Sixth Swedish National Pension (AP) Fund Act (2000:193). The Act defines the objectives of the investing activities. In brief, these are:

Investing in unlisted companies

- AP6 should, within the framework of what is beneficial for the safeguarding of earnings-related retirement pensions, manage the capital it has been entrusted with by investing in the private equity market, that is, in unlisted companies.

Longer time horizon than for listed companies

- The money should be invested in such a way as to meet requirements for high returns in the long term. Investors in unlisted companies generally require a longer time horizon and greater financial stamina compared with investments in listed shares. Generally, it also takes longer to acquire, create value in, and dispose of unlisted companies. As a result, returns must be measured over a longer time period.

Spreading the risk

- Funds must be invested in such a way that the requirements for adequate diversification of risk are met. This means diversification of the portfolio with regard to company size, geographical location and industry sector.

Strategy approved by the Board of Directors

- The Board must set detailed objectives for AP6's investing activities. Since 2011, the Board has decided that the strategic investment approach should focus on more mature companies with positive cash flows and strong growth potential.

Closed fund

- AP6 is a so-called closed fund. This means that AP6 does not have any ongoing inflows or outflows of capital linked to the rest of the pension system. It follows that AP6 must be able to manage both costs and new investments using the capital originally allocated to it, together with the profits generated over the years.

Sustainability is an integral part of AP6's investments

The framework for sustainability is based on the UN initiative for responsible investments. This concept is put into practice every day in AP6's holdings. AP6 uses its own models and methods to measure target fulfilment and deviations



AP6 opted for a model of integrated sustainability at an early stage. What this means is that sustainability is handled as an integral part of investing activities. Investing activities involve taking and implementing decisions that have direct consequences for companies and funds. It is therefore obvious that this part of the organisation should also manage sustainability AP6's views on, and approach to, sustainability is based on the Code of Conduct adopted by the Board of Directors. AP6 does not see a conflict between sustainable investments and the requirement to generate returns. On the contrary, AP6 regards sustainability as a condition for being able to achieve good returns in the long term. As a result, work involving sustainability – both opportunities and risks – has been incorporated into investing

activities. This has been done in order to avoid an organisational structure where sustainability is dealt with as a side issue.

The starting point for AP6 is that sustainability efforts need to be continuously developed and improved. AP6 takes a structured approach to sustainability, particularly with regard to standards and follow-up. By signing up to and adhering to the United Nations Principles for Responsible Investment (UNPRI) and the United Nations Global Compact, AP6 has undertaken to ensure that sustainability is always present in everyday activities.

SIGNATORY TO CDP

– Carbon Disclosure Project – which in brief means that AP6 supports the CDP initiative and recommendation that more companies should measure and disclose their carbon footprint.

This is something that previously applied only to listed companies. Such regulations and methods have not been developed for unlisted companies. But in its role as an investor in unlisted companies, AP6 nonetheless decided in 2014 to start measuring the carbon footprint of its investments. As a result, AP6 was able to conduct its first climate change assessment. This was developed and expanded in 2015. In 2015, AP6 and the other AP Funds agreed to coordinate their carbon footprint reporting. Given its focus on responsible investments, AP6 has since 2013 prepared a sustainability report, a so-called Global Reporting Initiative (GRI) report, for its own activities.

RESPONSIBILITIES AND OPPORTUNITIES

AP6 In its role as a state-owned investor of pension assets, AP6 has both a responsibility and an opportunity to set standards relating to sustainability efforts in its investing activities. At heart, this is about generating returns for pensioners by making sustainable and responsible investments. This means that AP6's investments must be able to grow and generate returns through efficient use of resources, minimal impact on the environment and by promoting social development and fair labour standards.

AP6 must never act in a way that risks damaging public confidence in its management of pension assets. In its role as a fund manager in charge of public pension assets, and as a state-owned authority, AP6 should be a standard-bearer when it comes to ethics and sustainability, and should actively encourage cooperation partners and holdings to work on these issues. ◀



Company Investments and Fund Investments:

A combination that opens doors and lowers costs

We find that private equity firms we come into contact with are much more interested in cooperation when they learn that AP6 does not just have a team working with investments in private equity funds, but also a dedicated team for investments in companies,” says Karl Falk, Head of Fund Investments at AP6.

Together with his colleagues, he meets with a large number of private equity firms every year. Some are firms that AP6 has been cooperating with for many years, while others are new to AP6. What both categories have in common is that many are increasingly interested in expanding their cooperation with AP6 because of the fund manager’s unique combination

of being able to invest in both private equity funds and companies. What usually happens is that a private equity firm is looking for what could best be described as fleet-footed co-investors. These are investors such as AP6, which have already invested in a private equity fund and are now being offered the opportunity to also invest directly in one of the companies in

◀ Mats Lindahl and Karl Falk, Head of Company Investments and Fund Investments respectively. Thanks to the dual approach of AP6's investment organisation, the number of investment opportunities is increased. In the case of co-investments, this means that the cost of each Swedish krona of capital employed is reduced.

which the fund is invested.

When this happens, it is often a case of the private equity fund having identified an interesting company but more investors are needed.

The advantage to players like AP6 is that they are able to invest in a very attractive company for which a thorough analysis has already been carried out by the private equity firm, without incurring any fees. This reduces the cost per Swedish krona of capital employed with regard to AP6's total involvement in that specific fund.

The advantage to the private equity fund is that it can quickly solve the issue

of financing for a large and attractive company which the private equity fund does not wish to, or is not able to, finance on its own.

However, co-investments are conditional on the investors participating in such investments having the necessary experience, routines and ability to conduct analyses that are required for unlisted companies. Many investors making investments in private equity funds focus primarily on this segment, and therefore quite naturally do not have an organisation that focuses on analysing and screening unlisted companies. This category is also markedly different from listed companies, which are traded on the stock market and are required to publish information about themselves.

This is where AP6's Company Investments team enters the picture.

"We have well-functioning due diligence processes that we have developed over several years and which are used to screen companies worth everything from a few hundred million to several billion Swedish kronor. This is the competence we are able to draw on when we are invited to participate in a co-investment," says Mats Lindahl, Head of Company Investments at AP6.

In addition, AP6 has a well-established decision-making process and the tools to manage investments in both private equity funds and companies.

"Obviously there are many cases of investors expressing an interest but then falling at the last hurdle. Often this is because they have a different investment direction and a different focus than investing directly in unlisted companies," says Karl Falk.

COOPERATION WITH GENERAL PARTNERS

Further evidence of the attraction of AP6's dual approach involving investments via both private equity funds and directly in companies lies in the cooperation with General Partners in which AP6 is not an active investor. These are private equity firms which are looking to cooperate with AP6 in order to identify interesting companies. They are really looking to gain access to AP6's competence with regard to investments in companies.

"They turn to AP6 because they know we

also invest in companies. We are seeing increased interest in this type of cooperation," says Mats Lindahl.

Together, Company Investments and Fund Investments have built up structural capital within a number of sectors. Aside from the co-investments mentioned above, this includes ownership control, corporate governance and sustainability issues. The experience AP6 has gained through direct ownership of unlisted companies is harnessed to drive issues such as sustainability and transparency with regard to private equity funds.

With regard to companies, AP6's ownership often entitles it to a seat on the board, giving it a platform from which to take action together with other owners. With regard to funds, AP6 is a member of the so-called advisory committee in most private equity funds in which it is a major investor. The committee's function could be described as being to act as a forum for various issues and to provide feedback on important issues that concern both private equity funds and investors.

SHORT RUN-UP

The combination of investing in both companies and private equity funds benefits not only AP6 but also new and existing cooperation partners.

"It is clear that our cooperation partners feel secure in the knowledge that AP6 has professional investment teams for both private equity funds and companies. This means that discussions on a variety of topics are never outside our knowledge range. On the contrary, we feel that many are getting in touch to test out different ideas," says Karl Falk.

Another thing that many partners regard as positive is the predictability that comes from AP6's ability to invest in both segments.

"We can see run-ups getting shorter even with new partners. This is because they have understood that we can take either approach, which speeds up the whole process, and there is more trust and fewer misunderstandings than may be the case with two players who have not previously worked with each other. They know that AP6's investment organisation cooperates and takes the same approach when it comes to problems and opportunities," says Mats Lindahl. ◀

EQT values the AP6's expertise to invest in two ways

FEATURE >> AP6 has a long history of investing in various funds in the private equity group EQT. In addition to investments in private equity funds, the cooperation with EQT includes co-investments in individual companies. One such co-investment in 2015 was the investment in Sivantos, which was carried out in partnership with EQT VI, a private equity fund in which AP6 is also an investor.

EQT knows the kind of companies that AP6 is interested in and the level at which it is willing to invest. The same applies to AP6, which is very familiar with EQT's way of working and the expectations placed on co-investors.

"EQT always wants to get to know and understand their cooperation partners. The longer our history together, the better. This is a case of mutual knowledge, which is a prerequisite of good cooperation," says Christian Sinding, who is a Partner and Deputy Managing Partner at EQT Partners AB and Head of EQT Equity.

He tells that in the case of Sivantos – formerly known as Siemens Audiology Solutions – this was a company that he and his colleagues had been following for many years. Their analyses pointed to a well-managed company with plenty of

scope for additional value creation.. Several attempts were made at an acquisition, but for various reasons this never happened. "Finally, the opportunity to invest in the company arose, and we felt that we finally had the chance. Competition was stiff and we had to act quickly," says Christian Sinding.

EVERYONE BENEFITS

In the case of larger acquisitions, such as Sivantos, the private equity fund usually invites partners to participate in so-called co-investments. This means that the fund acquires the company, but offers EQT's investors the opportunity to make additional investments directly in the company, bypassing the private equity fund and without paying any fees. The fee that AP6 would ordinarily pay in order to invest in a fund such as EQT VI represents remuneration for the work that EQT has put into identifying and analysing potential acquisitions and developing the companies that have been acquired. When the companies are eventually sold, gains are distributed in proportion to the investment each investor has made in the fund.

Against this background, a co-investment benefits both the private equity fund and the investors. For the private equity fund, the benefit lies in being able to undertake larger acquisitions, while for investors, the benefit stems from reduced total costs per Swedish krona invested, and consequently higher returns.

DISCIPLINED PROCESS

In general, regardless of the private equity

firm involved, the players who, like AP6, are invited to make a co-investment must fulfil a number of requirements. In terms of the process, there is a schedule that must be adhered to. All the actors involved must be able to deliver on schedule. Co-investors invited to participate must have the procedures in place to enable their own organisations to keep up with all the other players.

A co-investment can be likened to a direct investment in an unlisted company, even though in the case of co-investments, the private equity fund in question is the formal owner. This is an advantage for co-investors who have experience and knowledge of direct investments in unlisted companies.

AP6 EXPERTS IN COMPANY INVESTMENTS

AP6 has a great advantage in that it has resources dedicated to investments in unlisted companies. Analysis tools and documented processes for assessing a company's ability to continue to create value already exist in AP6's organisation. This means that AP6 is quickly able to identify a number of key questions to put to the private equity firm.

"In the case of Sivantos, there was a schedule for the implementation. This meant that it was important for EQT that the partners invited to participate as co-investors were able to quickly digest information about the company and get back to us with feedback and questions. Of course investors must be given time to make a decision, but we prefer it if questions are



▲ Tough demands from users have resulted in products that are suitable for long-term use, thanks to the fact that they can be recharged at night.



◀ The market for different forms of hearing aids is growing in line with the rise in the number of elderly people. In addition, there is a general increase in demand for various forms of protection and aids related to hearing.

specific and are put as early as possible,” says Christian Sinding.

He explained that EQT knows from experience which investors are interested in which companies, and how much capital each investor would prefer to contribute for co-investments. EQT also takes into account the fact that different investors have a different focus. An investor that invests only in private equity funds may need a longer run-up to prepare for a co-investment. This could involve hiring an external consultant to carry out analyses and evaluations. All of this takes time.

REQUIREMENTS OF CO-INVESTORS

From EQT’s point of view, in addition to investors respecting the process and schedule, it is important that all communication is clear and straightforward. While there is always the potential for something unexpected to occur, it is important that everyone flags up any obstacles and bottlenecks.

“It is important that promises are kept. We have a network of investors who are quick and reliable. Among them is AP6,

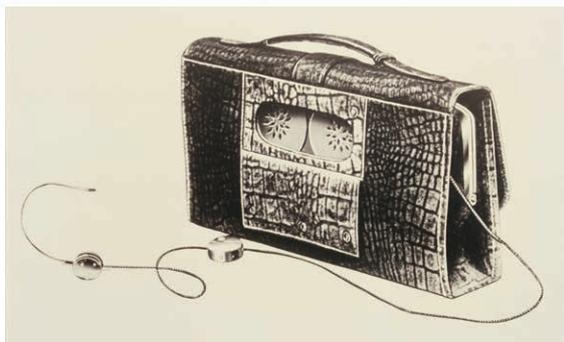
which is perfectly able to defend its place well,” says Christian Sinding.

In the relatively short time that Sivantos has been a holding, the company has performed very well. For Christian Sinding and his colleagues, this is in line with expectations, given the analysis that they carried out long before the acquisition.

“You could say that our analysis identified a number of golden nuggets. Since EQT became the owner of the company, it has turned out that these golden nuggets are hiding in every corner. This has been extremely positive for us and for our investors,” says Christian Sinding. ◀



Christian Sinding is a Partner and Deputy Managing Partner at EQT Partners AB and Head of EQT Equity. ◀



AP6 and EQT

“AP6 has received a high return on its investments. EQT’s various private equity fund teams are characterised by predictability, thoroughness and professionalism,” says Karl Falk, Head of AP6’s Fund Investments.

“Long-term relationships, where we get to know our cooperation partners and understand how they think and act, are crucial when we come to making a decision on whether to invest in a fund or not. That is why we

value our relationship with EQT. Over the years, the long-term cooperation between AP6 and EQT has among other things resulted in co-investments. In addition to Sivantos, in 2015 AP6 also carried out a co-investment in Bureau van Dijk, a company that specialises in supplying facts and information about private companies.

Bridgepoint is a private equity fund that sees opportunities even when in a low-growth environment

FEATURE >> *Bridgepoint is focused on buyout investments in medium-sized companies and believes the current low growth in Europe represents an opportunity. Bridgepoint has for a long time been focusing specifically on companies with potential for growth, even in economically challenging conditions.*

We believe that our focus on medium-sized companies gives us an opportunity to discover investments even in an environment of moderate growth. In these conditions it is possible to discern which companies are able to influence their development even in challenging conditions. These could be companies which have found a niche to operate in and which we identify as being well-managed,” says William Jackson, Managing Partner at Bridgepoint.

AP6 met with William Jackson in Pret A Manger’s head office, which is located in the same building as Victoria Station in London. The interior is dominated by the same colours and patterns that have been used since the founders opened the first restaurant in this area in the mid-1980s. William Jackson is Chairman of the Board of Pret A Manger, and he has just finished a board meeting. Among the items on the agenda were a number of new foods to test. “One was a very nice burrito. But many more tests remain to be done before a

decision is taken on which foods will eventually be sold to customers. It is a privilege to be able to work with a company whose management and staff are so professional and dedicated. We are constantly learning new things as a result of our investment in Pret A Manger,” says William Jackson.

AUTHENTIC INGREDIENTS ON SITE

The Pret A Manger concept has remained unchanged and also been developed – people looking for take-away food that is not a hamburger should quickly and easily be able to find something tasty to eat. The food is prepared in store, using natural and fresh ingredients. Already at an early stage, the company was offering food prepared from fresh ingredients, a concept that would later become more commonplace.

Pret A Manger’s philosophy today encompasses organic foods and a commitment to improved labour conditions for farmers and others working with raw ingredients. Any unsold food at the end of the day is donated to charity, rather than being thrown away.

Even though the company today is far from alone in offering healthy products, it has managed to continue to grow. One explanation for this is that Bridgepoint, together with management, has deliberately continued to develop and strengthen the company’s unique brand. One of the founders is still on board and the current managing director has been with the company for around ten years.

AP6 and Bridgepoint

AP6 and Bridgepoint have entered into broad cooperation, which in addition to commitments to investments via private equity funds also includes possible co-investments. The background to this is that both parties see strategic value in a long-term relationship.

The aim is to utilise the respective networks and the various opportunities for interesting investments that can be created.

“We consider Bridgepoint to be a strategically important partner in terms of the opportunities for interesting investments in both private equity funds and via co-investments,” said Karl Falk, Head of AP6’s Fund Investments.

Bridgepoint has a well-developed network and a tried and tested strategy for identifying and creating value in well-managed companies that are ready for the next phase in their development.

“AP6 has a long history as an investor in unlisted assets. This approach and the fact that AP6 is based in Scandinavia and manages state-owned pension assets makes the fund manager very interesting to us,” said William Jackson, Managing Partner at Bridgepoint.

AP6 has committed capital to Bridgepoint Europe V, which is a new private equity fund in AP6’s portfolio.



▲ William Jackson, Managing Partner at Bridgepoint and Karl Falk, Head of Fund Investments at AP6, during a meeting at Pret A Manger's head office in London.

“This is a typical example of our strategy, I would say. When we invest, we of course want to make improvements and changes. We are very clear about this and we are very forthright in demanding changes and improvements. However, the essence of the company must not be forgotten. This is the very thing that attracted us to the company and made us decide to invest,” says William Jackson.

Like many other companies, Pret A Manger at first showed very modest growth. It took around ten years to establish as many restaurants. When Bridgepoint decided to invest in the company in 2008, the chain had fewer than 200 restaurants, primarily in the UK. Today, it comprises nearly 400 restaurants, in many different countries and continents.

IMPORTANCE OF GROWTH

When William Jackson talks about what Bridgepoint is looking for and what the group analyses when it comes to potential investment objects, he always comes back to the importance of growth. Bridgepoint is consistently seeking to generate returns for its investors by identifying and investing in companies which are able to and have the potential to grow. This takes place through development, organic growth and by improving the business idea. In other words, Bridgepoint is not the kind of investor which is looking to buy up debt-ridden companies for the purpose of restructuring them.

“It is of course possible to make money this way too, and there are people who do this very well. But that is not our philos-

ophy. Our entire strategy is focused on growth. We want companies to grow, and the companies' customer bases to grow with them. Also, finally, that the environment and world in which the company operates should grow. As a result of our strategy, our investments have helped create new jobs. The companies in which our fourth fund is invested have increased their number of employees from a total of 45,000 to 58,000 in the last five years. This is how we want to continue to operate. We do not believe in creating growth simply by raising prices,” says William Jackson. ◀

Salcomp – energy-efficient chargers for demanding global customers

FEATURE >> *In its role as a global manufacturer of chargers, Salcomp's skills are constantly being put to the test by ever changing demands from customers. Customers include the world's leading suppliers of mobile phones, tablets and computers. As products become increasingly complex and energy-intensive, demand is growing for chargers that are able to charge various different products quickly and in an energy-efficient way. As a global company, Salcomp must be able to handle the opportunities and challenges that come from having production in different parts of the world.*

Being able to manufacture energy-efficient products is for us both a competitive advantage and a matter of survival," says Jarkko Korhonen, Head of Global Quality and Environment, Health and Safety Processes at Salcomp.

He has been working at the company since the millennium and regularly visits the company's various plants and customers all over the world. For Jarkko Korhonen and his colleagues, the concepts of quality and sustainability cover everything from customer relations and products to personnel policies.

Salcomp counts several global leaders in mobile phones and telecommunications among its customers. These include Samsung, Microsoft, LG, Sony, Lenovo, Huawei, ZTE, TCL/Alcatel, Vivo, Meizu and Asus to name but a few.

As new models are developed, customers send over updated product specifications. A general basic requirement is that the chargers must be energy-efficient, both when in use and when in standby mode. But Salcomp also has to rise to the challenge presented by the fact that many products are far more advanced and energy-intensive than their predecessors.

The trend is towards more advanced products which use considerably more energy than the ones on the market just a few years ago.

In order to manage costs and to avoid having too many models in production, Salcomp has chosen to produce a standard model based on the toughest standards.



Jarkko Korhonen,
Head of Global
Quality and Environ-
ment, Health and
Safety Processes at
Salcomp.



"Our largest customers require top quality chargers. This is our starting point when we develop our model programme," says Jarkko Korhonen.

LONG LIST OF REQUIREMENTS FOR SUSTAINABLE PRODUCTION

Apart from technical specifications, there is a long list of requirements associated with sustainability issues. Salcomp has prepared a 30-page document defining the type of sustainability standards that should apply to production. This includes specific requirements with regard to different materials and raw materials. Some are prohibited and must not be purchased, while others are permitted, but only in certain product components.

The minerals tin, tantalum, tungsten and gold are known as conflict minerals because mining thereof supports armed conflict. These minerals are partly mined in Congo-Kinshasa and neighbouring countries, where the money from mining is used by local warlords and groups to finance ongoing conflicts. US legislation requires listed companies which use these minerals to disclose where they purchased

them. The EU is in the process of introducing similar regulations. Salcomp has issued clear instructions which show the kind of controls that should be performed by the company's own staff. There are requirements that suppliers must meet when it comes to establishing the origins of minerals. If the buying process includes sub-suppliers, information about them must be reported to Salcomp's central administration. Additionally, there are requirements to ensure that suppliers are aware of, and meet, the standards imposed by Salcomp.

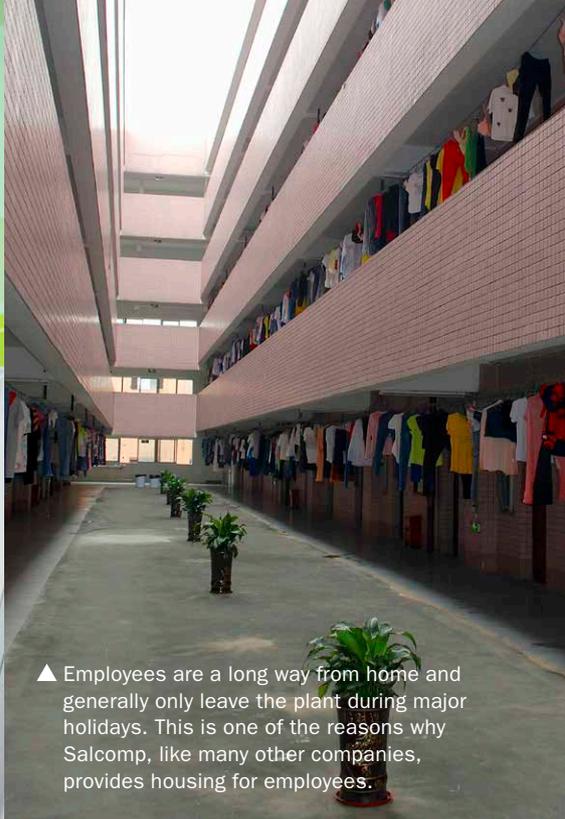
The company also has a rule according to which all minerals that directly or indirectly contribute to making a conflict worse are prohibited. There are detailed instructions on how staff should act if a problem arises and the supplier has not prepared a plan of action to deal with such problems. If there is no improvement or if little or no action is taken, Salcomp has issued instructions for staff to terminate the business relationship with the supplier in question.

PERSONNEL POLICIES BASED ON LOCAL CONDITIONS

Manufacturing plants in Europe are generally considered to be highly automated. There is therefore a considerable difference between these plants and Salcomp's plants in Brazil, India and China. Production at those plants involves a high degree of manual labour, and the work is very labour-intensive. It follows from this that the way that the work is managed and organised is



▲ Quality control of chargers at the plant in Shenzhen in China.



▲ Employees are a long way from home and generally only leave the plant during major holidays. This is one of the reasons why Salcomp, like many other companies, provides housing for employees.

subject to considerable and very different demands. Qualities that are required are to be observant, clear and empathetic.

There are many differences between the plants in the three countries in terms of workforce composition, length of service and the relationship between the employer and the employees. This means that it is not just the management and organisation of work that has to be adapted. The management of the respective production units must also be perceptive and be aware of local conditions and needs. An example of this is that in China, the workforce lives in onsite accommodation provided by Salcomp, while in India, the company arranges for employees to be picked up from local villages.

Altogether, this has resulted in a commitment on the part of Salcomp that extends beyond the actual workplace and working hours. For Salcomp, this is the reality of being a foreign employer.

“We must never forget that we are competing with domestic employers. It is essential for Salcomp to have good knowledge about local customs and traditions. Otherwise we risk losing workers and we

would find it difficult to recruit in future,” says Jarkko Korhonen.

SHENZHEN, KINA

Competition for labour in present-day China is tough. People often move from one employer to another. There is nothing strange about this, and in fact it is almost more of a rule than an exception. Sometimes all it takes for employees to decide to move jobs is for a nearby factory to offer slightly higher wages.

The plant in Shenzhen is Salcomp’s largest plant. It produces adapters and chargers for a wide range of different mobile phones, tablets and eReaders, laptops, notebooks, digital video cameras, digital photo frames, wireless telephones for landline telephone networks, docking stations for wireless charging, LED units and external batteries.

The workforce at the Shenzhen plant is relatively young, with most workers in their 20s. The average time a worker stays at the plant is one to two years. Thereafter they leave in order to return to their home town or village. They then stay away for about the same length of time they worked at the plant. After that, a number of them

decide to return to the workplace. Others choose to move to another employer in a neighbouring region or in another part of the country. The reason might be that they want to be closer to their home town or village, or they have simply decided to find a job in a different industry sector.

“The biggest challenge for management is therefore how to persuade them to come back and work for us,” says Jarkko Korhonen.

In cases where former workers return to the area where Salcomp’s plant is located, it is important that Salcomp has treated them in a way that ensures the company is regarded as an attractive employer.

In addition to salary and employment terms and conditions, it is possible to influence the workforce’s opinion of the employer by offering various activities after working hours. The reason for this is that employees don’t go home either during the week or at weekends. Management instead tries to make life as pleasant as possible for employees, for instance by organising various events and activities. This could involve showing a film or arranging various types of social events.

MANAUS, BRASILIEN

The Brazilian plant manufactures batteries, transformers, data cables, chargers, laptop and notebook adapters, units for business

» **...this has resulted in a commitment on the part of Salcomp that extends beyond the actual workplace and working hours.**



▲ In Manaus in Brazil, many workers have worked at the plant for a long time. This is reflected in a large commitment to workplace issues. In order to avoid stiffness and strain injuries, the plant schedule includes gymnastics. For instance, staff give each other a shoulder massage.



▲ The Brazilian plant manufactures batteries, transformers, data cables, chargers and adapters for computers, etc.

systems, and a number of other electronic products.

The workforce comprises both men and women. Many are middle-aged or older. This category includes workers who have worked at the plant for a long time, maybe as long as ten years. In most cases employees have families to support. When it comes to working hours, there is plenty of scope for flexible production, since many staff want to work different shifts, including night shifts.

The plant in Manaus has its own local bank branch where workers can withdraw their salary and do their banking. Aside from the fact that it is practical and handy for staff to have access to these services, there is also a security aspect to this service. It is quite simply safer for staff to do their banking at the Salcomp site. The company is also to some extent involved in public health activities. This takes the form of information and courses, among other things. Staff are also offered help and support in the event of serious accidents or death involving family members or rel-

atives. The Manaus plant has a sports field where workers can play Futsal, a version of football. It is primarily used by female workers, some of whom have formed a ladies' team. The team has achieved some success nationally, and has also won several international accolades.

CHENNAI, INDIEN

The plant in Chennai focuses primarily on production of chargers for mobile phones for the domestic market, but also for export. In addition to chargers, the plant also makes data cables and transformers. The workforce mostly comprises women aged 18–22. The reason for this is that this is the age range in which the majority of women in this part of country are able to go to work outside the home.

It is only once a woman turns 18 that it is considered appropriate for her to take a job outside the home. Usually women get married and start a family aged 22–24. After that it is very unusual for the women to continue in their former employment. For Salcomp to be able to employ women,

they therefore have to be in the age range 18–22. Salcomp has taken a conscious decision to offer employment and internal training to women, as a way of empowering them and improving their position in society.

“It has become increasingly acceptable for young women to start working for Salcomp as their first job. Having a job outside the home and earning a salary improves the status of these women and the way they are viewed by society, since they are helping to provide for the family,” says Jarkko Korhonen.

Almost all the employees at the plant live in small villages in rural areas. Travel to and from work can be exhausting and difficult for the employees. Salcomp has come up with a solution to this by organising its own transports between the workers' homes and the workplace. One outcome of this has been that the company has developed a system that makes it possible to plan production for that day while people are travelling to work. The system is based on each employee checking in while she or he steps on the bus. Check-in is done using the company's ID card. As soon as an employee has checked in on the bus, the company knows that the person with that particular competence is on the way to work. More information is added as more

➤➤ **Salcomp has made a conscious decision to offer employment and internal training to women, in order to empower them and strengthen their position in society.**

and more people enter the bus. By the time the buses arrive at the plant, a plan is ready and waiting, showing who should work where and with whom.

Salcomp's presence makes it possible for women to get a job, an income and the chance to develop skills that may be useful in other areas of the labour market. Many are uneducated and Salcomp therefore runs a rolling programme of extensive internal training. This is necessary in order to be able to run the plant. But the company also offers various kinds of vocational training without any direct links to the actual production. This could be anything from embroidery to repairing mobile phones. All of it is aimed at empowering and supporting the women.

"The reason we do this is that all this training provides the women with a number of different skills which they are able to use once they stop working for us. For instance, they could set up a business on their own, alongside raising a family. I would suggest that Salcomp's presence helps support the development of society, particularly with regard to women," says Jarkko Korhonen.

The management of the plant in Chennai has long had a deep commitment to taking various kinds of action in order to be a responsible employer. Primarily, this involves participation in projects operated in partnership with Hand-in-Hand, an international aid organisation. In general terms, there is an expectation that companies, particularly foreign ones, should



▲ Salcomp provides training for staff on a rolling basis. This safeguards required competence for production. A positive outcome is that the position of women is strengthened, since their newfound knowledge can be used outside work in order to improve family finances.

participate in such activities.

But management also sees it as a way of showing respect for its workforce and the society in which Salcomp operates. This commitment can take different forms and covers everything from simple, everyday things such as having a monthly birthday celebration for all employees whose birthdays have fallen in that month, to taking an active part of local community projects

focused on medical care and health care. For instance, care of newborns suffering from various diseases.

"We feel that it is important for us to be committed in various ways and on different levels. The main objective is that our overall commitment in different ways should contribute to the common good," says Jarkko Korhonen. ◀



▲ Salcomp provides transport for staff to and from the workplace. Because all workers check in when they get on the bus, Salcomp is able to plan the day's production activities based on the competence and skills of employees on the bus. On arrival there is a schedule showing the manning for all production at the plant in Chennai.

AP6 och Nordstjernen

AP6 invested in Salcomp in 2013, thereby entering into partnership with Nordstjernen. AP6 holds 45 per cent of the shares, while Nordstjernen is the majority shareholder with 55 per cent.

AP6, which is a state-owned pension fund manager, and Nordstjernen, which is a family-owned investment company, have a very similar outlook on corporate governance, with value creation and sustainability playing a central role. This is essential for cooperation and a requirement for the company to be able to continue to develop successfully.

Ahead of the investment in Salcomp, AP6 carried out an extensive analysis of the business. In addition to financial and legal due diligence, the analysis looked at sustainability issues. AP6's own staff, together with external consultants, visited the plant in Shenzhen in China, which is the largest of the company's plants. The results showed that the company's sustainability efforts were of high quality.

One outcome of the analysis was a number of suggestions for improvements, which have now been implemented. AP6 and Nordstjernen share the same core values with regard to sustainability.

Bokadirekt:

From zero to nearly half a million bookings per month

FEATURE >> *From its origins as a booking site, Bokadirekt is in the process of becoming Sweden's most comprehensive marketplace for all bookings in the areas of health and beauty. Bokadirekt is the official booking system for 30 of the largest trade associations in the health and beauty sector in Sweden. Every month, nearly half a million bookings are made via the site.*

To begin with, it was a struggle. But we were convinced that our analysis of the market was correct," says Christian Fricke, Managing Director of Bokadirekt.

He was recruited in connection with AP6 taking an ownership interest. All the signs were that the analysis carried out by the founder was correct. People who are looking for a hair cut or have problems with their feet or have a back ache all have one thing in common. They want to find a solution quickly and easily. Preferably on the way to work. They want to be able to see at what times there are free appointments. The easiest way to make bookings and cancellations is via a mobile phone or a computer.

"Asking the hair dresser to list all free appointments over the phone is not a good option for most people. People want to choose appointment times themselves," explains Christian Fricke.



As the new managing director he was able to highlight a number of obstacles that had to be overcome. Many of the companies operating in the health and beauty sector are run by self-employed people. None have a receptionist. They want to do their job, no more, no less. However, many find it a challenge to attract customers. Conversely, customers need to be able to find the business, as well as a suitable appointment time.

One thing that Bokadirekt's sales executives were told time and again was that the business owners felt they could break off in the middle of a treatment to answer the telephone. This was called customer contact.

"But nobody had asked the customers paying for the treatment what they thought about it being interrupted," says Christian Fricke.

Self-employed business owners, careful to keep costs down, had not taken into account the cost of cancellations and customers who failed to turn up.

"We felt that we had rational and well-founded arguments, but habits can be difficult to break," says Christian Fricke.

Furthermore, many self-employed business owners preferred working with traditional, non-digital appointment diaries.

"We were told that they were already using digital because they manually entered the appointments into their mobile phones," says Christian Fricke.

Some small business owners felt that

they could just as easily spend the time that had been freed up by cancellations to call up customers, since they were not busy.

UNEXPECTED BREAKTHROUGH

"Computer-averse women aged 50 and over provided us with our breakthrough. Many women in this age group are very skilled and popular podiatrists. Demand exceeds supply. More than anyone, these women needed our services. In the end we managed to convince them," says Christian Fricke.

Podiatrists and Bokadirekt were a perfect match. Not only are there not enough podiatrists, but demand is increasing as the population is growing older. All in all, there is a large need to be able to match a growing number of customers with a small number of podiatrists. Cooperation with this occupational group was a useful and valuable experience for Bokadirekt.

"Everything we learned via this occupational group, we have been able to use when approaching other customers," says Christian Fricke.

After that, the company emerged from the wilderness, so to speak. Bokadirekt has for a long time seen growth of 40–50 per cent. The next phase in the company's development is to develop the Bokadirekt marketplace.

"A booking system is great, it is necessary to have one and it must be well-built, but things only start to get really interesting when you take the step from a booking system to a marketplace," says Christian Fricke.

In this context a marketplace means that everyone who wants to find a range of services in the health and beauty sector should be able to do so via Bokadirekt. Christian Fricke explains:

>>> In addition to making bookings, we help businesses increase their revenue. Their sales increase and Bokadirekt receives a commission.



“The booking system was a bit like a digital version of the Yellow Pages of old. But by developing the site we have taken things a lot further. Aside from facilitating bookings, we are helping businesses increase their revenue. Their sales increase and Bokadirekt receives a commission.”

He gave as an example a small business close to Bokadirekt’s office at Grev Turegatan in Stockholm. The business owner wanted to know if anything could be done about free appointments on the same day or the following day. Many companies are struggling to find customers for these appointment times.

“We have developed a model where customers who want to book a time, receive an offer to book a last-minute appointment at a discounted price. The gain for the business owner is income that they would otherwise not have earned, the gain for the customer is a lower price, and the gain for us is a commission on the sale,” says Christian Fricke.

The business owner in the example above pays a monthly subscription of SEK 200. The latest report showed sales of last-minute bookings of around SEK 100,000.

“It has to be said that this is a good dividend on a subscription of SEK 200,” says Christian Fricke.

The purpose of the combination of a well-functioning booking system and an attractive marketplace is to show all the advantages that Bokadirekt is able to offer the businesses affiliated to the service and their customers. In principle, it is enough for an affiliated business owner to fill just one free last-minute appointment, in order to earn the fee to Bokadirekt. Today, there is growing stream of business owners joining Bokadirekt. Eight out of ten of the newly affiliated business owners themselves sought out Bokadirekt, looking to join the service.

TARGET: TO BE THE MARKET LEADER

The company’s board feels the company needs to consolidate its current strong market position.

“I believe it is worth being the market leader in every market in which you have a presence. That is why we want to continue to grow in Sweden too,” says board member Pelle Törnberg.

The company is now in a phase of rapid growth and with a growing market share. But the managing director and the board are constantly emphasising the need to improve. There is no question of resting on one’s laurels.

“The company’s board and management include people from different backgrounds,

▶ They consider it worthwhile to be the market leader in every market in which they have a presence. Board member Pelle Törnberg and Bokadirekt’s Managing Director Christian Fricke consider continued expansion to be of strategic importance.

but most of us have been involved in so many projects of this kind that we know there is no such thing as certain success,” says Pelle Törnberg.

He considers it an obvious move to look to expand outside Sweden. The company has not yet set a limit for how large it wants to grow. An agreement has been entered into with a strategic partner, Fonecta in Finland.

“Finland’s Fonecta has linked up with the company as a strategic partner in Finland. They invested SEK 10 million in Bokadirekt, but the money is still sitting in our account. We do not believe in using capital just because we have access to it. Instead, we regard this as an advantage and a sign of competence, that we are able to grow without going into the red,” says Christian Fricke.

This long-term view is confirmed by Pelle Törnberg.

“We are not exit-driven but instead think: if we build a really good company that we ourselves like to own, then sooner or later other people will want to invest in it or buy it.” ◀

AP6 and Bokadirekt

AP6 owns 29 per cent of the shares and has been exercising active corporate governance ever since taking an ownership interest in the company.

Changes have been implemented in leadership functions and some board members have been replaced. The ownership base has been broadened. The organisation has been given a new structure.

Work on strategy and marketing has become more focused and has been implemented consistently over several years. The end-result is that Bokadirekt is today the clear market leader in its sector in Sweden.

Moving forward with greater confidence

Ever since 2012, the National Pension (AP) funds have been the subject of various reviews. The most recent proposal for change was to be discussed by the politicians in 2016. However, in December 2015, the Swedish Government announced that it would no longer pursue this proposal. There is therefore currently a high degree of clarity – the AP funds are to carry on doing their work within the framework of the current structure and on the basis of current mandates.

The latest proposal covered everything from cutting the number of funds to a change in governance and amended investment regulations. In its comments on the proposal, AP6 focused on the segments dealing with unlisted assets, AP6's specialism.

AP6 strongly agreed with the need for cooperation and coordination between the new AP Funds authorities with regard to investments in unlisted assets. This would create the conditions for more efficient management of this asset class. The proposal may also have improved the opportunities for pension fund managers to influence sustainability issues.

STRONGER BRAND

Throughout the review period the owner made it very clear that it wanted the AP funds to continue working as usual. The Board has therefore made it a priority to ensure that the activities continue to be developed.

A review that affects the entire AP fund system naturally involves some degree of uncertainty for all the parties concerned. Despite this, AP6 managed not only to strengthen its position in the market for unlisted investments, but also to receive confirmation of its attractiveness as a place to work.

The stronger position refers to the fact that several successful deals were carried



out, and new cooperation agreements were entered into with international investors.

Its attractiveness was confirmed as AP6 managed to recruit highly qualified staff with international experience. Furthermore, work on developing analysis tools and investment processes has continued unabated.

In my role as Chairman I can confirm that AP6 has continued to perform its duties with enthusiasm and professionalism throughout the ongoing review process. This is largely due to the fact that AP6 is an organisation that is mentally prepared for continuous change and which is very confident in its abilities in the segment it specialises in.

AP6 has successfully implemented the new strategy embarked on in 2011 and has established itself as an acknowledged skilful player, with a wide network of contacts among those who invest in unlisted assets.

AP6's strong belief in the future is based on the conviction that unlisted investments are an attractive asset class in which to invest pension capital and which have an

important role to play both now and in the future. This will be the case regardless of how the AP fund system is organised in future.

HIGH AMBITIONS

Because it has always focused on continuous development of its activities, AP6 is in a very strong position as it continues to invest in unlisted companies for the purpose of generating good returns on pension assets.

The activities will continue to be developed and improved within the framework of the current structure.

The pension fund manager's ambition is to be a benchmark in the international markets for investments in unlisted assets, all to the benefit of today's and tomorrow's pensioners.

Gothenburg, February 2016

Ebba Lindsö
Chairman of the Board, Sixth AP Fund



Sustainability 2015

AP6 has influenced the investment portfolio's overall work on sustainability in numerous ways over the course of the year. In addition to setting standards and performing follow-up, last year's climate change assessment has been given more depth. It has proved to be a very useful tool in discussions with holdings and partners.



Climate change assessment as a useful tool

A relatively new sustainability tool for AP6 is the climate change assessment that led to in-depth discussions with both holdings and partners.

The climate change assessment for 2014 has been a great help in our work. With this as a starting point, 2015 saw us hold a constructive dialogue with holdings and partners on climate change-related risks and opportunities. A carbon footprint of the portfolio is a great first step to identifying companies with high direct emissions, and

that means it can form the basis for setting priorities in relation to dialogue and impact initiatives. According to Anna Follér, AP6's Sustainability Manager, it is also a good way for an investment organisation to approach the issue of climate change-related risks and opportunities.

Measuring and reporting the carbon footprint of investments, i.e. the amount

▲
Developing methods for setting standards and performing follow-up. Margareta Alestig and Anna Follér's tasks include getting the investment organisation to widen its gaze and try out new paths in order to improve sustainability..

of greenhouse gases for which the holdings are responsible, in proportion to the investor's ownership interest in each company, is becoming increasingly common among investors around the world. Especially for listed equity portfolios. Measuring and reporting emissions is common among companies listed on the stock exchange. The non-profit and independent organisation CDP (formerly Carbon Disclosure Project) has the world's largest collection of climate change-related data reported by companies worldwide. CDP's information therefore serves as reference material for investors who want to work out the carbon footprint of their portfolio. When it comes to unlisted companies though, the information is not as easy to access. AP6 was

»» There were also many other investors who contacted us to discuss how carbon footprint can be measured in an unlisted portfolio.

one of the first to apply the method to the unlisted portfolio in connection with its sustainability report for 2014. Where information was unavailable, emissions were estimated according to models based on the relevant company's size and industry.

The lack of well-established models, made it essential to use a high degree of caution and moderation within the area of unlisted assets. The risk of reporting a carbon footprint that is too low or too high is the same, it is equally unfortunate.

"As part of the first carbon footprint, we received a lot of interesting feedback. Everything from companies and funds that already measured their carbon footprint and welcomed our commitment, to those who were a little more cautious. There were also many other investors who contacted us to discuss how carbon footprint can be established in an unlisted portfolio," says Margareta Alestig, Deputy Managing Director with responsibility for sustainability at AP6.

80 PER CENT OF THE VALUE OF AP6'S INVESTMENTS

Experience and lessons learned from the first analysis have formed the basis for work on the second one, which is expected to be ready at the beginning of 2016. As with the first analysis, the second one focuses on 80 per cent of the value of AP6's investments, but we hope to increase the proportion of reported data versus estimated data. The ambition here is to follow up on the previous year's values, remain active and ask AP6's holdings questions based on the new results.

"Another new feature is the inclusion of qualitative questions about how our holdings view, for example, climate change-related risks and opportunities associated with their operations. We want to do this because contemporary methods for measuring carbon footprint do not measure either the full climate impact or the full climate risk," says Anna Follér.

It may be that the companies themselves do not have high emissions of greenhouse gases, but that climate change in itself represents a threat or a growing problem. To take one example, an installation could be threatened by flooding. Another threat might be materials and raw materials necessary for production being adversely affected by climate change. Companies identifying and addressing climate change-related risks can also be turned into business opportunities.

HARMONISING CARBON FOOTPRINT REPORTING

Another new feature is that the carbon footprint will be reported in line with the AP funds' harmonisation of such measurements. In autumn 2015, all the AP funds agreed to harmonise carbon footprint reporting. The First, Second, Third, Fourth and Seventh AP Funds will calculate and report the carbon footprint of their listed equity portfolios, while the Sixth AP Fund will report these indicators for the unlisted portfolio. Carbon footprints will be reported using three indicators: one measure for total emissions and two measures for carbon intensity. The AP funds will also include information on the proportion of each AP fund's assets that has been mapped, as well as the proportion based on reported emission figures and estimated carbon emissions respectively.

"We hope that harmonisation between the AP funds will have a ripple effect, so there will be greater standardisation of how to measure and report carbon footprint and that investors increasingly will start to measure private equity portfolios," says Anna Follér.

Once the second analysis is complete, AP6 will have an even better tool for driving sustainability in the portfolio. The foundation of AP6's sustainability approach consists of dialogue, setting standards and performing follow-up.

As AP6's climate change assessment

develops, it will be further integrated into day-to-day operations. Experience has so far shown that it is important to have different tools and approaches to achieve results with regards to sustainability. This is because AP6's holdings vary in size, operations and industry. As well as investing directly in unlisted companies, AP6 also invests in them indirectly via funds. In the former category, AP6 often has a seat on the board and can use this platform to drive sustainability. In the latter category, AP6 usually has a seat on what is called an advisory committee featuring the major investors. The heterogeneous nature of the portfolio requires models and methods that take these differences into consideration and ensure the ability to impact holdings appropriately.

"And that is the reason why our starting point is the model of continuous dialogue, clear expectations and follow-up. There's no doubt that this model, in combination with our climate change assessment, has led to greater awareness among both companies and funds," says Margareta Alestig. ◀



▲ Anna Follér, AP6's Sustainability Manager, and Margareta Alestig, Deputy Managing Director with responsibility for on sustainability at AP6.

Sustainability Report

AP6's sustainability report should be regarded as a structured account of a number of factors that in different ways describe AP6's approach to sustainability. The report follows the Core Level of the Global Reporting Initiative (GRI G4), focusing on describing what is most material to AP6's particular operations.

The companies and general partners depicted in the financial statements are examples of how working with sustainability is achieved in purely practical terms within AP6's investing activities.

This year's sustainability report contains a climate change assessment featuring a carbon footprint measurement for the majority of the holdings. A similar measurement was carried out for the 2014 report, but this year's version is more detailed.

AP6 has made a conscious decision to make the investment organisation responsible for sustainability. It is the investment managers who should drive sustainability in each holding, regardless of whether it is a direct investment in an unlisted company or an indirect investment in unlisted companies through funds.

The advantage of this approach is that sustainability is the focus of the day-to-day work with investments, in comparison to other models where working with sustainability is or tangential to the core business.

Considering the breadth of investments represented in AP6's portfolio, in terms of both type of business and industry, AP6 has considered it necessary for the investment managers to be supported by specific sustainability expertise.

This support is in the form of internal resources, including a sustainability manager involved in the process ahead of any investment and during the actual holding period.

This means that the investment organisation will, if necessary, take on external resources to assess risks and opportunities.

The fact that the work on sustainability is integrated with the investing activities benefits the creation and development of methods and models. The same applies to sustainability expertise; this is built up gradually in line with value creation in each holding.

The creation of internal models and methods is important because AP6's mission is to invest in unlisted companies. These constitute an asset class which,

unlike listed companies, does not have the same access to internationally accepted sustainability models and tools. One example of this is measuring the investment carbon footprint. This is an area where AP6, assisted by an external consultant, has tailored a solution enabling calculations, based on methods and templates for listed companies.

Corporate governance and active ownership are the forms through which AP6 can actively pursue sustainability. AP6 has consequently developed its own models and tools that have been customised to suit its investment portfolio.

Unlike listed companies, to some extent completely different prerequisites for unlisted companies apply when it comes to driving long-term changes.

That is why it is essential for AP6 to develop its models and methods so it can exert influence, at the same time as actively seeking collaboration with other players who invest in unlisted companies. The purpose here is to establish as broad a standard as possible with regard to reporting key measures and setting standards.

An example of this is Principles for Re-

sponsible Investment's (PRI) standardised questionnaire for LPs – investors in unlisted companies through funds – where AP6 was a member of the team that worked to identify issues with widespread support within the industry.

The questionnaire will help LPs to set requirements for GPs – general partners (private equity firms).

All work on sustainability within AP6 is based on a common belief that by its nature it will never be finished. As the world around us changes, the prerequisites for the holdings in AP6's portfolio also shift.

Sustainability have, mainly due to climatic, health-related, political and economic factors, become an area characterised by constant change.

New knowledge and understanding lead to new requirements, which in turn increases the need for new solutions. This may mean that a method previously considered to be good and efficient needs to be replaced. Sometimes new solutions are available, sometimes they are not.

Taken as a whole, this places great demands on the capacity to change of an investor like AP6. Equally important as

Core areas covered by the Code of Conduct:

- Employee and stakeholder training and know-how
- Requirements for business partners and holdings in companies and funds
- Anti-corruption, bribes and gifts
- Human rights and social justice
- Environmental principles and considerations
- Compliance, dialogue and consequences/controls



» **Equally important as setting targets for the future is being able to reconsider and adapt to an ever-changing world, without losing momentum regarding sustainability.**

setting targets for the future is being able to reconsider and adapt to an ever-changing world, without losing momentum regarding sustainability.

In AP6's view, sustainability increases the chances of a long-term, high return.

SUSTAINABLE INVESTMENT THROUGH ACTIVE OWNERSHIP

In its role as a state-owned investor of pension fund assets, AP6 has both a responsibility and an opportunity to set standards relating to sustainability in its investing activities.

AP6 aims to generate a return for pensioners by making sustainable and responsible investments. This means that investments in unlisted companies, wheth-

er direct or indirect investments, must be able to grow and generate a return through the efficient use of resources and minimal environmental impact, and by promoting social development and fair working conditions.

AP6 must never act in a way that risks damaging public confidence in its management of pension fund assets.

In its role as a fund manager in charge of national pension fund assets and as a government agency, AP6 should be a forerunner when it comes to ethics and sustainability and should actively encourage partners and holdings to work on these issues.

The manner in which the standards are set is based on the code of conduct adopted by AP6's Board of Directors. AP6 does

not see any conflict between sustainable investment and the required return; on the contrary, AP6 views sustainability as a precondition for a long-term high return.

One of the outcomes of this approach is that sustainability (both opportunities and risks) has been incorporated into the investment process.

This is to ensure that sustainability is a natural part of the day-to-day work on generating long-term, sustainable value in the portfolio. AP6 takes a structured approach to sustainability, particularly with regard to standards and follow-up. By signing up to and adhering to the UN Global Compact and PRI, AP6 has committed to ensuring that sustainability is always part of day-to-day operations.



» AP6's starting point for sustainability is the UN Global Compact's 10 principles for human rights, labour law, environment and anti-corruption, in addition to PRI's six principles for responsible investment.

Supply chain

AP6 is subject to the Act on Public Procurement (LOU). AP6 continually assesses its suppliers and sustainability is one of several important factors in this respect.

The vast majority of these suppliers are service providers based in Sweden. One procurement category is goods and services associated with office operations. This covers consumables, rental of premises, various services, etc. An important area in this sphere is providers of transport for business trips. AP6 has different objectives for stimulating sustainable travel for business purposes.

Financial services in connection with the issue, sale, acquisition or transfer of securities or financial instruments are excluded from LOU.

GOVERNANCE FOR SUSTAINABLE INVESTMENT

Code of Conduct and corporate governance

The Board has established and adopted a Code of Conduct that describes the values that apply to the organisation and is aimed at employees, partners and holdings. The Code of Conduct is actively communicated to these groups. All employees must sign a document to say that they have read and will adhere to the Code of Conduct. (Visit www.apfond6.se to read the AP6 Code of Conduct.)

The Board has also established and adopted an ownership policy and a corporate governance policy; these describe the focus areas and the governance model followed by AP6.

Materiality analysis

In conjunction with AP6's first report in line with GRI G4 (2013), AP6 conducted a materiality analysis to identify the sustainability issues of most significance to its operations. Significant sustainability issues were identified by an internal working group with external consultancy support and in dialogue with a representative of the owner, that is the Swedish government.

The materiality analysis is reviewed annually and has been verified by AP6's ongoing dialogue with external stakeholders such as the owner, companies, funds and pressure groups. AP6's key aspects and indicators are reported in the "Aspects and

indicators as at 31/12/2015” table on page 44.

While the environmental impact, working conditions and business ethics are important factors for AP6’s own organisation, the greatest impact occurs through the investments made in unlisted companies, both directly and indirectly through funds, in which AP6 invests pension assets. A key aspect of investing activities is taking account of sustainability factors throughout the investment cycle, in particular through active ownership.

AP6’s starting point for sustainability is the UN Global Compact’s 10 principles for human rights, labour law, environment and anti-corruption, in addition to PRI’s six principles for responsible investment. AP6’s Code of Conduct, ownership policy and corporate governance policy use the global policies mentioned as a springboard and form the basis for how AP6 integrates sustainability into its own operations as well as into the investment process.

Sustainability goals

There are sustainability goals in place for AP6’s own organisation and for the investment portfolio. These sustainability goals are adopted by and reported on an annual basis to the Board. AP6 exercises its ownership through the boards of portfolio companies (and for funds via their advisory bodies). It is the responsibility of each board to address sustainability in the portfolio companies. AP6’s responsibility as an active owner is to ensure there is a board of directors that focuses on sustainability. AP6’s goals for portfolio companies and funds are therefore of a general nature.

Whistleblower

AP6 endeavours to achieve an open corporate culture and good business ethics. Consequently all information is important to AP6’s management. To ensure that even information which, for various reasons, may be sensitive for employees to reveal is actually reported, AP6 has established a so-called whistleblower system. This system allows all employees to submit information anonymously if they suspect irregularities or major deviations from the Code of

Conduct. Anonymity is guaranteed by the system. The information is handled by the Managing Director and Deputy Managing Director.

Ethics Committee

AP6’s Ethics Committee acts as an advisory body in matters concerning the ethics, credibility and appropriateness of anything associated with AP6. This may involve everything from invitations to industry events to specific portfolio company business considerations. The work of the Ethics Committee is based both on AP6’s Code of Conduct

and on “Bribes and disqualification – A guide for local authorities and regions”, a document published by the Swedish Ministry of Finance and the Swedish Association of Local Authorities and Regions (SALAR). AP6’s summary interpretation of these two documents is that employees must never act in a way that could jeopardise public confidence in how the pension fund assets are managed. The Ethics Committee deals with cases both on its own initiative and on the initiative of employees. Ethical issues are also discussed on an ongoing basis within the organisation.

Long-term goals for office operations (selection)

Area	Goal	Status
Gender equality	JEqual gender distribution in all departments and at all job levels	Page 41,42
Diversity	A workplace that reflects Swedish society (ethnic background, gender, age, etc.)	Page 41
Climate change	10% increase in rail travel for business trips within Sweden	Increase of 9%
	10% increase in use of video-conferencing equipment (thus replacing travel to some extent)	Increase of 23 %

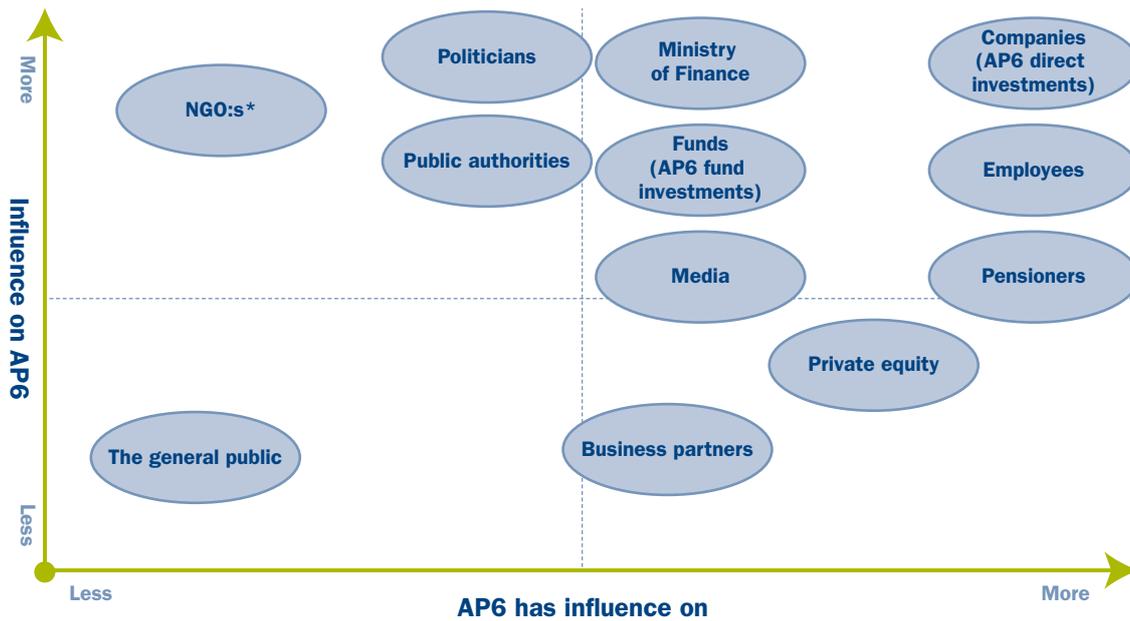
Long-term goals for direct investments (selection)

Area	Goal	Status
Sustainability analysis as part of assessment	100% of all investments	100%
Code of conduct	Must be in place at all significant holdings	100%
Sustainability report	Companies corresponding to 80% of the value in the portfolio for direct investments must report in line with GRI or similar reporting guidelines	56%
Gender equality	The proportion of women on boards of portfolio companies should be 50%	10%

Long-term goals for fund investments (selection)

Area	Goal	Status
Sustainability analysis as part of assessment	100% of all investments	100%
Code of conduct	Must be in place at all significant holdings	100 %
Sustainability report	Funds corresponding to 80% of the value in the portfolio for fund investments should report in line with PRI or similar reporting guidelines	48%
Gender equality	AP6 will take steps to ensure that equality is a measurable objective for funds and portfolio companies (from 2016 onwards)	

The Sixth AP Fund's stakeholders:



* NGO (non-governmental organisation): An organisation without government ties.

During the year, the Ethics Committee received and responded to a number of queries; none of these involved suspected corruption. The composition of the Ethics Committee is described on page 42.

OUR STAKEHOLDERS

By virtue of its role as an investor of state pension fund assets, AP6 is to varying degrees affected by and dependent on a number of different stakeholders. One thing that all these stakeholders have in common is that AP6 is influenced by them and may also exert an influence on them.

Stakeholder analysis

In conjunction with its first GRI G4 report (2013), AP6 conducted a stakeholder analysis to identify which stakeholders are the most significant for AP6 based on two aspects of the influence: the extent to which AP6 is affected by external stakeholders and the extent to which AP6 affects external stakeholders. The analysis was prepared by an internal working group with external consultancy support and in dialogue with representatives of the owner, that is the

Swedish government. The stakeholder analysis is reviewed annually and has been verified by AP6's ongoing dialogue with external stakeholders. The results of the stakeholder analysis are presented in the above matrix.

In the top right-hand corner the following stakeholders can be seen: companies in which AP6 has invested directly, employees, pensioners, the Ministry of Finance, fund investments and media. According to the analysis, these stakeholder groups have the greatest impact on AP6's operations and vice versa.

Stakeholder dialogue

AP6's ongoing dialogue with external stakeholders provides vital feedback on AP6's sustainability approach. In addition to the ongoing ownership work by the boards of the companies, meetings specifically focusing on sustainability have been held with a number of holdings, i.e. companies in which AP6 has invested directly and general partners with whom AP6 has invested in different funds.

The focus has been on setting requirements and performing follow-up, among other things by employing reporting of

deviations. A topic-specific area of focus during the year has been climate change, an area in which AP6 has conducted dialogue with both companies and funds on climate change-related risks and opportunities, as well as on measuring and reporting carbon emissions. A site visit was made to the production facility and development organisation in China of one of the portfolio companies.

Over the course of the year, AP6 also participated actively in seminars, debates and conferences on sustainable and responsible investment together with other investors, companies, partners, non-profit organisations, media and representatives of the owner. Alongside these events, the Managing Director had a number of meetings with other public authorities.

Examples of other activities on which AP6 has interacted with stakeholders during the year:

- Participation in PRI's working group to develop a questionnaire for investors to use in the due diligence during fundraising of private equity investment funds.
- The AP funds' co-ordination of how to report a carbon footprint.
- External surveys of the private equity

investment sector or of sustainable and responsible investment

- Academic research papers on sustainable investment

Partnerships and memberships

AP6 is a member of several trade associations, the purpose of which is wholly or partly to gather, develop and disseminate knowledge and experience of sustainable enterprise and responsible investment. AP6 can use its memberships to contribute to change and development within the sector, as well as driving various issues forward. AP6 also has a sustainability partnership in place with the School of Business, Economics and Law at the University of Gothenburg.

Commitments, affiliations

UN Global Compact, UNGC,
www.unglobalcompact.org/

UN Principles for Responsible Investments, UNPRI, www.unpri.org

CDP (tidigare Carbon Disclosure Framework), www.cdp.net

Memberships

UN Global Compact Nordic Network,
www.gcnordic.net/

Invest Europe (tidigare European Venture Capital Association, EVCA),
www.investeurope.eu/

Institutional Limited Partners Association, ILPA, <http://ilpa.org/>

Nordic Venture Network, NVN,
www.nordicventure.net/

Swedish Private Equity & Venture Capital Association, SVCA, www.svca.se/

SWE-SIF, www.swesif.org/

RESPONSIBILITY – TO THE PENSIONERS

A long-term sustainable and strong return is a matter of course and a matter of survival for a state-owned pension fund manager like AP6. The entire purpose of AP6's mission and operations is to generate a return for the national pension scheme. This is achieved through investments that produce a long-term sustainable growth in value.

As a state-owned pension fund manager, AP6 has a responsibility to play a role in maintaining public confidence in the national pension scheme. As a consequence,



AP6 as an organisation and its employees must never act in a way that may jeopardise this confidence.

In addition to acting responsibly, AP6 must in its role as a state-owned pension fund manager lead by example with regard to ethics, morals and work on sustainability.

RESPONSIBILITY – TO THE OWNER/ THE STATE

AP6's mission was decided by Parliament, as described in the Sixth AP Fund Act (2000:193). Read more about this on page 10 of the Annual Report.

The Ministry of Finance has an obvious influence on AP6 by virtue of its role as a representative of the owner with its link to the government and Parliament, which is of course voted for by the Swedish electorate. AP6's potential to influence the Ministry of Finance lies in AP6's ability to generate a return and comply with legislation, regulations and requirements set by the owner. Together with the return requirement, sustainability issues and ethics are key areas.

Financial target

The actual performance objective consists of the SIX Nordic 200 Cap GI index plus a mark-up of 2.5 percentage points for a premium for unlisted companies.

SIX Nordic 200 Cap GI is calculated by SIX Financial Information and is a portfolio index that reflects trends at

the 200 largest companies, based on the market value, listed on the Nordic stock exchanges in Copenhagen, Helsinki, Oslo and Stockholm.

Return

AP6's ability to evaluate, assess and invest in companies that can generate a strong return is crucial to the return on Company Investments; as are AP6's corporate governance and the ability of each company's management to create value. AP6's ability to evaluate, assess and invest in asset management teams that in turn through their work with investments can generate a return by developing and disposing of companies is also crucial to the return on Fund Investments.

Evaluation by the owner and the Board

The Ministry of Finance carries out an evaluation of AP6 in connection with the annual assessment of the AP funds. The auditors appointed by the Ministry of Finance also perform an audit. Each year the Board of AP6 also carries out an evaluation of its operations.

Remuneration guidelines

The Ministry of Finance has adopted guidelines on the remuneration of senior executives at AP funds. In addition to these guidelines, the Board of AP6 has adopted guidelines that apply not only to senior executives but to all employees. Each year

AP6 commissions an evaluation of remuneration levels for employees.

Owner requirements regarding sustainability

The Ministry of Finance has declared that state-owned companies and government services should have a high level of ambition in terms of working with sustainability. GRI reporting is a requirement for state-owned companies. No such requirement exists for the AP funds. On its own

initiative, AP6 has decided to report in line with GRI. Additionally, sustainability is reported to the Ministry of Finance on an ongoing basis.

RESPONSIBILITY AND CORPORATE GOVERNANCE

Sustainability is integrated into AP6's investment process. As an owner, AP6 should be close to the companies and funds in which it has invested. Proximity to company management and manage-

ment teams is essential for setting standards and following up on sustainability. AP6's definition of responsibility and corporate governance assumes that direct ownership entails direct responsibility – whatever the ownership stake.

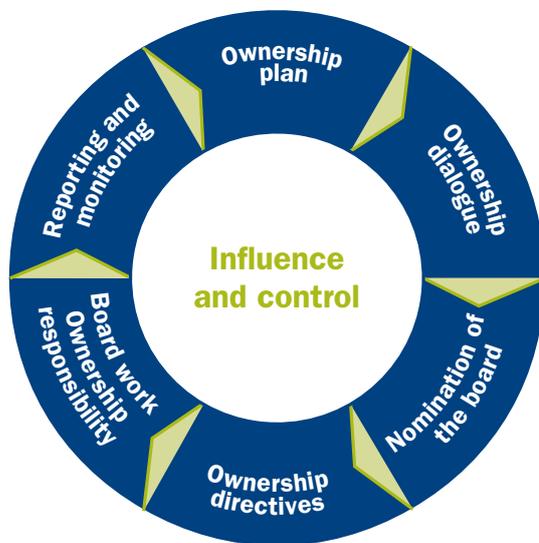
Decision-making processes

Senior management and a number of committees report to the Managing Director. The aim of this approach is to produce short and effective decision-making paths. AP6 works in a uniform manner with decision data being documented in minutes and kept on record.

When a project begins, the investment manager reports to the investment team and the Head of Company Investments or the Head of Fund Investments. Issues relating to sustainability, return and legal issues play a part right from the start. A continuous “weeding out” process means that only a limited number of projects are referred to the Investment Committee. An assessment is then made here that often results in a call for more in-depth fact finding. Once a decision is made to invest, the Committee sets forward-looking sustainability goals.

The Investment Committee's recommendation is forwarded to the Board of AP6 as a matter requiring a decision.

Active ownership at AP6

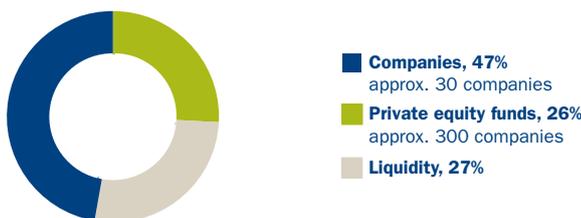


AP6's most important tool for achieving the goal of a long-term sustainable growth in value in holdings, is the ability to influence. This requires a clear description of what AP6 wants to achieve with its holdings and the clear communication of this to other stakeholders plus systematic evaluation and follow-up work. The various aspects shown above all play an important role in active corporate governance work. AP6's ambition is to use these as a basis for working in a systematic way, with every single step being well documented and set out clearly to each holding.

AP6's influence as an owner

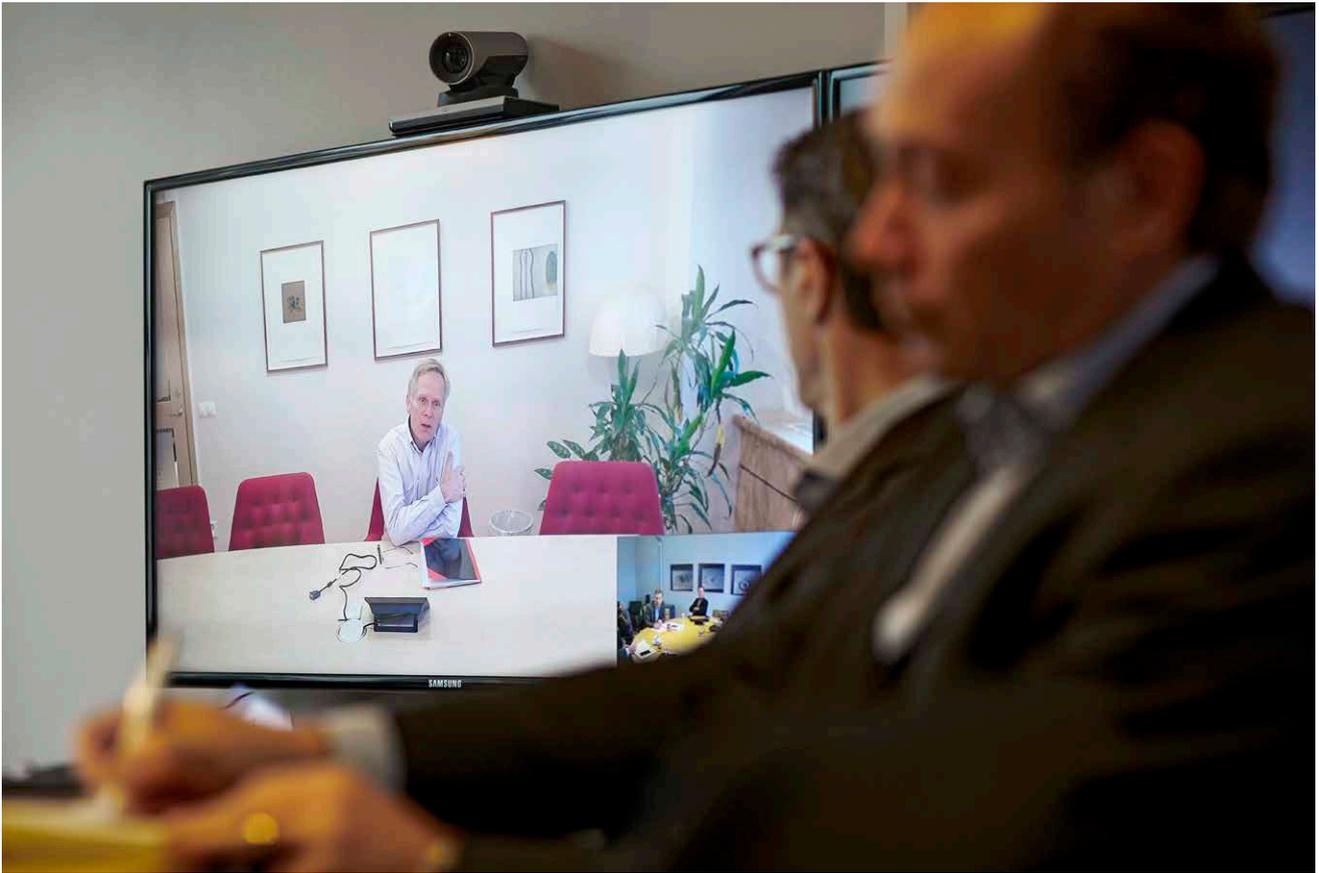
In its role as an investor of national pension fund assets, AP6 is both required to exert influence and has the opportunity to do so. This is done through a corporate governance process based on AP6's Code of Conduct and the analyses conducted during the investment process that focus on return, risks and sustainability challenges. The analyses are embodied in a ownership plan for every single company investment.

Sixth AP Fund manages SEK 26.4 billion



Human rights

Respect for international standards for human rights, anti-corruption, labour law and environmental issues is an obvious requirement for all investments made by AP6. AP6 is a signatory of the UN Principles for Responsible Investment (UN PRI) and the UN Global Compact. Both of these guidelines are based on international conventions on human rights, labour law, environment and anti-corruption. Together with AP6's Code of Conduct, which highlights the requirement to respect human



» AP6 requires that all directly owned companies must have a code of conduct. By the end of 2015, 100 per cent of the companies fulfilled this requirement.

rights, these three documents form the basis of the requirements that AP6 imposes on its partners and investments.

Screening and assessment based on sustainability criteria

Each investment process involves a comprehensive review, known as due diligence. In addition to legal and financial issues, for instance, a sustainability analysis is always included. These analyses are carried out by internal resources together with special consultants and experts to ensure that all queries are addressed.

Depending on the type of potential investees, physical site visits may also take place, in order to give AP6 an idea of the working environment and production set-up.

Examples of risks assessed and evaluated:

Type of product, production, raw materials and how these are extracted, transport to and from the production unit, emissions and other environmental impact during production, waste and residual products that may occur in connection with production, recycling of products, working environment and working conditions for staff, as well as the risk of corruption.

The potential investment has to pass a number of checkpoints. This involves AP6's Investment Committee making basic assessments and deciding what approach to take to commercial, financial, legal and sustainability aspects along the way.

The system of different checkpoints has in 2015 meant that investment projects

have been disqualified due to them in various ways and to different extents not meeting the requirements laid down by AP6's Code of Conduct.

Investment portfolio

AP6 invests both directly in companies and indirectly in companies through funds. Of the assets under management, 47 per cent is invested in companies, 26 per cent in funds and the rest is made up of liquidity. The Nordic region and Europe are the focus of investment.

AP6 invests in all sectors and does not apply what is known as negative screening, i.e. the exclusion of certain industries by definition. The reason for this is that virtually all sectors may include companies whose operations are inconsistent with AP6's Code of Conduct.



Although AP6 does not employ negative screening, there are industries which are excluded in practice, such as arms production and pornography.

**Corporate governance –
Company Investments**

AP6 has a documented plan for its ownership strategy. Taken as a whole, the analyses conducted during the investment process focusing on sustainability challenges, return and risks, constitute important starting points for each ownership plan.

The main purpose of the plan is to describe how AP6 will generate a long-term sustainable growth in value. AP6 is usually one of several owners of its holdings. This means clear and continuous communication

with the other owners of the holdings is an absolute necessity. AP6 uses ownership dialogue to clarify its view of the relevant company’s development and its top priorities.

The fundamental purpose of ownership dialogue is to ensure compliance with AP6’s Code of Conduct. This serves as a compass for all decisions affecting AP6 and its investing activities.

A key part of corporate governance is appointing a professional board of directors. AP6 employs a broad approach to the recruitment of board members. This entails creating a mix of specialist expertise, focus on sustainability, gender distribution and diversity. The latter is defined from a perspective that includes ethnic background, gender, experience, age and education/training.

**Corporate governance –
Fund Investments**

AP6’s fund investments work according to a model that consists of two processes. The first one lasts until the contract is signed, i.e. up to AP6 deciding to invest in a fund. During this period, AP6 will clarify its basic position on sustainability; for example, which international regulations and guidelines that AP6 believes a general partner and its investments should sign up to or follow.

Once the agreement is signed the next process takes over, taking the form of, among other things, a variety of meetings and contacts. This takes place continuously throughout the life of the fund in question.

The emphasis for both existing and new fund investments lies in dialogue, setting requirements and performing follow-up to identify exceptions and improvements.

AP6 also aims to bring about interaction between different investors. This is achieved by identifying issues which as many investors as possible wish to address. The purpose here is to get many players to talk with one voice and in doing so create a show of force to drive various issues and requirements forward. In general, most of the investors who AP6 meets are inclined to work together.

**Requirements for
sustainability reporting**

AP6 requires that all directly owned companies of significance must have a code of conduct. By the end of 2015, 100 per cent of the companies fulfilled this requirement. AP6’s target for Company Investments is that holdings equivalent to 80 per cent of the value in the portfolio should report in line with GRI or similar reporting guidelines. At the end of 2015, company investments equivalent to 56 (34) per cent of the value in AP6’s portfolio had reports in line with GRI or similar reporting guidelines.

AP6 requires all fund teams to have a code of conduct or a responsible investment policy. By the end of 2015, 100 per cent of the fund teams fulfilled this requirement. AP6’s target for Fund Investments is that holdings equivalent to 80 per cent of the value in the portfolio should report in line with PRI or similar reporting guidelines. At the end of 2015, fund investments equivalent to 48 per cent of the value in AP6’s portfolio had reports in line with PRI or similar reporting guidelines.

CLIMATE CHANGE ASSESSMENT

For the second year running, AP6 has conducted an analysis of climate change in order to improve understanding of climate change-related risks and opportunities in the portfolio. The analysis consists of two parts, the first consists of carbon footprint and the second maps how portfolio companies and funds manage climate change in their operations and investments. South Pole Group has been engaged to carry out the analysis together with internal resources within AP6.

AP6's investment portfolio consists of investments in unlisted companies, both directly and indirectly through funds. The latter in turn invest in unlisted companies. Compared to listed companies, it is not as common for unlisted companies to report their carbon emissions. To some extent this is due to a lower degree of public reporting, but it should be noted that unlisted companies are also not subject to the same requirements to measure carbon emissions as listed companies. The fact it is relatively unusual for unlisted companies to report their carbon emissions means that access to information is limited.

In 2015, AP6 asked specific questions, in interview form, of portfolio companies and funds. This made it possible to collect reported carbon emissions data from companies corresponding to almost 40 per cent of the value of the investment portfolio. Carbon emissions from another 40 per cent of the portfolio value have been estimated using models based on company size and industry.

For this year's climate change assessment, AP6 also collected qualitative information on how portfolio companies and funds manage the climate change issue in their operations and investments. AP6 can confirm that these questions attracted a great deal of interest. All of the funds and almost all of the companies consulted participated in the analysis. Contact was made with companies and funds equivalent to 88 per cent of the investment portfolio value. Interviews were conducted with companies and funds equivalent to 86 per cent of the investment portfolio value.

AP6's hope is that the climate change assessment will in future contribute to greater transparency in relation to unlisted companies' carbon emissions, as well as to greater awareness of climate-related risks

and opportunities within the private equity investment sector.

Carbon footprint

AP6 has measured the carbon footprint of 79 per cent of the Fund's unlisted investment portfolio as at 31 December 2015, using the latest available carbon data for direct emissions (Scope 1) and indirect emissions from energy (Scope 2).

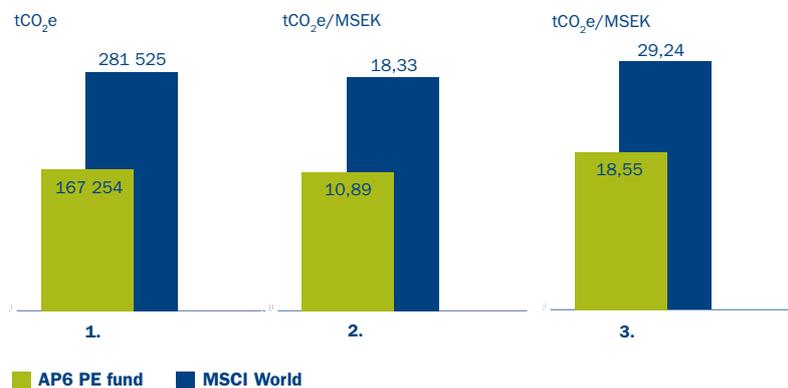
Only 10 per cent of the entire estimated carbon footprint was reported, while the remaining 90 per cent of emissions was

estimated using models based on company size and industry.

Managing climate change in portfolio companies and funds

The results show that many companies and funds are adopting measures or planning to take action to manage climate change-related challenges and opportunities. The overall impression from the interviews is that there is a great deal of interest in and commitment towards how climate change is already having an effect and will affect

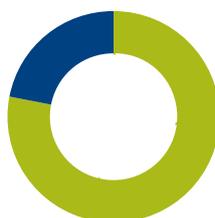
Carbon footprint 2015



AP6's carbon footprint shown as three indicators, compared with the carbon footprint of corresponding capital invested in a global equity index (MSCI World):

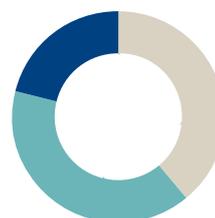
1. The absolute carbon footprint of the companies' combined carbon emissions (tCO₂e) in proportion to the holdings in the equity portfolio
2. Carbon intensity shown as the absolute carbon footprint in relation to the share of the companies' market value (tCO₂e/SEK million)
3. Carbon intensity shown as the absolute carbon footprint in relation to the share of the companies' sales (tCO₂e/SEK million)

Scope of carbon footprint



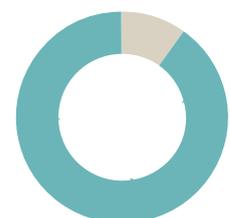
Proportion of the investment portfolio that is included in the carbon footprint measurement, 79%

Measuring carbon footprint of portfolio



Reported measured carbon footprint, 39% of portfolio value
 Estimated measured carbon footprint, 40% of portfolio value
 Not included in measurement, 21% of portfolio value

Reported/estimated carbon emissions



Reported, 10%
 Estimated, 90%

CLIMATE CHANGE ASSESSMENT – WHAT THE HOLDINGS SAYS

Portfolio companies

1. Are the consequences of climate change affecting the company today?	44%
2. Do you think that the effects of climate change and/or climate-related legislation will affect the company?	100%
3. Do you measure greenhouse gas emissions from your operations?	33%
4. Have you identified any climate-related risks that could have a significant impact on the company's expenditure, income or operations?	67%
5. Have you identified any climate-related opportunities that could have a significant impact on the company's expenditure, income or operations?	89%
6. Has your company taken steps to reduce its greenhouse gas emissions?	89%

Investment managers

1. Do you ask portfolio companies to report their greenhouse gas emissions?	36%
2. Do you ask portfolio companies for other climate-related information, such as their mapping of risks and opportunities or any special strategy or policy?	36%
3. Is climate change incorporated into your policy (e.g. separate/standalone climate change policy, special section within responsible investment principles/message and/or ESG policy, covered mainly by ESG policy, etc.)?	79%
4. Are climate change-related risks and opportunities included in your risk management processes?	71%
5. Have you identified any climate change-related risks or opportunities that could potentially have a significant impact on the return of any of your funds or of individual holdings?	71%
6. Do you conduct dialogue with portfolio companies on the climate change?	64%

EXAMPLES OF HOW HOLDINGS VIEW RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

Examples of risks mentioned by the companies:	Examples of opportunities mentioned by the companies:
Increasing extreme weather (including related flooding) and its impact on real property in Sweden as well as on the supply chain	Carbon neutrality as part of the brand
Increasing temperature and impact on quality of goods during transport and distribution in Sweden as well as on the supply chain	Energy efficiency of the products themselves as part of the quality work
Climate change reporting requirements	To be at the forefront in respect of climate change reporting

Examples of risks mentioned by the funds:	Examples of opportunities mentioned by the funds:
Increasing extreme weather	Investments in companies which provide solutions for climate change-related problems or supply energy-efficient products
Increasing insurance costs	Investments in renewable forms of energy and companies associated with the industry
Negative impact on the supply chain	Improving energy efficiency in existing companies
Logistics disruption	Brand value of approach to climate change as part of the brand

operations and investments going forward. Plus the understanding that there are specific risks and opportunities for most types of companies. There is also a great deal of curiosity about how other players discuss and address climate change.

We can state on the basis of the analysis of the material compiled that 44 per cent of the companies consulted feel that they are already being affected by climate change and that all the companies consulted believe they will be affected in the future. Climate change-related risks had been identified by 67 per cent, while 89 per cent are aware that there are clear climate change-related opportunities. It is worth noting that the size and type of business are important to some extent for the respondents but that most, regardless of size and industry, were able to see specific risks and/or opportunities related to climate change.

It was not standard practice among the funds consulted to ask the portfolio companies to report emissions of greenhouse gases within the framework of formal reporting. However, some portfolio companies do measure emissions on a voluntary basis. Yet there were examples of players among the funds who did ask some (e.g. energy-intensive) portfolio companies for information on emissions. What is more, one of the funds recently introduced a requirement for its portfolio companies to

Facts Carbon footprint

A carbon footprint is a measure of an investment portfolio's carbon dioxide emissions. AP6's carbon footprint consists of the ownership share of the portfolio companies' total emissions.

To put it simply: if AP6 owns 50% of a company, AP6's share of the company's emissions is 50%.

Carbon footprint is often reported using an intensity measurement where the ownership share of the portfolio companies' total emissions is related to the ownership stake of the companies' market value (CO₂e/SEK million).



measure and report greenhouse gas emissions according to the principle of “Comply or Explain”. The background to the introduction of the reporting requirement is, on the one hand, perceived requirements from investors and, on the other hand, as part of company development and preparation for a future flotation on the stock market. It was just as unusual to request carbon data from portfolio companies as it was common to see investment opportunities linked to the climate change. This could be investing in renewable energy, energy-efficient products or in various solutions for climate change-related problems.

Monitoring investments

AP6’s direct investments report four-monthly progress and deviations from a sustainability perspective. The reports use a template devised for the purpose. The investment managers continuously monitor the development with the management of each company. They also keep

a close eye on the ownership plan for each investment.

In 2015, investment managers followed up and monitored portfolio companies compliance with AP6’s Code of Conduct. And reported deviations and progress.

AP6’s Fund Investments follows up the development of each fund through dialogue with general partners and the management team. Fund Investments has produced an assessment template for the general partners’ sustainability practices which is used in the evaluation of existing funds and ahead of potential new investments. The template is reviewed annually.

Internal follow-up

As regards AP6’s office based operations, sustainability is followed up during the year in conjunction with the preparation of the GRI report.

The evaluation and revision of the Code of Conduct, policies and goals take place once a year.

ENVIRONMENTAL RESPONSIBILITY

AP6 as an organisation

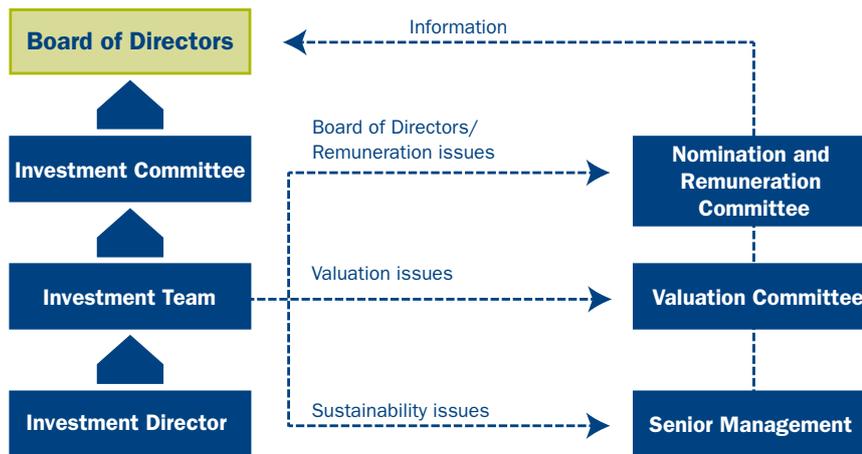
Within AP6, travel is the environmental impact that AP6’s employees have the greatest opportunity of influencing. Rules and attitudes are described in AP6’s guidelines. It is a question of assessing whether a journey is necessary and when it is possible to replace it with video, telephone or web conferencing. Travel should be planned and carried out so there is as little environmental impact as possible.

2013 is the base year for measurements and comparisons unless otherwise specified.

AP6 has invested in video and telephone conferencing systems so the amount of travel can be reduced. In 2015, the video conferencing system was on average used approximately 2.2 hours per day (1.8 h/day in 2014). This is an increase of over 60 per cent since 2013, which exceeds the target of a 10 per cent increase on a full-year basis.

A service for holding virtual meetings

Decision-making processes and committees



AP6 works with transparency through all decision levels. The decision data prepared by the investment manager and discussed in team meetings and by the Investment Committee are basically the same set of material that the Board receives.

Committees and the investment organisation are led by people from senior management. The Managing Director regularly reviews the investment process with the Board.

An investment decision is a multi-stage process. AP6 works in a uniform manner with well-documented decision data. Decisions in all decision-making forums are documented in the form of minutes.

» The starting point for AP6's guidelines has been the discussion of the risks associated with someone even accepting gifts and benefits from individuals or companies with which they come into contact as part of their job.

was acquired in 2015. This allows for video conferences regardless of the platform, as well as traditional telephone conferences. The idea here is to further facilitate other types of meetings besides the purely physical.

In 2015, AP6 for the second time calculated the carbon dioxide emissions of its internal operations. The measurement includes all office operations, but emissions from travel account for the lion's share. The result is that total emissions amounted to 73 tonnes (102), which is a fall of 28 per cent. Travel accounts for 69 tonnes (97) and represents 94 per cent (95) of the total footprint. The result of the measurement is a good tool for our continued work to reduce the carbon footprint of our travel. Rail travel accounted for 37 per cent (28) of all domestic rail and air travel, which

is an increase of 9 per cent on 2014. This increase also explains the overall reduction in AP6's carbon footprint.

The IT environment has previously undergone a number of changes. One of these was to replace the servers, resulting in lower energy consumption. The new cooling installation that runs the IT hall is connected to the property's refrigerant system with plain water as redundancy. The old cooling installation contained refrigerant that was hazardous to the environment. The extinguishing equipment is now more environmentally friendly.

When it comes to AP6's premises in Gothenburg and Stockholm, both leases are so-called green agreements that entail active environmental measures for both the tenant and the landlord.

EMPLOYEE RESPONSIBILITY

AP6's employees have a substantial influence on operations. The growth in value of investments and cooperation with various players are entirely dependent on the performance of the employees. As an employer, AP6 can influence working methods, efficiency and attitudes to issues related to ethics and sustainability.

Anti-corruption

As a state-owned pension fund manager, AP6 falls under the remit of the Ministry of Finance, which has issued guidelines on what constitutes bribes and conflicts of interest. These rules have been presented to and reviewed with all employees. AP6's position is to maintain a broad safety margin over what is permitted, given that the closer someone is to the limit of what is permitted, the greater the risk of them violating it.

An employee or elected official should not even be suspected of having been influenced by irrelevant wishes or considerations in their work. AP6 emphasises that it is important to take personal responsibility and be able to make ethical choices.

AP6 has adopted its own guidelines and these include a zero tolerance policy on gifts. When it comes to invitations to individual employees, the invitation should have a clear and relevant professional purpose. Whatever is offered in the form of meeting setting, location, food and drink should be reasonable.

The starting point for AP6's guidelines has been the discussion of the risks associated with someone even accepting gifts and benefits from individuals or companies with which they come into contact as part of their job.

Secondary occupations are another area where both employee and employer must be vigilant and apply laws and regulations in the same way, i.e. by establishing a safety zone for what is permitted.

The most important thing is to avoid risking the organisation's credibility. The Act on Public Employment (LOA) lays down which types of extra jobs and secondary occupations are compatible with being employed by the state. An employee of AP6 must never risk acting in their own interest – or be swayed by someone else who may influence their decision.

AP6 does not allow secondary occupations that conflict with the requirement for loyalty to the employer.

Before employees accept an invitation, they should ask themselves the following questions:

- Is this a benefit and why is it being offered to me?
- What is the nature of the benefit and what is it worth?
- What influence do I have on my employer's relationship with the person who sent the invitation?

Equal pay

AP6 complies with legislation and regulations on equality and it is very important that people with the same skills, experience and job description have the same terms and conditions of employment. This is a prerequisite for an organisation to function properly. A review of this area was carried out in 2014 with follow-up in 2015. The outcome was that AP6 does indeed comply with the legislation, regulations and guidelines that exist.

Diversity

It is important that the composition of AP6's staff reflects Sweden as a nation, and that is why diversity is a vital factor. AP6's organisation consists of a relatively small workforce with low staff turnover in a very homogeneous industry, which makes it particularly important to have a compre-

hensive and long-term plan for increasing diversity.

Diversity and gender mainstreaming is part of the recruitment specification, both in terms of fixed-term and permanent positions. An even gender distribution at all levels of the organisation is an important factor for ensuring a well-balanced organisation.

AP6 has taken an interest in the social economy enterprise Mitt Liv, whose mission is to help foreigners with an academic background enter the Swedish labour market.

In addition to being a partner to Mitt Liv, AP6 has also been actively involved in the mentoring programme, with five employees each having someone to mentor. The concept is based on giving advice on and assistance in labour market issues in a variety of ways to people with a foreign background and degree level education. The programme started in autumn 2014 and ended halfway through 2015. It comprised a number of joint training sessions for mentors and mentees. There were also several meetings and some activities carried out by mentor and mentee. To take just one example, these involved preparations before the mentee attended an interview for an internship or similar position.

Skills development

Continuous skills development is a key issue if AP6 is to deliver a long-term sustainable and value-added return. It is also about being able to hold our own as an employer in a competitive market. Skills development

is planned at the annual appraisal. Training sessions amounting to seven hours per employee have been held on anti-corruption, human rights and policies. Sustainability training has been held for all investment managers and senior management. The latter have completed leadership training as well. Employee training linked to this area has also been completed. The number of training hours per employee was 22 hours in 2015, broken down into 22 hours for management and 22 hours for employees.

Health

The health of employees is important for AP6's development and ability to deliver a return. Health risks may consist of stress or stress-related illnesses and ergonomic issues related to office work. All employees are covered by occupational health services with a check-up every two years; they are also offered health insurance and a contribution towards gym membership etc. The employees can get help from an ergonomist to make sure they have a good working environment and any equipment they may require.

AP6 otherwise complies with legislation, regulations and guidelines that apply to this area.

The value for the previous year is given in brackets:

- Absence due to illness: 0.7 per cent (1.5).
- Staff turnover: 12.1 per cent (0.0).
- The option of a contribution towards gym membership etc. was taken up by 91 per cent of employees (89).

An attractive workplace

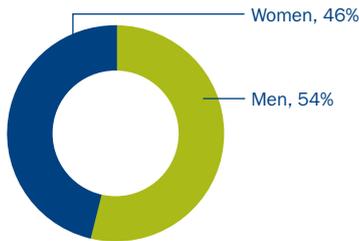
It is of strategic importance that AP6 is able to recruit and develop competent personnel. When it comes to managing national pension funds by investing in unlisted companies, a high level of expertise and discretion is required. AP6 recruits personnel in a competitive market. To accomplish this and be perceived as an attractive workplace, AP6 works actively to provide a balanced offer.

This is based on three main components:

1. Interesting and exciting assignments. AP6 is a major player in the Nordic market for unlisted companies. The organisation is at the forefront of corporate governance and sustainability issues.



Distribution between women and men



2. A good work-life balance. It should be possible to combine a sometimes hectic and very demanding professional role with e.g. being a parent to young children. This approach must characterise internal controls and work planning.

3. Relevant remuneration. Within the framework of the guidelines for remuneration and benefits (competitive remuneration that does not lead the market), staff should be able to earn a good salary and receive reasonable benefits.

Composition of employees

- There were 31 (35) employees, 15 (16) of which were women and 16 (19) of which were men. Age distribution:
 < 30 years 1 person
 30–49 years 19 people
 50–70 years 11 people
- Senior management consists of seven people; six of these are men and one is a woman.
- Of the 31 (35) employees, 26 (30) work at the head office in Gothenburg and 5 (5) in Stockholm.
- The work is carried out by employees; there are no temporary consultants and no seasonal variations occur.
- The Board of Directors consists of 5 (5) people, 2 (2) of whom are women. The Chairman of the Board is a woman.

ABOUT THE REPORT

This GRI report is the third by AP6 and the reporting period is the calendar year 2015. AP6 has chosen to prepare a so-called Core report. This means that the report is based on factors relevant to AP6's operations and which AP6 can influence in different ways. The report covers every part

of AP6's operations. There is no division into regions. The sustainability report is prepared once a year. No new circumstances or significant changes have occurred since the previous year.

The GRI report is part of AP6's annual report, but the GRI report has not been examined by auditors.

For information or comments on the sustainability report, please contact:

MARGARETA ALESTIG JOHNSON

Deputy Managing Director and Administrative Manager, with responsibility for sustainability issues

margareta.alestig@apfond6.se

Senior management and committees

SENIOR MANAGEMENT:

Karl Swartling (*MD*)
 Margareta Alestig Johnson (*Deputy MD*)
 Henrik Dahl (*CFO*)
 Mats Lindahl (*Head of Company Investments*)
 Karl Falk (*Head of Fund Investments*)
 Jonas Lidholm (*General Counsel*)
 Ulf Lindqvist (*Head of Communications*)

INVESTMENT COMMITTEE:

Margareta Alestig Johnson (*Chairman*)
 Karl Swartling
 Henrik Dahl
 Mats Lindahl
 Karl Falk
 Jonas Lidholm
 Ulf Lindqvist
 Håkan Bohlin

VALUATION COMMITTEE:

Håkan Bohlin (*Chairman*)
 Henrik Dahl
 Karl Swartling
 Margareta Alestig Johnson

NOMINATION AND REMUNERATION COMMITTEE:

Jonas Lidholm (*Chairman*)
 Mats Lindahl
 Margareta Alestig Johnson
 Karl Swartling

ETIKKOMMITTÉ:

Ulf Lindqvist (*Chairman*)
 Jonas Lidholm
 Margareta Alestig Johnson

AP6 BOARD COMMITTEES

Audit Committee

Katarina Bonde (*Chairman*)
 Per Strömberg

Remuneration Committee

Urban Lindskog (*Chairman*)
 Henrik Dägel

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* N/A = Not applicable

FACTS



Signatory of:



GLOBAL COMPACT OCH PRI

AP6 is a signatory of the UN Global Compact, and is committed to implementing and integrating the principles of human rights, working conditions and environment in its operations and to influencing other companies to follow the Global Compact.

AP6 is also a signatory of the UN Principles for Responsible Investment, PRI. When making investment decisions, AP6 undertakes to consider the handling of environmental aspects, social issues and good governance, as well as encouraging reporting on ethical aspects in its investments through active ownership.



AP6 conducted a climate change assessment in 2015 in order to measure the portfolio's carbon footprint. The analysis was carried out by South Pole Carbon.

About the sustainability report

The report covers AP6's internal operations. It also outlines AP6's areas of influence as determined by the analysis. The analysis includes a prioritisation of the importance of every relevant aspect, as well as identifying where this effect occurs, internally or externally. The analysis is based on GRI's principles for selection of content.

Aspects and indicators as of 31 December 2015

Material aspect	DMA and indicator	Internal/ external effect	Page of annual report	Comment
ECONOMY				
Financial performance	DMA/Management EC1 – Performance and return	I/E	2,3 58,62,63	
ENVIRONMENT				
CO₂ emissions	DMA/Management EN17 – Carbon dioxide emissions from travel	I	26–27, 37–41 37	The category courier services is not reported because it is not relevant
WORKING CONDITIONS				
Employees	DMA/Management LA1 – Staff turnover	I	26,27,28 42	There is no division into regions *
Health and safety	DMA/Management LA6 – Absence due to illness	I	42 42	*
Skills/training	DMA/Management LA9 – Number of hours for training	I	41 41	
Diversity and equal opportunities	DMA/Management LA12 – Distribution between women and men	I	40–42 42	
HUMAN RIGHTS				
Training	DMA/Management	E	41	
Human rights	HR2 – Total number of hours of training for employees in policies and procedures involving human rights		41	
CORPORATE SOCIAL RESPONSIBILITY				
Anti-corruption	DMA/Management SO3 – Number and proportion of activities evaluated based on corruption risks, and the risks identified SO4 – Training and communication for employees of policies and procedures involving anti-corruption SO5 – Corruption incidents during the year and action taken	I/E	28,40 28,40 40,41 31	The Board discusses anti-corruption on an ongoing basis
FINANCIAL SECTOR ADDENDA				
Product Portfolio	DMA/Management FS6 – Proportion of the portfolio broken down by size and industry	I/E	1, 2 1,2,34	
Follow-up	DMA/Management	I/E	33,35,36	
Active ownership	DMA/Management FS10 – Share and number of companies owned in which AP6 has interacted on sustainability issues FS11 – Proportion of assets analysed based on sustainability	I/E	33,35,36 34,35,36 35	

* The gender/age categories are not reported due to the exemption rule in the legislation that says this information should not be disclosed if it could be linked to a specific individual.

Fund Governance Statement

According to the Swedish Corporate Governance Code, Swedish listed companies must submit a corporate governance report. The Swedish code could be considered a template for what constitutes standard practice for other companies, organisations, public authorities, etc. This Fund Governance Statement has therefore taken inspiration from the Swedish code, while also allowing for the peculiarities of the Sixth AP Fund (AP6).

Like the other Swedish National Pension Funds (AP funds), AP6 is a government agency, although it should be noted that the AP funds are very different to other government agencies. The main difference is that the AP funds adopt a highly independent position in relation to the government since their activities are regulated by law and consequently the government does not have any regulatory authority over the funds.

TOPICAL ISSUES IN 2015

AP6 continued to work on the strategic approach adopted in 2011 over the course of the year. In direct investments, a number of strategic acquisitions were made involving mature companies expected to meet the target of a long-term stable return. These investments were made together with financial and industrial partners, mitigating the risk in the portfolio. During the year, fund investments allocated assets to both existing and new management teams

concentrating not only on the Nordic region but also on Europe as part of a broader geographical focus. The ambition is to broaden the geographic focus, where appropriate, in order to establish an adequate diversification of risk and also to increase the possibility of a strong return. This broadening will primarily take the form of investments in private equity investment funds.

Synergies gained from investing in both private equity investment funds and directly in companies have improved over the year. The transaction flow that has arisen is beneficial, creating the opportunity for more direct investments in 2016.

PROGRESS WITHIN SUSTAINABILITY

AP6 advanced its sustainability approach further during the year by working even more intensely and closely with its holdings, on both the company side and the fund side. Climate change has been an important topic on the agenda, as have the efforts to get portfolio companies to report and measure sustainability practices.

BOARD COMPOSITION

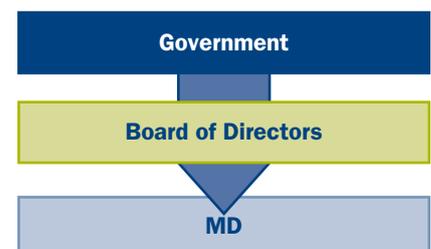
The Board of Directors, consisting of five members, is appointed by the government, which also appoints the Chairman and Deputy Chairman. The government applies

one-year mandate periods for the Board members, which means that the current appointments are valid until the government has adopted AP6's balance sheet and income statement for 2015. In the past year, Urban Lindskog has been elected as a member and Olle Larkö has left the Board.

BOARD WORK

The Board has full responsibility for AP6's activities and in those areas where the Board's work is not regulated by the Sixth AP Fund Act (2000:193), it is regulated by the Rules of Procedure set by the Board each year. The Board held six ordinary and six extra board meetings over the course of 2015. Besides the Board members, Board meetings are attended by AP6's Managing Director and relevant employees who possess specialist expertise or who are reporting on a case. The most important tasks of the Board include setting AP6's performance target, deciding how to allo-

The owner appoints the Board



cate assets, appointing and evaluating the Managing Director and ensuring that AP6 has sound procedures in place for internal controls and monitoring. Furthermore, the Board conducts an annual assessment of day-to-day operations, focusing on the long-term perspective.

AUDIT COMMITTEE

The Audit Committee assists the Board in a drafting capacity in matters concerning audits and financial reporting. The Committee’s task is to monitor AP6’s financial reporting and the efficiency of its internal controls, internal audit and risk management, as well as briefing the Board on the audit of the annual report. It is also the Committee’s task to approve proposed valuations of unlisted assets each year when the annual financial statements are being prepared. The Committee must also meet AP6’s auditors at regular intervals for briefings on the audit and on risk exposure. The Committee is required to meet at least three times a year, with AP6’s auditors attending on at least one occasion. The Committee must consist of two members from the Board, one of whom should be appointed chairman. The Deputy Managing Director, the CFO and, where necessary, a controller as minutes taker should be co-opted members.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in a drafting capacity in matters concerning remuneration policies, remuneration and other terms of employment

for AP6’s management. The Committee must monitor and evaluate the application of the guidelines for the terms of employment for senior executives decided by the Board and use the government’s guidelines issued in April 2009 as a basis for its approach. The Committee must prepare draft proposals for a framework for annual salary reviews for AP6’s employees. The Committee must consist of two members from the Board, one of whom should be appointed chairman. The Managing Director, Deputy Managing Director and a legal adviser as minutes taker should be co-opted members.

FEES, SALARIES AND INCENTIVE SCHEMES

Fees and other remuneration paid to Board members are decided by the government. The annual remuneration package amounts to SEK 100,000 for the Chairman, SEK 75,000 for the Deputy Chairman and SEK 50,000 for other Board members.

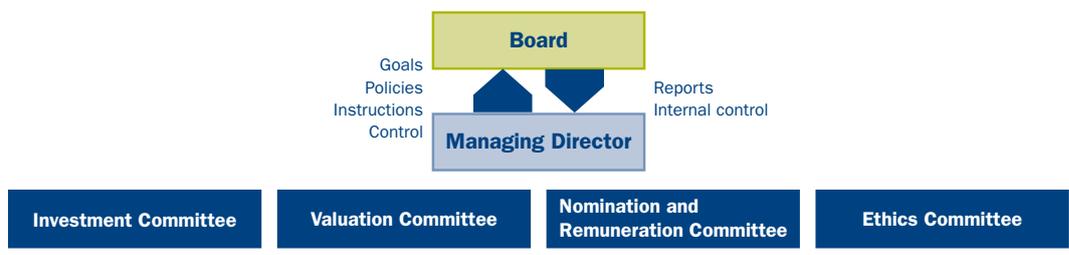
The Board decides on the remuneration paid to the Managing Director and pay scales for all other employees. The Board also decides whether or not to offer any incentive schemes. AP6 does not offer variable remuneration or incentive schemes for management or other employees. In 2009, the government issued new guidelines on the remuneration of senior executives at AP funds. These guidelines have removed the possibility of variable remuneration, introduced limits on pension benefits and regulated retirement age. See Note 7 for more details about this.

INTERNAL CONTROLS

Internal controls are a key part of a well-run and efficient business. Responsibility for internal controls lies with the Board. The Board may be assisted by the Managing Director and, if necessary, internal audit in this work. The latter will receive assignments whenever the Board identifies a particular area requiring an audit. Since AP6 has relatively few employees, and no separate (in-house) function for internal audit exists, external consultants possessing the relevant expertise are retained to perform such assignments.

Within AP6 someone is appointed to maintain a continuous dialogue with these auditors, who report their findings to the Audit Committee and the Board. Since the financial reporting is audited by the external auditors, any focus for the internal auditors instead consists of documenting process flows within the operations side of the business. The risks that are identified, partly by internal auditors and partly through regular internal controls, are then reduced to an acceptable level by introducing the necessary activities to the process flow. The new or modified activities mainly concern the organisational structure, decision-making paths, levels of authority or allocation of responsibility. These changes are communicated in the policies adopted by the Board, as well as in the directives decided by the Managing Director. Documents and tools enabling their practical management in day-to-day operations are also created.

Internal control of operations



AP6 is supported by four different committees:

- **The Investment Committee**, which is a decision-making body that both forms part of the investing activities and prepares items for consideration by the Board.
- **The Ethics Committee**, which handles ethical issues that arise within the organisation.
- **The Nomination and Remuneration Committee**, which monitors the nomination and remuneration issues faced by investment managers at portfolio companies.
- **The Valuation Committee**, which ahead of the publication of annual and four-monthly financial statements, must approve the valuations of the unlisted holdings.

For financial institutions with somewhat larger organisations, as well as for those following the Swedish Financial Supervisory Authority's (FI) regulations, there is a need and requirement respectively for functions to manage compliance and risk. In light of AP6's activities, as well as its relatively limited organisation, these functions are shared between different levels of the organisation. The function corresponding to compliance is shared by AP6's legal adviser (legislation and regulations) and the CFO (financial reporting). The function corresponding to risk management consists of a risk controller who reports regularly to the Deputy

Managing Director. Risk management is a natural part of ongoing investing activities. This is why risks are also managed and reported directly by the relevant investment manager for the funds and companies in which AP6 has invested.

AUDIT

AP6's auditors are appointed by the government. The current auditors are Magnus Svensson Henryson (PwC) and Susanne Sundvall (PwC), whose appointment runs until 31 May 2016.

The auditors' work includes examining AP6's operating activities, its administration, financial statements and the annual report. The auditors express an opinion on the accounting records and the administration on the basis of their audit. Their work also includes verifying that AP6 follows generally accepted accounting and valuation principles, and that the accounting records provide a true and fair view of the fund operations. An audit has also been carried out of AP6's IT environment, focusing on the processes attributable both to the entire IT architecture and to the business system.

The auditors issue a report detailing their audit and also report verbally directly to the Board at least once a year, as well as submitting a written report on their administration audit and financial statements audit. In addition to this, the auditors report verbally to the Ministry of Finance once a year.

BOARD ASSESSMENT

Under the Sixth AP Fund Act (2000:193), the Board must carry out its own annual assessment of its management of the fund assets, i.e. a performance review. This assessment must be submitted to the government in conjunction with the presentation of the annual report and the auditors' report. It is presented in a separate report that can be found on the AP6 website.

GOVERNMENT ASSESSMENT

In addition to the Board's own assessment, the Ministry of Finance conducts an annual assessment of AP6's operations on behalf of the government. This assessment is carried out for all AP funds with the assistance of external consultants. The assessment is presented in a written communication to the Swedish Parliament which is published in conjunction with the government adopting the income statements and balance sheets of the AP funds for the 2015 financial year.

The owner exercises control

Board of Directors



EBBA LINDSÖ
Chairman

BORN: 1955
ELECTED: 2011

OTHER APPOINTMENTS:

Brummer & Partners. Board member of SBAB Bank, Burenstam & Partners, LRF, Advisory Council of Statistics Sweden, UNICEF Sweden and the Scholarship Committee of HRH King Carl XVI Gustaf's Foundation for Young Leadership.



PER STRÖMBERG
Deputy Chairman

BORN: 1968
ELECTED: 2011

OTHER APPOINTMENTS:

Professor of Finance and Private Equity at the Stockholm School of Economics. Adjunct Professor of Finance at the University of Chicago Booth School of Business and a member of the Committee for the Prize in Economic Sciences in Memory of Alfred Nobel.



KATARINA G BONDE
Board member

BORN: 1958
ELECTED: 2008

OTHER APPOINTMENTS:

Chairman of the Board of Propellerhead Software AB. Board member of Aptilo Networks AB, Avega Group AB, Myconic AB, Micro Systemation AB, Image Systems AB, Nordax Bank AB and Fingerprint Cards AB.



HENRIK DAGEL
Board member

BORN: 1958
ELECTED: 2011

OTHER APPOINTMENTS:

Head of Special Operations at Swedfund. Board member of Raffia Holdings Ltd, Athi River Steel Ltd, HSF Wuxi Electro Mechanic Ltd and Global Medical Investment AB.



URBAN LINDSKOG
Board member

BORN: 1965
ELECTED: 2015

OTHER APPOINTMENTS:

Managing Director of Metria AB.

Management



KARL SWARTLING
Managing Director

BORN: 1965
EMPLOYED: 2012

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



**MARGARETA
ALESTIG JOHNSON**
*Deputy Managing Director and
Administrative Manager*

BORN: 1961
EMPLOYED: 2013

BOARD APPOINTMENTS:
Green Cargo AB and OX2
Group AB.

No holdings in unlisted companies.



HENRIK DAHL
CFO

BORN: 1975
EMPLOYED: 2008

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



KARL FALK
Head of Fund Investments

BORN: 1972
EMPLOYED: 2012

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



MATS LINDAHL
Head of Company Investments

BORN: 1964
EMPLOYED: 2012

BOARD APPOINTMENTS:
Norrporten, SLS Invest AB,
Nordia Innovation AB and
Bergsala AB.

No holdings in unlisted companies.



JONAS LIDHOLM
General Counsel

BORN: 1970
EMPLOYED: 2001

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



ULF LINDQVIST
Head of Communications

BORN: 1963
EMPLOYED: 2008

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.

Remuneration levels, benefits and business representation costs

The government adopted guidelines in 2009 on remuneration of senior executives at the AP funds; other personnel were not included. The main objective of this measure was to protect public confidence in the AP funds. Viewed from a larger perspective, the issue of confidence encompasses several different aspects. Remuneration is just one part, responsible investments another. Openness and transparency are additional factors that build confidence.

AP6 reports on its work on responsible investment in various places in the Annual report, including the GRI report. Benefits, guidelines on remuneration of all personnel and the results of a comparison of the level of remuneration paid to all employees are set out below.

Government guidelines for senior executives within the AP funds

- The total remuneration paid to senior executives of the AP funds should be reasonable and considered.
- It should also be competitive, have a ceiling and be appropriate for the work concerned, as well as contributing to a good ethical code and organisational culture.
- The remuneration should not be higher than at comparable institutions but should instead be characterised by moderation.
- Variable salary, so-called bonuses, may not be paid.
- Other employees may receive variable salary, although no more than the equivalent of two months' salary.

AP6's Board of Directors has decided that:

- All personnel, not only senior executives, must be covered by the government guidelines.
- There will be no opportunity for variable salary, so-called bonuses.

AP6 must also encourage the application of the guidelines to the greatest extent possible in companies in which AP6 has an ownership interest.

ANALYSIS OF AP6'S REMUNERATION LEVELS

AP6 has commissioned an evaluation of total remuneration levels (salary and pension) for all members of staff. McLagan has been engaged to carry out this evaluation. This company is part of Aon Consulting Company, an external and independent international consultancy firm. The comparison material has been divided into two categories to allow for the differences in remuneration structure and remuneration levels between them. AP6's operations differ somewhat from those of other similar organisations since AP6's focus is based on unlisted holdings. This means that AP6 has a need for specific expertise in employees who identify, implement and monitor investments in unlisted companies.

Private asset managers:

- AFA Försäkring, Alecta, Alfred Berg, American Express, AMF Pension, Brummer & Partners Fund Services, Carnegie, Euroclear, Folksam, GE Capital, Handelsbanken Asset Management, Handelsbanken Liv, Länsförsäkringar Fonder, Nordea Fonder, SEB Kapitalförvaltningen, Skagen Fonder, Skandia Liv, Swedbank, Swedbank Robur and Bank of Åland.

State-owned companies and public authorities:

State-owned financial companies:

Almi Invest, Fouriertransform, Industriefonden, Inlandsinnovation, SBAB, SEK and Swedfund.

Public authorities: AP1, AP2, AP3, AP4, AP7, the Swedish Financial Supervisory Authority (FI), Kammarkollegiet, the Nobel Foundation, the Riksbank, Riksbankens Jubileumsfond (RJ), the Swedish Foundation for Humanities and Social Sciences) and the Swedish National Debt Office.*

Results of the evaluation

The results of McLagan's evaluation show that the average and median total remuneration (salary and pension) for employees at AP6:

• Is 18 per cent lower than the private market (median 15 per cent) overall.

- Is 6 per cent higher than comparable positions at state-owned companies and public authorities (median 16 per cent) overall.

TOTAL REMUNERATION (SALARY AND PENSION) FOR EMPLOYEES AT AP6 IN COMPARISON WITH

Average	AP6 2015	AP6 2014
Private market	-18%	-14%
Government market	+6%	+5%
Median		
Private market	-15%	-12%
Government market	+16%	+13%

The conclusion of the AP6 Board is that remuneration to the employees can be considered reasonable and in line with the government guidelines. In other words, the remuneration levels are well considered and competitive, in comparison with companies focused on long-term asset management.

Costs of representation and taxable benefits in 2015

AP6 has strict guidelines when it comes to entertainment and benefits. A deliberate choice was made here when, for instance, company cars were withdrawn and public transport passes were introduced instead. Representation costs should be reasonable and appropriate. For example, alcohol is not permitted for internal representation.

Cost	SEK/employee/year
Representation (internal and external)	1,530
Taxable benefit (public transport pass, lunch discount card)	13,886

* Where insufficient data were available, McLagan has indexed the previous year's data by an average of approximately 3.4 per cent.

Directors' Report

The Board of Directors and Managing Director of the Sixth AP Fund (AP6) hereby present the Annual Report for AP6 operations in the 2015 financial year. The following income statement and balance sheet, specifications and notes to the financial statements are an integral part of the Annual Report.

GENERAL INFORMATION

The Sixth AP Fund is a long-term investor in unlisted companies. It has a clear mission, to generate a long-term high return with adequate risk diversification through investments in the unlisted private equity market. The strategy is to focus investments on the buyout segment (mature companies), where the investment history of both the market and the Sixth AP Fund makes it reasonable to expect a good return over time. Investments in the venture segment (early phase) are only made indirectly through funds and in a more restrictive manner. Direct investments in companies are therefore only made in mature companies and preferably together with other financial and industrial investors. This often means co-operations in which AP6 takes a minority position and works closely with or via a partner. This strategy also makes AP6 a long-term partner for funds and investment companies active in the Nordic market with a long-term investment horizon and a strong return history. AP6 can be either a partner and investor by allocating assets to a management team or by acting as a direct investor and partner in a specific company investment. This unique combination of investments in funds and companies creates transaction opportunities, competitive advantages and flexibility, allowing the best deal to be selected in each occasion. The combination is therefore an important part of creating a long-term high return with adequate risk diversification.

Within the organisation, the cross-utilisation of expertise between Fund Investments and Company Investments is continuing, an approach which contributes to greater efficiency in the internal processes. Company Investments contributes expertise when capital are being committed to new funds, for those cases where the process requires an assessment of AP6's existing investments in portfolio companies. Fund Investments contributes an important network of contacts through investments in the funds. This means that the team for direct investments has a unique opportunity to work with and selectively evaluate investment proposals (co-investments) that may arise in companies whose principal owners are funds in which AP6 has invested. The investment proposals are screened carefully by the principal owner, leading to very efficient use of resources with minimal transaction costs as a result.

SIGNIFICANT EVENTS DURING THE YEAR

Financial performance

The net profit for 2015 amounted to SEK 2,867 million (1,441), which corresponds to a return of 12.2 per cent (6.5). The return should be compared to the performance target for 2015, which was 15.4 per cent. The profit for the period 2006–2015 amounted to SEK 11,292 million. This corresponds to an annual return of 5.7 per cent and should be compared to the performance target for the period, which is 11.0 per cent.

The profit consists of realised and unrealised changes in the value of assets, as well as interest and dividends. The realised gain represents the difference between sales proceeds and the carrying amount on the date of sale. Any write-down of acquisition costs is also included. The unrealised gain consists of changes in value in existing holdings. The costs consist of external and internal management costs attributable to investing activities and internal shared costs.

Returns from mature companies outperform the target over a longer period

2015 was another year with a relatively positive stock market trend. AP6's listed target index (SIX Nordic 200 Cap GI) rose by 12.9 per cent. It can thus be stated that AP6 did not achieve this year's target of 15.4 per cent (index growth of 12.9 per cent plus excess return target of 2.5 per cent). What should be taken into account is that AP6 invests in unlisted assets and these naturally do not reflect the volatility and risk profile of a listed equity portfolio or a particular listed index. Instead, the ambition is for existing investments, together with those implemented successively, to provide a high level of stable returns over a long period. For this reason, the return should not be compared to a single year on the stock exchange but rather be evaluated over a longer period and across multiple business cycles. Analysis of the period since AP6 was founded (19 years) and over 10 years shows returns in the mature companies segment of 15.0 and 11.3 per cent respectively, which should be compared to the respective targets for these periods of 12.5 and 11.0 per cent. Consequently it may be stated that the investments made in mature companies (buyout) and that form the basis for the current strategy have been successful. AP6's total return does not meet the target in any of the periods, but this may be seen as less relevant given that the performance is negatively affected by the previous strategy and the early phase investments that were also put in place (venture capital).

ASSETS UNDER MANAGEMENT

At the end of 1996, AP6 started with assets under management of SEK 10.4 billion, which by the end of 2015 had grown by SEK 16.0 billion to SEK 26.4 billion. This is equivalent to a total increase in value since launch of about 154 per cent and an annual average growth rate of 5.0 per cent. Since 2003, the majority of AP6's assets has been invested in unlisted companies, unlike investments on the stock exchange. An analysis shows that during the period 2006–2015, that is the last 10 years, the assets under management have grown from SEK 15.1 billion to SEK 26.4 billion, which corresponds to an average annual growth rate of 5.7 per cent.

AP6 is a closed buffer fund, which means that there is no requirement to annually pay in or receive funds to balance the national pension scheme's payment flows. This means that gains are reinvested and that any losses must be covered by the assets under management.

Assets allocated (but not yet paid) by AP6 to investments in funds and directly owned companies amounted to SEK 6.8 billion (5.5) at the end of the year.

INVESTING ACTIVITIES

AP6 operations are divided into investing activities and liquidity management. Investing activities comprise direct investments in companies and indirect investments in companies through funds. The investment focus is primarily the Nordic region.

Company Investments

The market value assets of Company Investments amounted to SEK 12.4 billion (10.8) at the end of 2015, while the profit for the year before internal expenses amounted to SEK 1,788 million (372).

From a profit and return perspective, 2015 was a good year thanks to AP6 continuing to make successful sales. At the end of the year, Volvofinans Bank AB was sold, providing a strong risk-adjusted return. The company was acquired in 2007 and has over the years successfully undergone a number of changes; these have contributed to the expectation that the company's results for 2015 will be the best in the company's history. Another successful transaction is the listing of Tobii Technology. This is an exciting Swedish company that focuses on developing and selling products for eye control and measuring eye gaze – so-called eye tracking. The company's value has increased since the listing. AP6 still believes strongly in the company but has increased the liquidity of the holding thanks to the listing. Events during the year also included the sale of Dawa Däck AB, which was one of the smaller holdings in the portfolio.

The strong stock market trend of recent years has from an acquisition standpoint had a negative effect in that the high valuations have resulted in financial buyers finding it difficult to match the price offered by a listing. This is clear within Company Investments, which during the course of the year only made one new direct investment, together with EQT. The acquisition rate has thus remained low during the year and work on building a new, robust portfolio with new and interesting direct investments has consequently been delayed. Maintaining an even and well-balanced

investment rate over time is important, but establishing a portfolio with a good future return profile also requires price discipline. At a time when investment opportunities are diminishing, partly as a result of a highly valued stock market, it is natural for there to be a slightly lower acquisition rate than in previous years. The influx of capital as a result of sales in both fund and direct investments has resulted in a balance of SEK 7,000 million. This means AP6 has a very strong balance sheet and excellent potential to make future attractive direct investments once transaction opportunities start to increase again.

The market value of investments in companies in mature phase (buyout) amounted to a total of SEK 11.4 billion, with the profit for the year before internal management costs totalling SEK 1,698 million. This profit level provides a return for the year of 17.4 per cent. Apart from the contribution of sales to the profit, which was described above, Norrporten also grew strongly during the year. This trend is a combination of both good management performance and a favourable growth in value in the underlying properties. In contrast, the Norwegian oil service sector has continued to struggle due to the low oil price. It is in these challenging market conditions that Aibel has implemented the restructuring measures that were necessary. During the course of the year, the company won several critical projects, but given the continued high level of uncertainty in the sector AP6 has chosen to reduce the value of its holding.

The market value of investments in early phase (venture capital) amounted to SEK 1.0 billion and the profit for the year to SEK 90 million. The profit level provides a return for the year of 10.8 per cent and is mainly attributable to the positive growth of Apotea, which is a market-leading E-pharmacy online.

The return for the buyout business area since inception (1997–2015) and for the last 10 years (2006–2015) is 15.4 and 9.2 per cent respectively. The corresponding figures for venture capital are -14.9 and -14.3 per cent, primarily as a result of previous strategic direction. Investments within the mature segment have outperformed the target that was originally 12.5 per cent, but are just under the target for the last 10 years of 11.0 per cent. The return for the buyout segment may over time be considered sufficiently high and the prospects for these investments as still good.

Fund Investments

Fund Investments invest in funds managed by experienced management teams, who invest in companies in the venture and buyout market segments. Investments are made mainly in primary funds, but also in the secondary market by making allocations to secondary funds. The market value assets of the business area amounted to SEK 7.0 billion (6.3) at the end of 2015, while the profit for the year before internal expenses came to SEK 720 million (796).

The market value assets in the buyout portfolio amounted to SEK 5.5 billion (5.0) at the end of 2015, while the profit for the year before internal expenses came to SEK 480 million (677). The profit level was affected positively by portfolio revaluations and by realising assets at values higher than the opening market value. The market value assets within venture capital amounted to SEK 1.5 billion (1.3) at the end of 2015, while the profit for the year before internal expenses came to SEK 240 million (119).

In 2015, a relatively high rate of new commitments, totalling SEK 2.5 billion. New commitments were made both to managers that AP6 worked with previously and to brand new managers in the form of two pan-European funds, one of which makes investments in the so-called secondary market. The business concept there is to find attractive acquisitions of “used fund units”, an approach which allows for increased diversification and thus has a positive effect on AP6's risk spread. In addition to the above funds that invest in buyout, a commitment has also been made to Creandum, which is a major Nordic venture capital operator.

Under the heading “Significant events after the financial year-end” in the previous Annual report, it says that AP6 had made a commitment to Carlyle IV which was conditional on the fund reaching a certain size. It can now be stated that the fund has reached this size, meaning that this commitment became legally binding during the year. Since it had been estimated in the previous year that the fund would reach the expected size this commitment was recognised as a contingent liability. This commitment was therefore recognised as far back as 2014 and for this reason is not included in the total figure of SEK 2.5 billion indicated above.

The return for the buyout business area since inception (1997–2015) and for the last 10 years (2006–2015) is 14.7 and 15.7 per cent respectively. The corresponding figures for venture capital are -2.0 and -0.2 per cent. Investments within the mature segment thus outperform the targets for these periods, which are 12.5 and 11.0 per cent respectively. As with direct investments, this return strengthens the current strategy, which means that new commitments are being focused on private equity investment funds that invest in mature companies. Commitments to venture capital funds are still being made, although to a lesser extent than before.

MANAGEMENT OF THE LIQUIDITY RESERVE

The liquidity reserve is the portion of AP6's assets not used for investing activities. The purpose of the liquidity reserve is to maintain a good level of ability to pay with management employing low risk and favourable risk diversification. Investments are placed in debt securities with high liquidity. The management objective for debt securities is to achieve a return in line with OMRX T-Bill. Apart from this, the task of liquidity management is also to manage the financial risks that may arise in the operations and, if necessary, borrow capital.

In addition to interest-bearing assets, liquidity management also has investments in the listed microcap fund Lannebo Microcap. The fund is externally managed and invests in small and medium-sized listed companies. 2015 saw the completion of a partial disposal, which created a liquidity flow of SEK 500 million. At the end of the year the remaining holdings had a market value of SEK 1.5 billion. The microcap fund also saw positive growth in 2015, contributing a profit of SEK 466 million (324).

Since implementing a change in strategy in 2011, AP6 has restructured the portfolio for direct investments, an action that led to a number of companies being sold off. Mature companies within both Fund Investments and Company Investments have also continued to deliver large inflows, which means that liquidity is currently greater than what is necessary to balance the portfolio's

total inflows and outflows or to optimise the short-term return. Activity within investing activities is expected to be high in the coming years, and this is why the liquidity reserve is expected to fall over time. At the end of 2015, the market value assets in liquidity management amounted to a total of SEK 7.0 billion (6.4), with Lannebo Microcap accounting for SEK 1.5 billion (1.6) of this sum. Overall profit for liquidity management amounted to SEK 465 million (371).

MANAGEMENT COSTS

The costs are divided into external and internal management costs and shared costs.

External management costs refer primarily to the management fees payable to the managers of listed holdings.

Internal management costs include staff costs related to investments in funds, directly owned companies and liquidity management holdings. They also include costs that are directly attributable to investing activities.

Shared costs include staff costs for the Managing Director and shared specialist functions, plus the cost of premises, services purchased externally, IT and general office expenses. Since AP6's operations are not subject to VAT, input VAT cannot be deducted. This is therefore recognised as an expense on an ongoing basis and included in AP6's costs.

Management fees paid to funds that invest in unlisted companies are recognised as part of the cost on acquisition for each fund. Active management fees are then reduced in value when each set of annual financial statements is prepared.

Total costs for AP6 amounted to SEK 127 million (120) in 2015, with SEK 80 million (72) of this sum attributable to investing activities and liquidity management, while SEK 47 million (48) relates to shared costs.

ORGANISATION AND EMPLOYEES

AP6 is owned by the government and reports to the Ministry of Finance. In terms of structure, the investment organisation is divided into two business areas, Company Investments and Fund Investments. These two business areas manage what AP6 in an analysis context refers to as investing activities. In addition to this, there is liquidity management, which includes investments in interest-bearing instruments as well as in a listed microcap fund. Liquidity management thus handles the liquidity reserve that is maintained in order to make new and additional investments within each business area. Shared functions such as legal affairs, finance, business control, HR and IT support investing activities. The head office is in Gothenburg.

At year-end, AP6 had 31 (35) employees. See Note 7 for additional information on staff. For more information on AP6's organisation and employees, please visit the website, www.apfond6.se.

EVALUATION AGAINST OPERATIONAL TARGETS

Under the Sixth AP Fund Act (2000:193), the Board of AP6 must carry out its own annual assessment of its management of the fund assets, i.e. a performance review. This assessment must be submitted to the government in conjunction with the presentation of the annual report and the auditors' report. It is presented in a separate report that can be found on the AP6 website.

EVALUATION OF BENCHMARK

AP6 implemented a new performance target in 2012. The idea was that it should reflect the strategic focus in the best way possible and mirror industry practice. The aim here was to identify an index that presents specific comparison data for unlisted companies. It soon became clear that existing indices did not meet the criteria for validity, integrity and data quality. Instead a selection of various broad share indices was made, based on AP6's strategic focus, with the emphasis on mature companies in the Nordic region. The result was Handelsbanken's Nordix All-Share Portfolio Index Total Return. In 2013 this index ceased to be published externally, meaning that today it is owned and calculated directly by SIX in exactly the same way as before. The index is now published under the name "SIX Nordic 200 Cap GI". AP6's benchmark consists of this index plus a mark-up of 2.5 per cent for a risk premium for unlisted companies. The analyses in the annual report in respect of AP6's return over different time periods use this index.

AP6 has previously stated that a listed benchmark is not really suitable for its activities. In particular, it has limited relevance in the evaluation of AP6's return over shorter periods of time. The benchmark should also be used to evaluate the existing strategy in the longer term but not for comparison with historic investing activities. The geographical diversification currently being implemented within investing activities also makes it an ideal time to assess a benchmark index with a broader geographical spread. Work on developing an index for unlisted companies is in progress at a number of index suppliers that AP6 has been in contact with. Their efforts will be monitored and a deeper analysis and discussion about possibly switching benchmark may be relevant when there is actually an alternative that better reflects AP6's investing activities.

GOVERNMENT ASSESSMENT

The Ministry of Finance conducts an annual assessment of AP6's operations on behalf of the government. This is done for all AP funds with the assistance of external consultants. The assessment is presented in a written communication to the Swedish Parliament and published in conjunction with the government adopting the income statements and balance sheets for the year; this is normally done in May of the following year.

The assessment primarily addresses the performance targets set by the Board, as well as the extent to which the investing activities achieved these targets. Analyses are also performed to assess the efficiency of the AP fund system from a general perspective. The latest document can be found on the Swedish government website and on the AP6 website.

SIGNIFICANT EVENTS

AFTER THE FINANCIAL YEAR-END

After year-end, AP6 completed the co-investment in KFZteile24, which is now owned jointly with EQT. The purchase sum is recognised as a contingent liability.

SUSTAINABLE ENTERPRISE

Sustainability applies to investments, organisation and leadership. The sustainability aspect is an important starting point and a prerequisite for being able to generate a long-term high return on the pension fund assets that AP6 is entrusted with managing. The intense work on these issues has continued throughout the year. AP6 reports in line with GRI (Global Reporting Initiative) and is a member of the PRI (UN initiative for responsible investment) and the Global Compact. As a consequence, the requirements are clearly formalised for both the investment process and when sustainability issues arise in existing holdings in companies and funds. The prerequisites for the two types of investment are not the same, something which is also reflected in the implementation of sustainability. A common denominator is, however, that AP6 sets the requirements. Companies in which AP6 has a direct ownership interest are encouraged to sign up to the Global Compact. Company Investments consists of holdings of different sizes and with different ownership stakes, a fact which means that AP6 must adapt the models to different prerequisites. Funds in which AP6 have an ownership stake are encouraged to sign up to or operate in accordance with the principles of PRI. Regardless of the type of investment, direct or indirect, the ongoing work with sustainability issues involves ensuring there are models for setting requirements, monitoring and controls, as well as for reporting deviations and subsequent action. Another reason for working with sustainability is to comply with the legal requirements set out in the Swedish Environmental Code, which includes applying the precautionary principle.

THE SIXTH AP FUND'S FINANCIAL INSTRUMENTS AND THEIR IMPACT ON PERFORMANCE

International Financial Reporting Standards (IFRS) are a set of internationally accepted regulations and AP6 continually assesses the way in which its annual report can be changed and improved in order to provide a fair and transparent view of operations. These regulations require significant disclosures on financial instruments. Disclosures in accordance with IFRS 7 are meant to make it possible for a user to assess the importance of financial instruments to AP6's financial position and performance, as well as the nature and extent of the financial risks resulting from holdings and to which AP6 is thus exposed. A description is provided below of how the financial instruments influence performance, financial position and risks that exist for current holdings, as well as how these risks are managed.

To begin with, it should be mentioned that under the Sixth AP Fund Act (2000:193), financial instruments must be valued at fair value. For a financial instrument, fair value is defined as the amount at which an asset could be transferred or a liability settled. This must take place between knowledgeable parties that are

independent of each other and have an interest in the transaction being carried out. AP6 classifies its assets at fair value according to the following valuation hierarchy. The levels are set based on the market data available on the date of valuation.

Fair value hierarchy SEK million	Level 1	Level 2	Level 3	Total fair value
Shares and fund units	1,966	–	18,602	20,568
Interest-bearing securities	5,088	217	104	5,409
Cash	401	–	–	401

Level 1) Quoted prices are available in active markets for identical assets and liabilities.

Level 2) Financial instruments that do not belong to level 1 instead belong to level 2 if there are quoted prices on inactive markets or if the value can be derived from quoted prices.

Level 3) No observable market data can be applied to the asset.

Change within level 3 for the year SEK million	Company Investments	Fund In- vestments	Total
Opening balance 1 January	10,792	6,436	17 228
Investments	245	1,097	1,342
Change in fair value*	1,263	734	1,997
Less cost of acquisition	–89	–1 169	–1,258
Exchange rate differences and other adjustments	–377	–226	–603
31 december	11,834	6,872	18,706

* Derivative instruments for foreign currency hedging are not included in level 3, which is why the closing balance may differ slightly from the figures specified in the main text. Company Investments for existing listed holdings are also adjusted.

As is apparent from the table, the majority of AP6's invested capital is classified as level 3. This means that in many cases no market data are available when the assets are to be valued. AP6 uses IPEV's principles as the framework for performing a valuation. When the valuation takes place most of the methods are applied, such as discounted cash flow, net assets valuation, multiple valuation, etc. (please see the accounting policies in Note 1).

Some of AP6's companies are valued based on a model in which future cash flows are an indicator of the company's value. For this valuation method to work, the company must be able to forecast its future cash flow with reasonable certainty. As future cash flows are discounted to their present value, it is important to use the correct cost of capital. This represents a weighting of the cost of loan capital and equity and is referred to as "WACC" (Weighted Average Cost of Capital). The cost of equity is on a par with the

benchmark set by AP6 for the element of the company's operations that cannot therefore be financed externally by, for example, a bank loan. Borrowing costs are generally lower than the cost of equity, especially because interest expenses are tax deductible for the company. The performance target for equity for a company in early phase without opportunities for external financing is thus relatively high, thereby providing a much more restrictive valuation in the form of lower company value. Conversely, this means that a company with good financing opportunities has a lower WACC and thereby also a higher company value in the model. The cost of capital that AP6 uses is key to how the company is valued and thus also how changes in value may arise in AP6's income statement. The most important parameters in the model are, however, the assessment of the company's future development in terms of e.g. growth, operating margin, investment requirements, etc. The risks that therefore primarily affect the company's value are market risk and performance risk (see the section "Risks in the Sixth AP Fund's operations").

Valuation at visible net asset value is a method used by AP6 to value Norrporten. This method does not involve any direct estimate of the company's future earning capacity or how equivalent listed companies are valued. The valuation is instead carried out for adjusted equity, which in comparison to other market data indicates a conservative valuation at year-end 2015.

The most common valuation method, which is also the method used most frequently by AP6, is multiple valuation against so-called peer groups. These consist of a cluster of similar companies, usually listed, which are reminiscent of the company to be valued. A downturn in the stock market is likely to lead to lower multiples, thereby also leading to lower values in an unlisted portfolio. If the stock market is turbulent, a certain degree of caution must also be exercised when the valuation is partly based on multiples. The multiples that occur most frequently in AP6's valuations are EV/Sales and EV/EBITDA (see Definitions).

Valuation according to the latest round of financing may also be part of the estimate. If a substantial part of the round is directed outside the existing ownership structure then this valuation will often form a central part of the estimate of the fair value.

A few of AP6's holdings are so-called pre-revenue companies, i.e. the company does not yet have any operations that generate income. These companies are very difficult to value, so naturally a restrictive valuation is used, which often means cost of acquisition or lower.

The private equity funds in which AP6 invests apply the same valuation methods outlined above. AP6 continually assesses both the valuation methods used and the valuations reported quarterly.

In the case of AP6's listed holdings, up-to-date market data are obtained at the end of the financial year. Investments of this kind therefore do not have any element of estimation in the valuation process.

RISKS IN THE SIXTH AP FUND'S OPERATIONS

Every single investment in the financial market involves an element of risk. As a result, AP6 therefore faces a number of business risks; the most significant of these can be divided into the following five categories.

Market risk: Market risk is the risk that a fair value or future cash flow from an investment will vary due to changes in the market. The market risks that predominantly affect AP6 are share price, currency and interest rate risks. Since both Fund Investments and Company Investments are exposed to these risks, they are monitored continuously. A maximum of 10 per cent of AP6's assets, valued at market value, may be exposed to currency risk. For this reason, AP6 uses derivative instruments to hedge the currency risk.

AP6's market value assets in foreign currency at the end of the year amounted to SEK 6,328 million (6,290); of this sum assets in euros were the largest individual currency with a market value of SEK 3,476 million (3,104). SEK 5,664 million (5,655) of the total market value was hedged, providing a currency exposure of 2.5 per cent (3.6) in relation to the assets under management. In line with the established financial policy, AP6's target is for currency exposure to be within the range 0–5 per cent.

Credit and counterparty risk: This arises as an effect of the inability or unwillingness of a fund or company to carry out its contractual obligations or other commitments, a factor which could lead to losses. In these cases, AP6 is working to diversify the portfolio so that its exposure to individual holdings will not be too high. Risk is also managed by the Board each year adopting a future allocation plan that shows how the assets will in future be distributed between asset classes and business areas.

Liquidity risk: This risk is best described as the risk of a financing crisis. One of the ways in which liquidity risk arises is when assets, liabilities and commitments have different maturities. As AP6 does not have any inflows or outflows to the pension scheme, AP6 only needs to consider its own investing activities. Unlike other buffer funds, there is no legal requirement on the proportion of assets that must be placed in investments with a low liquidity risk. AP6's target is for the liquidity reserve to normally account for 5–10 per cent of AP6's total managed assets. There is also a line of credit that can be utilised if a need for financing arises.

Performance risk: Refers to the risk that a holding fails to perform in accordance with the objectives set in, for example, the ownership plan or business plan. The risk is monitored by both Company Investments and Fund Investments, but for the former a more proactive approach must be taken if the risk increases. AP6 monitors its investments by being an active owner with the objective of having a representative on the board of the unlisted companies when the ownership interest makes this feasible. The companies' financial development is also monitored on a monthly basis.

Operational risks: The risk of financial loss as a result of human error, inadequate processes, external events or faulty systems. The ways in which AP6 manages these risks include documenting and mapping different process flows. Risk scenarios are also executed in which risks and threats are analysed.

SIXTH AP FUND DEVELOPMENT 2006–2015 (10 YEARS)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Trend in return, %	13.7	14.1	-16.6	11.3	9.4	-6.9	9.2	9.2	6.5	12.2
Benchmark index ¹	7.2	9.0	7.4	7.5	6.5	7.7	20.2	30.0	19.5	15.4
Fund capital, SEK bn	17.2	19.6	16.4	18.2	19.9	18.5	20.2	22.1	23.6	26.4
Profit/loss summary, SEK M										
Profit/loss before costs	2,215	2,610	-3,108	1,999	1,874	-1,237	1,838	1,982	1,561	2,994
External management costs	-20	-33	-17	-16	-22	-23	-21	-24	-22	-80
Internal management costs and shared costs	-131	-145	-127	-130	-146	-120	-116	-98	-98	-47
Profit/loss for the year	2,064	2,432	-3,252	1,853	1,706	-1,380	1,701	1,860	1,441	2,867

1. Benchmark index: 2003–2011 absolute performance target. 2012–2015 performance target SIX Nordic 200 Cap GI +2.5%.

THE SIXTH AP FUND'S PROFIT/LOSS AND FUND CAPITAL BY BUSINESS AREA

SEK million	Profit/loss						Return before costs, % 2011–2015	Market value assets 31 Dec 2015
	2011	2012	2013	2014	2015	Summa		
Company Investments	-1,701	526	418	372	1,788	1,403	2.5	12,380
Fund Investments	748	910	763	796	720	3 937	14.7	6,964
Liquidity management & risk management	-307	381	777	371	465	1,687	-	7,034
Shared assets, net	-	-	-	-	-	-	-	39
Internal management costs	-56	-55	-48	-50	-59	-268	-	-
Shared costs	-64	-61	-50	-48	-47	-270	-	-
Total	-1,380	1,701	1,860	1,441	2,867	6,489	5.8	26,417

Income statement

SEK million	Note	2015	2014
Investment operations			
Net gain/loss, listed shares and participations		796	291
Net gain/loss, unlisted shares and participations	2	2,154	1,182
Dividends received		225	86
Net interest income/expense	3	-3	82
Other financial income and expenses	4	-178	-80
Management costs	5,7	-80	-72
Shared costs	6,7	-47	-48
Profit/loss for the year		2,867	1,441

Balance sheet

SEK million	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Investment assets			
Shares and participations in listed companies and funds	8,9	1,966	1,615
Shares and participations in unlisted companies and funds	8,10	18,602	16,785
Other interest-bearing instruments	8,11	5,192	5,069
Total investment assets		25,760	23,469
Receivables and other assets			
Derivative for currency hedging		242	86
Other current receivables		1	1
Prepaid expenses and accrued income	12	63	71
Cash and cash equivalents	8	401	210
Total receivables and other assets		707	368
TOTAL ASSETS		26,467	23,837
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Retained earnings		13,184	11,743
Profit/loss for the year		2,867	1,441
TOTAL FUND CAPITAL		26,417	23,550
Current liabilities			
Derivative for currency hedging		25	248
Accrued expenses		21	34
Other current liabilities	14	4	5
Total current liabilities		50	287
TOTAL FUND CAPITAL AND LIABILITIES		26,467	23,837
Memorandum items			
Contingent liabilities		773	665
Commitments – capital committed, not yet paid out		6,817	5,542

Notes

All amounts are in millions of Swedish kronor (SEK million) unless otherwise stated.

Note 1 Accounting policies

The Sixth AP Fund (AP6) complies with the provisions of the Sixth Swedish National Pension (AP) Fund Act (2000:193). This Act came into force on 1 January 2001. The Annual Report has been prepared in accordance with generally accepted accounting principles in Sweden. Due to the law governing AP6, all investments must be measured at fair value in AP6's accounting. No changes took place in AP6's accounting policies in 2015.

Accounting according to IFRS

IFRS is a set of internationally accepted accounting rules and AP6 therefore continuously evaluates changes taking place in this area. AP6 meets the definition of an investment entity as per IFRS 10. The revised definition has not affected the income statement or balance sheet. AP6 must decide what is relevant for each individual standard and then assess the data that should be presented in order for an external reader to obtain a true and fair view while also ensuring that the Annual Report remains clear. It is our assessment that AP6's results for the year in all material respects are consistent with IFRS and that the only significant difference is that AP6 does not prepare a cash flow statement.

Recognition and measurement of unlisted securities

AP6 measures all holdings at fair value and uses the IPEV (International Private Equity and Venture Capital Valuation Board, www.privateequityvaluation.com) guidelines as a valuation framework. Essentially this means holdings should be recognised at fair value. It should be noted that it is not a requirement that these guidelines be followed, but as they are internationally accepted and are consistent with the way the other AP funds measure their unlisted holdings, AP6 has chosen to follow these principles. In connection with the annual financial statements, AP6 carries out a measurement of every company in every portfolio. However, the focus is on companies whose value in relation to the total portfolio is significant. The measurement of unlisted holdings includes a significant degree of judgment, as a result of which any changes in the assumptions made can have a significant impact on results. In each individual case, AP6 attempts to determine which combination of valuation techniques is best suited to measure the fair value of the investment. The following valuation techniques are used:

Transaction price as per the latest round of investments

AP6 has investments involving third party transactions. If such transactions have taken place during the financial year, they form an important part of the valuation. Share issues directed at existing shareholders (so-called internal rounds) must also be taken into consideration. In the event that internal rounds indicate a write-down, a more detailed analysis must be carried out, and if it is shown that the company has attempted to attract an external party but has failed to do so, this could indicate that interest in the company is minimal. In such cases a write-down of the holding

should be considered. In all cases, events that have taken place between the timing of the transaction and the timing of recognition are taken into consideration.

Discounted cash flow

This method involves measuring the value of the company on the basis of discounted future continuous cash flows. Thereafter, the relevant net interest-bearing debt is subtracted. Future cash flows are discounted to a present value based on a risk-adjusted discount rate. The required return used in the model, and thus for the investment, must correspond to the average expected market rate of return for a portfolio with a comparable level of risk and investment horizon. In those cases where the investment at the time of measurement does not yet show a positive cash flow, and an alternative valuation showing a more accurate value has not been performed, a more cautious estimate of the value of the company should be made. In such cases, the fair value of the investment is often the cost on acquisition or lower.

Net asset method

This method is appropriate for businesses whose value consists primarily of the company's net assets. AP6 uses this method to measure the value of the property company Fastighetsaktiebolaget Norrporten. In the case of this company, the method provides a stable measurement of market value and, in the current market climate, also a cautious measurement.

Valuation using multiples

This valuation technique is the most common and is often based on multiples such as EV/EBITDA and EV/Sales. Valuation using multiples is traditionally easier to implement in the case of more mature companies because of the availability of listed comparable companies for reference (peer groups). In the case of individual small companies it may be difficult to identify comparable companies for valuation using multiples. This often results in a more cautious valuation which is instead based on discounted cash flow or the transaction price as per the latest round of investments.

AP6's valuation process includes stress testing of investments in order to show the effect of various scenarios on the valuation range. If an investment is very volatile, AP6 opts for a more restrictive assessment of value. Revaluations of unlisted holdings are recognised in the Income statement under the heading Net gain/loss, unlisted shares and participations, and are also detailed in Note 2. However, in the case of a permanent and significant impairment (e.g. bankruptcy) an impairment loss is recognised, usually for the entire amount of the investment. This impairment loss is recognised in the Income statement under the heading Net gain/loss, unlisted shares and participations, and is also detailed in Note 2.

Valuations of holdings in funds that invest in unlisted companies are primarily based on valuations received from the respective funds as at 31 December 2015. In the case of holdings where AP6 has not as yet received valuations taking into account performance in the fourth quarter of 2015, the most recent valuation has been adjusted for actual transactions.

Purchases and sales of financial instruments are recognised on the trade date.

Convertible loans are reported under Shares and participations in unlisted companies and funds and recognised at amortised cost.

The cost on acquisition of funds refers to all payments that have been made, excluding external management costs (which are revised down) for remaining portfolio companies. Changes in the value of unlisted securities, whether realised or unrealised, are recognised in the Income statement under Profit/loss for the year. The realised gain/loss represents the difference between the sales proceeds and the carrying amount on the date of sale. The realised gain/loss also includes any impairment losses on carrying amounts which may arise in the case of bankruptcies, for instance. AP6 manages some investments via dedicated so-called holding companies. In order to provide a true and fair view of the organisation, sales of the holding company's investments are recognised as if realised by AP6. The realised amount comprises the sales proceeds less the cost of the investment. Thereafter the holding company is valued at net asset value, which means the value decreases successively in line with the dividends relating to the sales proceeds. In order to avoid duplicate reporting of a gain on the sale of an investment, these dividends are only recognised in the balance sheet.

Recognition and measurement of listed securities

Assets in which the fund's capital has been invested are recognised in the Annual Report at fair value.

The fair value is based on quoted prices at the close of business on the last trading day of the year. Transactions involving spot rates, options, forward contracts and swaps are recognised on the date that the material risks and rights are transferred between the parties, i.e. on the trade date. This principle applies to transactions on the money and bond markets, as well as the equity markets.

The cost on acquisition of shares and other securities includes brokerage fees and other direct costs relating to the purchase.

The realised gain/loss is measured on an average cost basis.

The last traded price on the last trading day of the year is usually used for valuation.

If the closing price (traded price) is not considered representative because of special circumstances in a particular market, a price quoted at a different time may be used to measure fair value.

Positions in derivative instruments are measured at fair value and changes in value are recognised in the Income statement together with the underlying asset class.

Changes in value, whether realised or unrealised, are recognised in the Income statement as Profit/loss for the year.

Capital gain/loss is the difference between sales proceeds and the cost on acquisition. Capital gain/loss is the gain/loss arising on the disposal of assets.

Recognition and measurement of debt securities

The extent of investments in debt securities varies in line with changes in the fund's liquidity reserve, the size of which depends on acquisitions and disposals of holdings. In respect of acquisitions of debt securities, the asset is recognised in the Balance sheet under the item Other debt securities. Any interest accrued at the time of acquisition is recognised as accrued income. Quoted prices are available for all debt securities that AP6 invests in, excluding investments in accounts with credit institutions, such as

deposit accounts. Since all of AP6's assets must be measured at market value, changes in market value are recognised under Gain/loss on listed assets. Any accrued interest on the instruments is recognised in the Income statement on the line Net interest income/expense and details are given in Note 3.

Management costs

AP6's management costs are split between external and internal management costs as well as shared costs. External management costs relating to management fees for listed holdings are reported in the Income statement as operating expense. Management fees paid to funds that invest in unlisted companies are recognised as part of the cost on acquisition for each fund. Capitalised management fees are written down at year-end. At the end of 2015, all capitalised management fees were written down to SEK 0. In the case of investments in companies, external management costs and costs on acquisition are capitalised but are only written down if they cannot be recognised at fair value. In the case of acquisition processes that straddle a year-end, the costs are capitalised insofar as it is deemed probable at year-end that the investment will go ahead.

Internal management costs, which primarily comprise the cost of AP6's own employees working in investment activities, are written off on a continuous basis together with shared costs, which primarily refer to personnel costs relating to the managing director and shared specialist units, as well as the cost of premises, IT costs and general office expenses.

Internal and external management costs are accounted for separately in Notes 5 and 6.

Performance-based remuneration is not included in external management costs but instead reduces the capital gain/loss in respect of the asset under management.

Other accounting policies

Consolidated accounts have not been prepared because shares and participations in subsidiaries must be measured at fair value.

AP6 is a public authority and therefore not a legal entity, and consequently not a parent company.

Receivables are recognised at the amount expected to be received. Liabilities are measured at amortised cost. Equipment purchases are written off on a continuous basis.

Realised and unrealised gains/losses are reported as net amounts in the Income statement. Gross amounts are reported in the Notes.

AP6 is exempt from income tax and the activities are not liable for VAT. However, AP6 is liable to pay VAT on purchases of foreign goods and services. Input VAT cannot be claimed and is instead entered as a cost to the business.

Assets under management comprise initial capital and retained earnings. The initial capital consists of transfers from the former Fondstyrelserna 1–3 (Swedish National Pension Fund, Boards 1–3) and a sum of SEK 366 million, which represents the residue from the winding up board for Fund 92–94. AP6 is not liable for payments into or out of the pension system.

Related parties

Defined as companies or funds in which AP6 has a holding of at least 20% and/or in which it has significant influence. Key individuals in leading positions are also defined as related parties. Participating interests in companies and funds are accounted for in Note 10. Remunerations to senior executives are accounted for in Note 7. Remuneration has been evaluated by an external consultant, who has reached the conclusion that the remunerations are fair

and in line with government guidelines. All transactions between companies and funds are conducted on market terms as part of investing activities.

Memorandum items

With regard to investments in private equity funds, a contractual commitment is made to invest a certain amount of capital. The capital is invested over time and paid out in line with investments. The difference between committed capital and capital paid out, plus any amounts to be reinvested, is entered as a commitment under Memorandum items.

Note 2 Net profit/loss, unlisted shares and participations

	2015	2014
Realised		
Income from disposals	1,388	1,955
Capital invested	-1,375	-1,094
Reversal of previously posted changes in value relating to divested holdings	121	-617
Impairment losses for the year	-39	-20
Reversal of previously posted changes in value relating to impaired holdings	36	16
	131	240
Unrealised		
Change in value for the year of unrealised holdings	2,023	942
	2,023	942
Total	2,154	1,182

Note 3 Net interest income/expense

	2015	2014
Interest income		
Other interest income	23	82
	23	82
Interest expenses		
Other interest expenses	-26	0
	-26	0
Net interest income/expense	-3	82

Note 4 Other financial income and expenses

	2015	2014
Share in profits, internal companies	1	1
Exchange differences	-179	-81
Total	-178	-80

Note 5 Management costs

	2015	2014
External management costs		
- Listed holdings	21	22
Internal management costs		
- Personnel costs	37	38
- Legal consultants	2	1
- Other external services	15	5
- Travel expenses, etc.	2	2
- Charged VAT	2	3
- Other costs	1	1
Total	80	72

As in previous years, there were no performance-based costs.

External management costs attributable to holdings in unlisted private equity funds and companies amounted to SEK 166 million (155) and SEK 0 million (2) respectively, and were capitalised on a continuous basis as part of the cost on acquisition of each fund. At year-end all capitalised management costs had been written down to SEK 0, however. The impairment is included in unrealised gains/losses.

Note 6 Shared costs

	2015	2014
Personnel costs	27	26
Premises costs	5	6
IT costs	6	5
External services	1	2
Management costs	1	2
Travel expenses, etc.	1	1
Charged VAT	3	3
Other costs	3	3
Total	47	48

Shared personnel costs include costs for the managing director and the support organisation for the business.

Management costs include remuneration to audit firms as follows:

	2015	2014
Audit assignment		
PwC	0,7	–
Ernst & Young	–	1,0
	0,7	1,0
Audit business other than audit assignment		
PwC	–	–
Ernst & Young	–	–
	–	–
Other services		
PwC	–	–
Ernst & Young	–	–
	–	–
Total	0,7	1,0

Note 7 Personal**Government guidelines on the terms and conditions of appointment of senior executives**

In 2009, the government issued new guidelines on the terms and conditions of employment of senior executives in the AP funds. The guidelines include the withdrawal of variable remuneration, restrictions on pension benefits and regulation of retirement age. The guidelines also apply to other employees with the exception that it is possible to pay variable remuneration to employees other than senior executives; however, this is not implemented in AP6, which does not offer any variable remuneration. Senior executives are defined as executives who form part of AP6's Senior management. The Board of Directors' guidelines on the terms and conditions of employment of senior executives and other employees at AP6 are published on www.apfond6.se.

Applied regulations for remuneration and benefits in 2015

The Board of Directors decides the total annual salary revision and any variable remuneration. In 2015, a comparison was carried out of remuneration paid by comparable institutions, companies and funds. The Board of Directors' view, based on this comparison, is that the remuneration and benefits of AP6's senior executives and other staff are fair, moderate and competitive. The comparison is shown on page 50 and on www.apfond6.se.

All employees are covered by collective agreements between the Employer's Organisation of the Swedish Banking Institutions (Bankinstitutens Arbetsgivareorganisation, BAO) and the Swedish Union of University Graduates of Law, Business Administration and Economics, Computer and Systems Science, Personnel Management, Professional Communicators and Social Sciences (Jusek) / the Swedish Association of Graduates in Business Administration and Economics (Civilekonomernas Riksförbund) / the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) and the Swedish Confederation of Professional Associations (SACO).

Salaries and benefits

The salaries, fees and benefits of the board, managing director, other senior executives and other staff are shown in the table on page 64. Remuneration to senior executives is accounted for under a separate heading.

Pensions

Senior management, including the managing director, are entitled to receive a pension when they reach the age of 65 and have paid annual contributions corresponding to 30% of pensionable salary.

AP6 does not have any commitments concerning future pensions and pension terms and conditions.

Severance pay

Terms and conditions of employment are negotiated on an individual basis. In the event of termination of employment at the request of AP6, a period of notice of up to six months shall apply and salary and other benefits will remain unchanged. According to the Board's guidelines, an executive may receive severance pay equal to a maximum of 18 months' salary, but AP6's policy is to pay severance pay of no more than six months' salary. Employment contracts completed earlier may constitute an exception from this policy. Severance pay is paid on a monthly basis and comprises the fixed monthly salary without any additional benefits. Deductions are made for remuneration received from other sources during the period for which severance pay is paid.

Incentive schemes

AP6 does not have an incentive scheme, either for senior executives or for other employees.

Decisions on fees and remuneration

Board fees are determined by the Government. Remuneration amounts to SEK 100,000 per year for the chairman, SEK 75,000 for the deputy chairman and SEK 50,000 for other board members.

No remuneration other than board fees were paid to AP6's board.

Every year, the Board determines the managing director's salary, as well as the general development of salary levels for staff and any incentive schemes. However, AP6 does not have an incentive scheme.

Remuneration to the Board of Directors

Details of remuneration paid to board members in 2015 are disclosed separately as follows: Ebba Lindsö SEK 100,000, Per Strömberg SEK 75,000, Henrik Dagek SEK 50,000, Katarina Bonde SEK 50,000, Olle Larkö SEK 20,833 (term ended 31 May) and Urban Lindskog SEK 29,167 (new member as of 31 May).

Remuneration to senior executives

According to government guidelines, the salaries and remuneration, pension expenses and other benefits of senior executives other than the managing director should also be disclosed.

In their roles as senior executives, the details of the managing director and the rest of the senior management were disclosed at the end of 2015: Karl Swartling, Margareta Alestig Johnson, Jonas Lidholm, Karl Falk, Mats Lindahl, Ulf Lindqvist and Henrik Dahl.

The total amount of salaries and remuneration paid were as follows, in the same order as above: SEK 3.0 million, SEK 2.0 million, SEK 1.7 million SEK 1.8 million, SEK 1.9 million, SEK 1.5 million and SEK 1.5 million.

Pensions, excluding employer's contribution, are as follows: SEK 0.9 million, SEK 0.6 million, SEK 0.5 million, SEK 0.5 million, SEK 0.6 million, SEK 0.4 million and SEK 0.4 million.

In addition to salaries, other remuneration and pensions, the following benefits were received: SEK 844, SEK 16,289, SEK 16,461, SEK 11,120, SEK 24,156, SEK 672 and SEK 24,070.

		2015	2014
Average number of employees	Men	17	18
	Women	15	14
		32	32
Number of employees at 31/12/2015	Men	16	19
	Women	15	16
		31	35
Board of Directors	Men	3	3
	Women	2	2
		5	5
Senior management	Men	6	6
	Women	1	1
		7	7
		2015	2014
Salaries and fees			
Chairman of the Board		0,1	0,1
Board of Directors excl. Chairman		0,2	0,2
Managing Director		3,0	2,9
Senior Management excl. Managing Director		10,4	10,0
Other employees		23,1	23,7
Total		36,8	36,9
		2015	2014
Other benefits			
Managing Director		0,0	0,0
Senior Management excl. Managing Director		0,1	0,1
Other employees		0,4	0,4
Total		0,5	0,5
		2015	2014
Pension expenses			
Chairman of the Board		–	–
Board of Directors excl. Chairman		–	–
Managing Director		0,9	0,9
Senior Management excl. Managing Director		3,0	2,9
Other employees		7,5	7,6
		11,4	11,4
Social security expenses, incl. employers' contribution			
		14,4	14,3
Personnel costs – Total		63,1	63,1

Note 8 Financial assets and liabilities by category

	Measured at fair value via the income statement	Derivatives at fair value via the income statement	Loans and other receivables/ liabilities	Total Carrying amount	Fair value
2015					
Financial assets at fair value	20,568	242	104	20,914	20,914
Other current assets	–	–	64	64	64
Short-term investments	5,088	–	–	5,088	5,088
Cash and bank balances	401	–	–	401	401
Total financial assets	26,057	242	168	26,467	26,467
Accounts payable	–	–	2	2	2
Other liabilities	–	25	23	48	48
Total financial liabilities	–	25	25	50	50
2014					
Financial assets at fair value	18,400	86	444	18,930	18,930
Other current assets	–	–	72	72	72
Short-term investments	4,625	–	–	4,625	4,625
Cash and bank balances	210	–	–	210	210
Total financial assets	23,235	86	516	23,837	23,837
Accounts payable	–	–	3	3	3
Other liabilities	–	248	36	284	284
Total financial liabilities	–	248	39	287	287

Note 9 Shares and participations in listed companies and funds

Holding	Number of shares/ units of participation	Share of equity, %	Share of voting power, %	Fair value, SEK million
Equity				
Datawatch	222 452	1,9	1,9	11
Tobii	6 098 178	7,0	7,0	410
Funds				
Lannebo Micro Cap	479 473			1 545
Total				1 966

As in previous years, no brokerage fees were paid during the year.

Note 10 Shares and participations in unlisted companies and funds

In such cases where AP6 controls more than 50% of the votes or otherwise has a controlling influence in a company, all investments at this level are reported, together with the share of voting power and equity. Corporate identity number and registered office are not shown for foreign holdings.

Company	Investment	Corporate Identity Number	Registered office	Number of shares	Share of voting rights %	Share of equity %
Amplico Kapital AB*		556703-3161	Gothenburg	5 000 000	100,0	100,0
AP Industriinvest AB*		556780-7184	Gothenburg	1 000	100,0	100,0
AP Partnerinvest Fashion AB*		556742-8882	Gothenburg	1 000	100,0	100,0
AP Partnerinvest MIT AB*		556754-4431	Gothenburg	1 000	100,0	100,0
AP Partnerinvest Positionering AB*		556739-6857	Gothenburg	930	93,0	100,0
AP Partnerinvest Sec AB*		556754-2583	Gothenburg	100 000	100,0	100,0
AP Partnerinvest Sport AB*		556736-6934	Gothenburg	90 001	90,0	100,0
AP Riskkapital AB*		556711-0407	Gothenburg	1 000	100,0	100,0
Aumar AB		556631-5932	Gothenburg	11 190	53,2	53,2
Energy Potential AB		556614-9000	Uppsala	432 781	3,6	15,0
EQT Yellow Maple Co-Investment L.P. (Bureau Van Dijk)					n/a	11,2
EQT Auris Co-Investment L.P. (Sivantos Group)					n/a	3,8
Gar Förvaltnings AB*		556312-2968	Gothenburg	10 000	100,0	100,0
Gnosjögruppen AB*		556742-8411	Gislaved	1 000	100,0	100,0
HgCapital Gabriel Co-Invest L.P. (Visma)					n/a	12,1
Industrial Equity (I.E.) AB		556599-9702	Göteborg	1 000	100,0	100,0
	<i>Accumulate AB</i>				34,0	34,0
	<i>Applied Nano Surfaces Sweden AB</i>				19,0	19,0
	<i>Bokadirekt i Stockholm AB</i>				29,0	29,0
	<i>CombiQ AB</i>				22,0	22,0
	<i>Flexion Mobile Ltd</i>				12,0	12,0
	<i>FPV Holding AB</i>				99,0	99,0
	<i>myFC Holding AB</i>				6,0	6,0
	<i>Noda Intelligent Systems AB</i>				47,0	47,0
	<i>Oricane AB</i>				20,0	20,0
	<i>The Local Europe AB</i>				26,0	26,0
	<i>Yanzi Networks AB</i>				42,0	42,0
Innoventus AB**		556602-2728	Uppsala	4 662	33,3	33,3
Iqube Holding AB		556676-0764	Stockholm	226 889	13,2	13,2
Johanneberg Campusbo AB		556658-6730	Göteborg	800	80,0	80,0
Johanneberg Campusbo KB		969704-9451	Göteborg		n/a	79,2
Krigskassa Blekinge AB		556709-7992	Ronneby	30 000	50,0	50,0
NCS Invest AB (Aibel)		556914-7530	Stockholm	360 000	36,0	36,0
NetSys Technology Group Holding AB*		556550-2191	Möln dal	100 000	100,0	100,0
Neqst 3 AB		556920-9504	Stockholm	38 075	6,4	25,5
Neqst Partner 3 AB		556920-9470	Stockholm	23 101	18,1	18,1
Nordia Innovation AB		556228-6855	Stockholm	3 496 919	15,0	15,0
NC VIII Alexander Co-Invest L.P. (Lindorff)					n/a	13,1
NC VIII Alexander 2 Co-Invest L.P. (Lindorff)					n/a	30,0

Company (cont.)	Investment	Corporate Identity Number	Registered office	Number of shares	Share of voting rights %	Share of equity %
Nordic Capital VIII UF Co-invest Beta, L.P. (Unifeeder)					n/a	23,3
NsGene A/S				403 585	n/a	n/a
NS Holding AB		556594-3999	Sundsvall	1 819 884	50,0	50,0
	<i>Norrporten AB</i>				50,0	50,0
Primelog Holding AB		556680-6914	Stockholm	331 552	53,4	53,4
	<i>ARRIGO Logistics Consultants AB*</i>				100,0	100,0
	<i>Capacent Holding AB</i>				1,4	1,4
	<i>Financial Industrial (FIND) Consulting AB*</i>				100,0	100,0
	<i>Primelog Services AB</i>				100,0	100,0
	<i>Primelog Software AB</i>				100,0	100,0
Primelog Intressenter AB		556727-5135	Stockholm	224	11,5	11,5
Salcomp Holding AB		556868-7999	Stockholm	225 000	45,0	45,0
SLS Invest AB		556730-2038	Stockholm	500	100,0	100,0
	<i>Biopheresis Technologies Inc**</i>				32,2	32,2
	<i>Gyros AB</i>				96,7	96,7
	<i>Light Sciences Oncology Inc</i>				21,7	21,7
	<i>Medical Vision AB</i>				82,1	82,1
	<i>Nuevolution AB</i>				1,3	1,3
	<i>OpGen Inc.</i>				2,5	2,5
Vega Ronneby AB		556762-7798	Ronneby	2 017 365	25,0	25,0
Volvofinans Bank AB		556069-0967	Gothenburg	400 000	40,0	40,0

Total cost of shares and participations in companies amounted to SEK 8,457 million (8,823).

In cases where the name of the legal entity through which the fund investment was made does not reflect the actual investment, the name of the investment is shown in brackets.

Funds	Corporate Identity Number	Registered office	Share of equity %	Acquisition value
AEP 2003 KB	969694-5196	Stockholm	15,8	0
Accent Equity 2003 KB	969694-7739	Stockholm	65,6	122
Accent Equity 2012 L.P.			10,0	136
AE Intressenter KB (Accent Equity 2008)	969724-7873	Järfälla	100,0	275
Auvimo AB	556587-9565	Gothenburg	100,0	0
Auvimo KB	969621-7729	Gothenburg	100,0	164
Axcel IV K/S 2			9,7	94
Bridgepoint Europe V L.P.			2,5	0
CapMan Buyout IX Fund A L.P.			8,5	168
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100,0	193
CapMan Equity Sweden KB	969683-1321	Stockholm	96,5	73
CapMan Technology Fund 2007 B KB	969720-4288	Stockholm	100,0	87
Carlyle Europe Partners IV L.P.			2,7	185
Chalmers Innovation Seed Fund AB	556759-5003	Stockholm	23,7	24
Creandum Advisor AB	556644-0300	Stockholm	34,0	1
Creandum I Annex Fund AB	556759-5623	Stockholm	49,3	23
Creandum II KB	969708-0274	Stockholm	98,5	138
Creandum III L.P.			18,6	110

Funds (cont.)	Corporate Identity Number	Registered office	Share of equity %	Acquisition value
Creandum KB	969690-4771	Stockholm	49,3	17
Cubera VI L.P.			9,0	13
Cubera VII L.P.			15,0	110
EQT IV (No. 1) L.P.			2,4	0
EQT V (No. 1) L.P.			3,5	416
EQT VI (No. 1) L.P.			1,6	385
EQT VII (No. 1) L.P.			1,5	0
EQT Expansion Capital II (No. 1) L.P.			4,2	123
EQT Mid Market (No. 1) Feeder L.P.			8,1	327
EQT Opportunity (No. 1) L.P.			18,8	59
Femfond KB (Nordic Capital V, L.P.)	969687-5062	Stockholm	100,0	51
FSN Capital IV L.P.			7,1	163
Fyrfond AB	556591-7027	Gothenburg	100,0	0
Fyrfond KB	969661-3109	Gothenburg	100,0	499
Fysikten KB (Nordic Capital VI, L.P.)	969712-1029	Stockholm	100,0	320
HealthCap 1999 KB	969656-1647	Stockholm	10,5	0
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38,9	159
HealthCap III Sidefund KB	969699-4830	Stockholm	22,7	0
HitecVision IV L.P.			1,4	16
HitecVision V L.P.			0,8	32
InnKap 2 Partners KB**	969661-4735	Gothenburg	5,9	0
InnovationsKapital Fond I AB**	556541-0056	Gothenburg	31,3	0
Innoventus Life Science I KB**	969677-8530	Uppsala	32,7	36
Intera Fund I KY			12,0	64
Intera Fund II KY			10,0	81
IT Provider Century Annex Fund KB	969728-8109	Stockholm	98,5	6
IT Provider Century Fund KB	969673-0853	Stockholm	98,5	10
IT Provider Fund IV KB	969687-5468	Stockholm	59,1	2
Nordic Capital VII Beta, L.P.			2,8	405
Nordic Capital VIII Beta, L.P.			4,4	354
Northern Europe Private Equity KB (EQT III UK (No. 7) L.P.)	969670-3405	Stockholm	69,1	0
Northzone VII, L.P.			8,0	84
Norvestor V, L.P.			8,5	33
Norvestor VII, L.P.			n/a	0
Scope Growth II L.P.			24,1	146
Scope Growth III L.P.			16,7	62
Silverfleet Capital Partners II			6,6	0
Sustainable Technologies Fund I KB	969734-9620	Stockholm	100,0	57
Swedestart Life Science KB**	969675-2337	Stockholm	16,3	1
Swedestart Tech KB**	969674-7725	Stockholm	20,6	8
Triton Fund IV L.P.			1,3	131
Valedo Partners Fund I AB	556709-5434	Stockholm	25,0	73
Funds, total				6 037
Total acquisition value				14 494
TOTAL MARKET VALUE				18 602

* Company is dormant.

** Company is undergoing liquidation.

Note 11 Other interest-bearing instruments

	2015	2014
Overnight deposits	300	1 475
Shortinterest-bearing securities	4 788	3 150
Loans to unlisted companies	104	444
Total	5 192	5 069

Note 13 Liabilities to credit institutions

	2015	2014
Approved line of credit	2 000	2 000
Unutilised part	-2 000	-2 000
Utilised amount of credit	0	0

Utilised amount of credit is regarded as short-term, temporary financing with an estimated maturity of less than a year.

Approved line of credit within the framework of the group account structure amounts to SEK 2 billion.

Note 12 Prepaid expenses and accrued income

	2015	2014
Accrued interest income	47	51
Prepaid management fee	10	11
Other prepaid expenses and income	6	9
Total	63	71

Note 14 Other current liabilities

	2015	2014
Accounts payables	2	3
Other	2	2
Total	4	5

Gothenburg, 25 February 2016

Ebba Lindsö
Chairman of the Board

Per Strömberg
Deputy Chairman of the Board

Henrik Dagel
Board member

Urban Lindskog
Board member

Katarina G Bonde
Board member

Karl Swartling
Managing Director

Auditor's report

For the Sixth AP Fund, corporate identity number 855104-0721

REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of the Sixth AP Fund for the year 2015. The annual accounts of the Sixth AP Fund are included in the printed version of this document on pages 51–70.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Sixth Swedish National Pension Fund Act (2000:193), and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Sixth Swedish National Pension Fund Act and present fairly, in all material respects, the financial position of the Sixth AP Fund as of 31 December 2015 and of its financial performance for the year then ended in accordance with the Sixth Swedish National Pension Fund Act. The statutory administration

report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts, we have audited the inventory of assets managed by the Sixth AP Fund. We have also examined whether there are any remarks against the Board of Directors' and the Managing Director's administration of the Sixth AP Fund for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the accounts and for the administration of the Sixth AP Fund's assets in accordance with the Sixth Swedish National Pension Fund Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the results of our examination and on the inventory of assets managed by the fund and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the administration, in addition to the audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the fund in order to determine whether any member of the Board of Directors or the Managing Director has acted in contravention of the Sixth Swedish National Pension Fund Act.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

The audit has given no reason to remark on the inventory of the assets or any other aspect of the administration.

Stockholm, 25 February 2016

Magnus Svensson Henryson
*Authorised Public Accountant
Appointed by the Swedish
Government*

Susanne Sundvall
*Authorised Public Accountant
Appointed by the Swedish
Government*

Definitions and Glossary

Return, business areas – Profit/loss before expenses divided by average capital.

Total return for AP6 for one year – Measured as profit/loss for the year in relation to assets under management at the beginning of the year.

Total return for AP6 for periods longer than one year – Measured as average return per year.

Buffer funds – Comprise the First, Second, Third and Fourth National Pension (AP) Funds and the Sixth AP Fund. The role of the buffer funds is partly to even out temporary variations between pension contributions and pension disbursements, and partly to contribute to the long-term financing of the pension system.

Buyout – Investment in mature, unlisted companies with a positive cash flow. Investments are often made using debt financing.

Co-investment – Means that an investment is made together with one or more other owner companies. A co-investment normally means holding a minority interest.

Compliance – Adherence to regulations.

Corporate Governance – A collective term to describe issues relating to the way companies are governed. Central to the concept of corporate governance is the relationship between the various executive and shareholder functions of a company (general meeting of shareholders, board of directors, managing director).

Due diligence – “Company Inspection”, a work process and method for gathering and analysing information about a company ahead of an acquisition.

EV/EBITDA – Calculated by dividing the company's enterprise value by the operating profit (before depreciation and amortisation, net financial items and tax).

EV/Sales – Calculated by dividing the company's enterprise value by sales.

EVCA – European Private Equity and Venture Capital Association. European trade association for private equity funds.

Assets under management – The initial capital allocated to the Sixth AP Fund at inception, together with accumulated profits/losses.

Global Reporting Initiative (GRI) – An international reporting framework for organisations' economic, environmental and social impacts.

Governance – see corporate governance.

Sustainability Report – A report describing how a company addresses economic, environmental and social issues.

ILPA – Institutional Limited Partners Association. International trade association for investors in private equity funds.

Investing activities – A collective term for the assets managed by the Sixth AP Fund's business areas.

IPEV – International Private Equity and Venture Capital Valuation Board.

IRR – Internal Rate of Return – Internal interest. Describes the return on an investment in the form of interest.

Carbon footprint – A carbon footprint is a measure of an investment portfolio's carbon dioxide emissions and comprises the investor's share of the portfolio companies' total emissions.

Life sciences – Collective term for the pharmaceuticals, biotechnology and medical technology sectors.

Management fee – Refers to fees paid for the management of a fund.

Market value assets – Listed securities valued at market value at year-end and unlisted securities valued according to IPEV principles. See Note 1 for more details.

Operative share % – Refers to the ownership interest in a private equity fund irrespective of legal structure. The legal ownership is reported in Note 10.

Principles for Responsible Investment (PRI) – Six principles that investors can adopt and which encourage companies to incorporate environmental, social responsibility and corporate governance issues into their investment analyses, decision-making processes, guidelines and procedures. The principles were initiated by the UN and launched in 2006.

Private Equity – A collective term for shares that are not listed on an official or public market. The ownership commitment in a private equity investment is often active and has a finite term.

Private equity fund – A fund whose core activity consists of investing in unlisted companies and realising the value gains in the companies.

Profit/Loss – The total change in the value, both realised and unrealised, of assets, returns in the form of interest and dividends, less external management fees and internal expenses.

Venture capital – A collective term for investments in companies' equity which applies to both listed and unlisted companies. Sometimes confused with the concept “private equity”, which is the term used for investments in unlisted companies.

Risk premium – The compensation required by an investor in return for investing in shares, for instance, rather than investing in risk-free assets.

Scope 1, 2, 3 – Measurement of carbon emissions separates direct and indirect emissions into three groups: Scope 1, 2 and 3. Scope 1 consists of direct emissions from sources owned or controlled by the reporting entity. Scope 2 consists of indirect emissions generated from purchased electricity, heating or cooling. Scope 3 consists of other indirect emissions that are a consequence of the reporting entity's activities, but which occur from sources owned or controlled by another entity, for instance production of materials and fuel, supplier and customer transports, waste management, etc.

Secondary – Investing in the secondary market means that the fund has been operating for a few years. An investment in the secondary market has exposure to the same companies as the original investors, but often at lower costs and with a shorter investment horizon.

Structural capital – A company's or organisation's shared intellectual capital, collected and documented in the systems of the company/organisation.

SVCA – Swedish Private Equity & Venture Capital Association.

UN Global Compact – Ten principles about companies and human rights, labour rights, the environment and anti-corruption, which companies can support and which were launched by the UN in 1999.

Committed capital – The capital committed by the Sixth AP Fund as private equity to various private equity funds and firms for a finite period of time.

Venture capital – Investment carried out in the early stages of a company's development. The capital that is injected is often used for product or market development.

Fair value – Fair value is defined as the amount at which an asset could be transferred or a liability settled, between parties who are independent of each other but who both have an interest in ensuring that the transaction goes ahead. In

normal circumstances this means that listed assets are valued at the purchase price (market value) and that the fair value of unlisted assets is estimated using generally accepted valuation models.

In active private equity investments, various investment approaches are used by leading institutional investors:

Fund investment – Primary commitment

This means that a commitment is made to invest a certain amount over time, which is then called on by the private equity fund team when investments are made in various companies. The money is returned to the system, to the investor, when an exit is made. This involves long commitments and is essentially based on an assessment of a private equity fund team's projected ability to make successful investments in the future and deliver returns.

Fund investment – Secondary market

This means buying existing interests in funds on the "second-hand" market from other institutional investors who for various reasons want to sell their interest. The investor's analysis must focus not just on the skills of the private equity fund team but also on the portfolio of underlying portfolio companies that have already been invested in. In other words, a specific and detailed analysis of the portfolio companies. A secondary market investment can be an excellent complement to primary investments, for instance for the purpose of diversifying the portfolio across funds of different vintage.

Direct investments – This means investing directly in unlisted companies, receiving an ownership interest and assuming the responsibilities of ownership. This type of investment demands an entirely different approach to analysis of investments and active ownership. A direct investment always involves assuming one's responsibilities as owner. This is the case irrespective of the ownership interest.

Fundraising – This is the process that starts with a private equity firm announcing its plan to set up a new fund, the amount of capital the fund will have, and the focus of the fund's investments. Private equity firms with investment teams that have previously delivered high returns frequently see a great deal of interest from investors. Usually investors who have participated in earlier funds have a greater chance of being able to participate. Fundraising takes place during a limited period of time.



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