

The Sixth AP Fund Annual Report 2017



HIGH RATE OF INVESTMENT

More than 20 new investments consisting of SEK 2.7 billion in new direct investments and SEK 4.7 billion in commitments to new fund investments.

3

STRONG EARNINGS

A good year, with 20.3 percent return on capital employed and 12.3 percent net return.

4

STAKEHOLDER ENGAGEMENT

AP6 has obtained important feedback on requirements and expectations from its stakeholders, which includes society, investors and non-governmental organisations.

18

Explanation of terms and expressions that are frequently used in the annual report.

AP6 invests in unlisted assets. An industry where there are numerous specific terms in both Swedish and English. To facilitate understanding, we have compiled a list and explanation of words and expressions used frequently in the report. (At the end of the annual report, there is a longer list with explanations. On pages 6-7, there is an illustration explaining AP6's primary ways of investing in unlisted assets).

Unlisted assets: these are mainly unlisted companies, which means companies that are not traded on a stock exchange.

Risk Capital and Private Equity (PE): Both of these are collective terms for unlisted assets. Typically, it refers to unlisted companies, which are either individual unlisted companies or funds investing in unlisted companies.

Direct investments and fund investments: Investments in unlisted are divided into two main categories: direct and indirect.

- With a direct investment, the investor obtains a holding in the form of shares in the unlisted company. The investor thus has direct ownership in the company.

- With a fund investment, the investor obtains indirect ownership. It occurs from the investor obtaining a holding in a fund, which in turn invests in the unlisted company. The fund is the formal owner of these companies, while the investor in the fund has an indirect ownership in the company.

Capital commitment - a decision to invest in a fund: When an investor decides to invest in a fund, a commitment is made for a specific amount. That amount is never paid as a lump sum. Rather, it is claimed at the rate that the fund invests in or acquires companies.

Co-investment: This is when AP6 has invested in a fund and then invests directly in a company together with the fund. Co-investments do not, as a rule, involve fees. Accordingly, this lowers the management costs.

Secondary: When an investor in a fund wants to sell its share before the fund is closed. Typically, this requires a tailored solution that brings together several interested investors.

Limited Partner (LP): an investor in a fund, such as AP6.

General Partner (GP): the private equity firm that manages the fund. Typically, a GP manages several funds simultaneously.

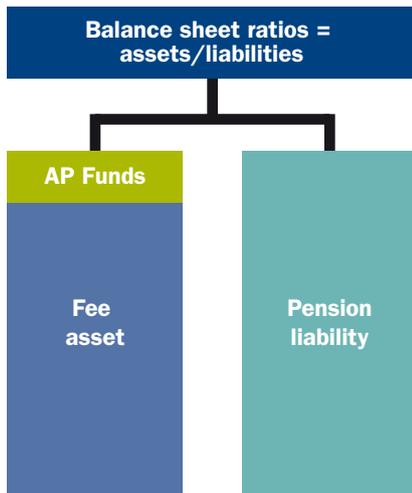
Buyout: mature companies with an established business model that have established a market position and have a positive cash flow.

Venture: newly started companies with a business concept that typically will require capital over a long period of time before the company succeeds in establishing a market position and generating a profit.

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Brief information on the Sixth AP Fund (AP6)



AP6 – is part of the national pension system

The five AP funds (AP1-4 and AP6) are typically referred to as buffer capital and they account for approximately 10-15 percent of the pension system. AP1-4 are of equal size, have the same investment rules and they invest widely in a variety of asset types. They all have inflows and outflows to the pension system. Since 2009 payments to current pensioners result in a larger outflow than the inflow in fees from employers and self-employed. Funds are therefore taken from AP1-4 each year in order to make payments to current pensioners.

AP6 – specialized in unlisted assets

Unlike the other AP funds, AP6 is entirely focused on investments in unlisted assets, which is different from investments in listed companies that are traded on a stock exchange. For listed companies, you can literally buy and sell shares with a few keystrokes, via your bank, a broker or over the Internet. The corresponding process for unlisted companies takes considerably more time and requires

a different kind of experience and specific expertise. The investor role in unlisted companies requires a long time horizon, agreement with the other owners and access to capital so that necessary investments can be made to develop the company.

Invests directly and indirectly in unlisted companies

AP6 invests in unlisted companies in two ways. Directly by purchasing shares in an unlisted company and indirectly by investing in a fund which, in turn, invests in unlisted companies. In the first example, AP6 obtains direct ownership in the company. In the second, it obtains indirect ownership. Both with investments directly and indirectly in a company, there are different variants and approaches (see the illustration on pages 6-7).

Networks and expertise play a role in lowering the costs

Investments in unlisted companies require a considerable amount of time and special expertise regarding the various forms of transactions involved. AP6 has been active in the area of unlisted investments for more than 20 years. During that time, the organization has built up a large network, extensive experience and a broad spectrum of expertise. This enables AP6 to participate in a variety of investment plans, such as co-investments and secondary transactions. Co-investments are an attractive form of investment, since they involve lower costs than with indirect investments. It helps in lowering the average management costs for investing activities.

Closed fund

AP6 is a closed fund, which means that there are no inflows or outflows of capital linked to the rest of the pension system. When it was estab-

lished in 1996, AP6 received SEK 10.4 billion. AP6 covers its own costs and the profits from investments are continually reinvested. At year-end 2017, the original capital amount had grown to SEK 31.6 billion.

Responsible investments

Sustainability is an integral part of investing activities and value creation. Sustainability is always part of the supporting documentation presented to the Investment Committee and Board of Directors prior to decision-making. AP6 places requirements on governance documents and processes. There are different tools and methods used for direct investments and fund investments. However, the focus is the same for the entire portfolio, with requirements on continual development and improvement. AP6 has set long-term goals for sustainability work, specific to both direct investments and fund investments. Each year, a climate analysis is conducted on the holdings in the portfolio.

31.6

billion is managed by the Sixth AP Fund

3,470

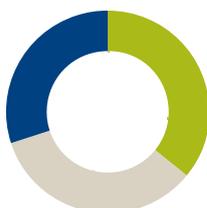
million – net profit for the year

12.3%

Net return for 2017

Sixth AP Fund in figures

The Sixth AP Fund manages
SEK 31.6 billion



- Direct investments, 36% /30+ companies
- Funds, 34% /350+ companies
- Liquidity, 30%

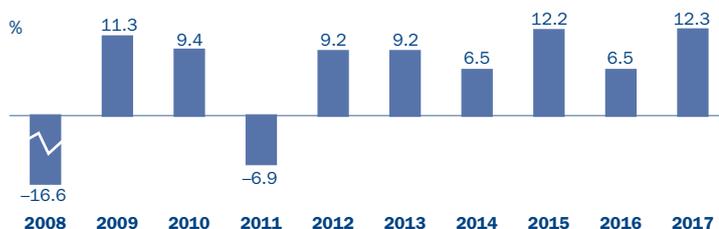
20.3%

Return for the year
on capital employed

9.2%

The average return on
mature investments for
the last 10 years

Return after costs 2008-2017



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 APG's strategy since 2011.

Return over ten and five years, and in 2017

Years	2008-2017	2013-2017	2017
Total buyout, %	9.2	11.6	18.9
- Funds	10.4	13.3	17.5
- Direct	8.5	10.6	20.1
Total venture capital, %	-4.4	11.6	28.0
- Funds	2.3	13.9	28.1
- Direct	-10.1	8.4	27.8
Return target	9.7	18.1	16.2

Profit/loss breakdown by segment, 2008-2017

SEK million	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Average return, %
Buyout (mature companies)	-875	937	1,548	1,104	1,566	998	971	2,177	1,424	2,718	9.2
Venture Capital (early phase)	-874	-121	-683	-2,087	-131	176	196	331	192	732	-4.4
Return on capital employed	-1,749	816	865	-983	1,435	1,174	1,167	2,508	1,616	3,450	5.6
Treasury management, risk management and internal costs	-1,503	1,037	841	-397	266	686	274	359	106	20	-
Profit/Loss	-3,252	1,853	1,706	-1,380	1,701	1,860	1,441	2,867	1,722	3,470	4.9

Key events in 2017

High rate of investment

In 2017, AP6 maintained a high rate of investment in both funds and companies. A total of SEK 2.7 billion was invested directly in companies during the year. The year's commitments to funds (where capital is claimed at the rate that the funds acquire companies) amount to SEK 4.7 billion.

DIRECT INVESTMENTS

The SEK 2.7 billion that was invested directly in companies was allocated across nine investments, seven of which are new holdings and two of which are additional investments in existing holdings.

Many of the investments made are co-investments, which is when AP6 has invested in a fund and then invests directly in a company together with the fund.

AP6 made four co-investments during the year together with its long-time partner, EQT. The largest of these was Anticimex. Over the last few years, the company has made more than 100 acquisitions and is a leader in the disinfection sector. Part of its success is attributable to the use of digital products that replace traditional use of pesticides. Another co-investment that was made together with EQT was in the niche bank, Bluestep.

Two co-investments were also made together with relatively new partners. Silverfleet and AP6 have invested in Riviera Travel, which has successfully developed a niche for offering river cruises in Central Europe. Bridgepoint and AP6 have invested in Zenith, which is the UK's leading independent leasing, fleet management and vehicle outsourcing business.

In total, investments were made during the year with seven different partners, of which five are European companies based outside of the Nordic region.

FUND INVESTMENTS

Commitments totalling SEK 4.7 billion were made during the year allocated across eight different funds, all of which were buyouts (mature companies).

Four of these eight funds involved more in-depth collaboration, where AP6 already has an established long-term relationship. Examples are EQT and Nordic Capital, both of them have raised capital for new buyout funds during the year.

AP6 has expanded its collaboration with AlInvest via their fund for co-investments.

An entirely new collaboration has begun via commitments to CVC, Waterland and Vista.

Of the year's commitments, four were to companies based in the Nordic region. The remaining four are distinctly international in nature, where one fund, Vista, has a very strong focus on USA.

During 2017, the funds included in AP6's portfolio conducted nearly one hundred investments in new companies. Thus, AP6 became an indirect owner in these companies, with ownership corresponding to a total of around SEK 3 billion.

Divestiture leads to a large inflow of capital

Sales of holdings in both direct investments and fund investments have resulted in an inflow totalling approximately SEK 4 billion in 2017.

DIRECT INVESTMENTS

A total of just over SEK 1 billion was received during the year due to divestitures, partial divestitures and dividends from existing direct investments. Just over half is attributable to Bureau van Dijk. AP6's co-investment in the company, which captures and treats private company information, was one of the first that was done as part of the new strategy. Bureau van Dijk was acquired by EQT in 2014 and AP6 participated with a direct investment. Three years later, the company was sold to Moody's, which generated a very healthy return.

FUND INVESTMENTS

During the year, the largest single inflows of capital came from Nordic Capital and EQT, which were very successful during the year as regards divestiture of portfolio companies. AP6 has been invested in both of these actors' funds for a long time.

In total, more than 50 companies were divested in funds where AP6 was an investor. AP6's share of the proceeds has generated an inflow of around SEK 3 billion.

The strategy is delivering a high return

2017 was a very good year for the Sixth AP Fund in terms of both value growth for individual holdings and the profit generated by AP6 as a whole. Our investment strategy combines investments in funds with direct investments in companies. That has been our recipe for success, along with our disciplined investment plan.

Net profit for the year amounts to SEK 3.5 (1.7) billion, which corresponds to a return of 12.3 (6.5) percent. This was possible because the funds and companies that AP6 has invested in have performed extremely well during the year. The return on capital employed in these unlisted investments has delivered a record high return of 20.3 percent for the year. AP6 is a closed fund, so it is relevant to distinguish between employed capital and liquidity, since the balance between them can vary quite significantly over the years due to such things as major divestitures. However, our return must always be judged with a long-term perspective. Compared to listed companies, it takes much longer to create and realise value in unlisted companies. For that reason, a long time horizon must be applied when evaluating the level of return. Over the last five years, the annual return on employed capital has been 11.6 percent, which is absolutely on a par with the average for the European Private Equity sector.

Just like last year, there was a very high level of activity in 2017. Employees' combined experience and skills, a broad network of contacts, professional routines for analysis and decision-making – all of these factors make it possible for us to maintain a rapid pace, without sacrificing quality.

There has been a healthy flow of attractive investment opportunities from both existing and new partners, which has resulted in many new investments. Around a dozen new direct investments were made during the year (corresponding to around SEK 2.7 billion) and approximately the same number of new fund commitments were made (approximately SEK 4.7 billion). We used our internal processes to carefully select and evaluate these investments. Simultaneous to all of this new investment activity, many divestitures were also made. The proceeds from these divestitures has resulted in a high inflow of capital. The liquidity that has accumulated from our efforts over the last few years to realign the portfolio has decreased, but is still quite high.

At the end of the year, liquidity represented 30 percent of capital, compared to 41 percent at the beginning of the year. We are following our long-term plan for employing the excess liquidity in new unlisted holdings. Accordingly, over the next few years, we expect to maintain a high rate of investment in both new direct investments and fund commitments.

The investment plan is based on a continued strategic focus on private equity, with the emphasis on combining commitments to selected funds with direct investments in mature, unlisted companies. Our employed capital, which is currently 52 % direct investment and 48 % in fund investments, constitutes a portfolio of holdings that continues to become increasingly international. In recent years, AP6 has built up a strong international market position with unique characteristics. It is based on the fact that we have the experience and tools for not only investing in funds but also for making direct investments in companies. This unique combination gives us access to attractive investments and collaboration with the most successful players in the private equity industry. And, as the competition increases, this really matters.

Collaboration is one of our key success factors. It occurs in the form of commitments to market-leading funds in combination with minority investments together with these. We also maintain established collaboration with other players, who, like AP6, have a clear focus on, and extensive experience in, making direct investments in unlisted companies. It's a strategic focus that enables us to, in our role as a state-owned pension fund, derive maximum benefits from our extensive expertise and experience. It also creates excellent conditions for being able to keep delivering high, stable returns on pension assets.

Gothenburg, February 2018
Karl Swartling
Managing Director, Sixth AP Fund

Higher demands due to increased specialization

Growth in the unlisted investment asset category has, for investors, meant both increased opportunities and increased demands. Experience, expertise and a broad network are fundamental to the success of being able to derive benefits from the various types of investment opportunities that exist today. AP6's portfolio contains many examples of this.

During the last two decades, there has been a rapid rate of development in the market for unlisted investments. The sector has matured and become more professional. It has also become more international.

Leading players, who previously focused on Sweden and the Nordic region, are now also active investors in Europe, North America and Asia. Likewise, foreign players with a focus on their own home markets are now, to a greater extent, investing in Sweden and the Nordic region. Since its inception in 1996, AP6 has, for the most part, followed the trend for investments in unlisted assets. Originally, the investment focus was almost exclusively on Sweden. But over time, it has widened to the Nordic region and recently, become increasingly international.

However, the primary focus for AP6's investments is still the Nordic region. Yet, as the sector has become more international, AP6 has increased its share of foreign holdings and collaborations. Since 2011, AP6's investment strategy has focussed more on mature companies. These investment are made directly in companies (AP6 obtains a holding in the company), as well as indirectly via funds (AP6 obtains an indirect holding in the company and the fund is the owner of the company).

AP6 has been in the business for quite

some time, which has enabled it to accumulate valuable knowledge and gradually refine its expertise to a very high level.

As a pension fund manager with a focus on unlisted assets, AP6 is highly competitive in comparison to leading international players.

The Private Equity market is becoming increasingly specialized and in that context, AP6 strives to apply a broad approach. Accordingly, AP6's portfolio of holdings is primarily derived from three forms of investment. (Illustration on next page).

Fund investments: AP6 has thoroughly documented the "fund universe", which means the market's offering of various private equity funds. Important characteristics are return, investment strategy, sustainability efforts and fees. For obvious reasons, there is much competition among investors to invest in private equity funds with a long history of high returns.

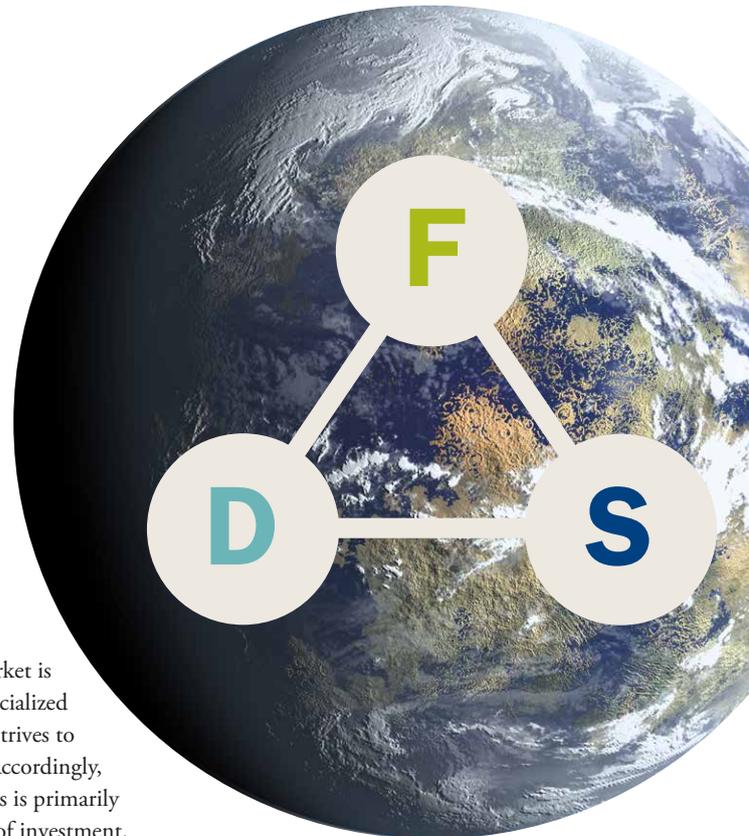
Thanks to its expertise and experience, AP6 has succeeded in investing in several of the private equity funds that are ranked highest within their investment niche.

Private equity firms set up funds, which,

in turn, invest in unlisted companies. A typical fund has a lifespan of about 10 years. During that time, the fund invests in around 15-20 companies. These companies are developed in a way that will generate higher value. The fund is closed once all of the companies have been divested and the invested capital, including the gains, have been distributed to the investors.

Direct Investments: When AP6 decides to invest directly in unlisted companies, it does so together with established investors who have a great deal of experience. Examples are major investment firms or private equity firms. AP6's aim is to obtain a minority position when it invests together with one of these types of investors.

AP6 has two categories of direct in-



»» ...As a pension fund manager with a focus on unlisted assets, AP6 is highly competitive in comparison to leading international players.

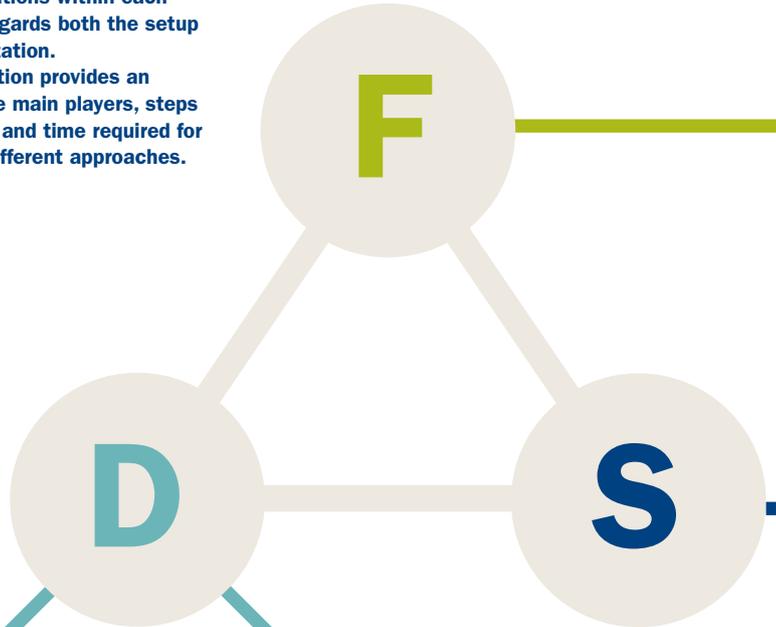
vestment. One is joint investment, where AP6 obtains a holding up to as much as 49 percent. The other is co-investment, when AP6 has invested in a fund and then invests directly in a company together with the fund. AP6's holding in this case typically ranges from 2-10 percent. Co-investments do not, as a rule, involve fees. Accordingly, this lowers the management costs.

Secondary: When an investor in a fund wants to sell its share before the fund is closed. Typically, this requires a tailored solution that brings together several interested investors. With a secondary transaction, a main player typically solves various problems for a number of investors, while simultaneously creating new opportunities. Taking into consideration the level of complexity, AP6 has chosen to collaborate with international players who are specialized in secondary transactions.

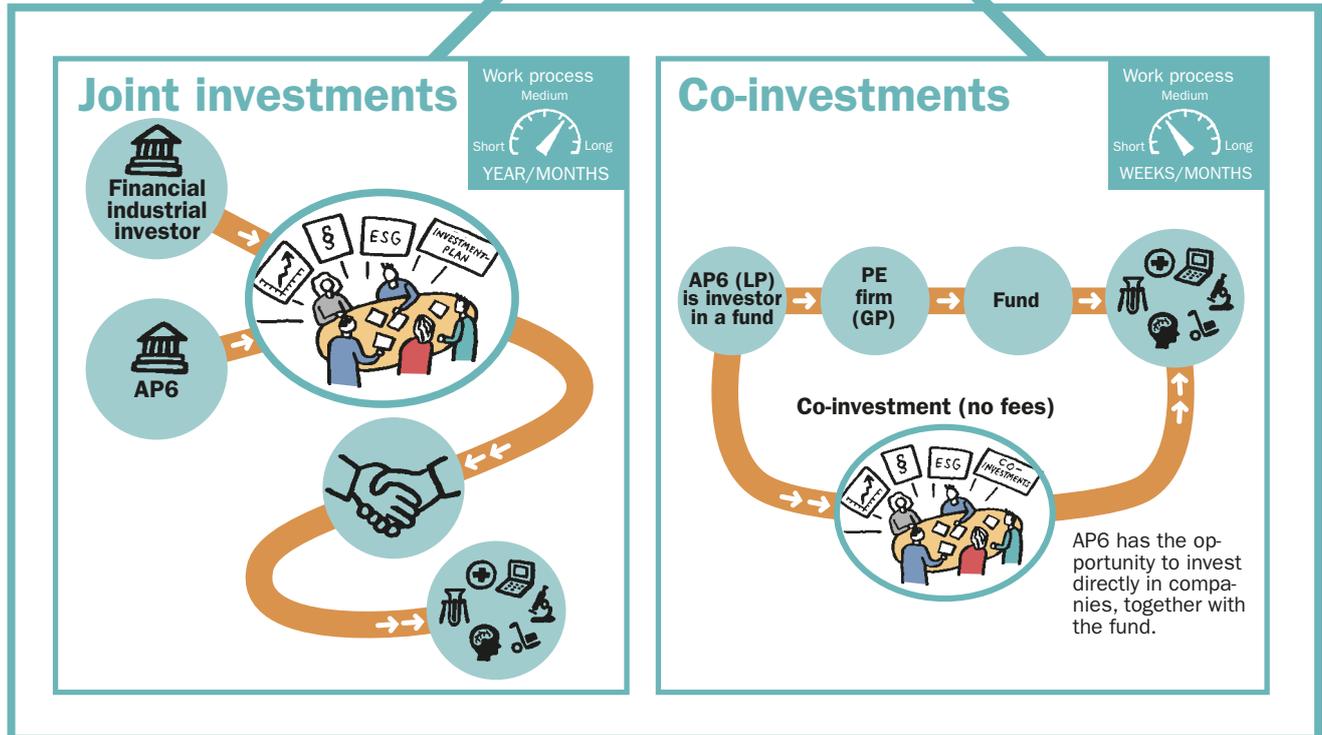
How AP6 invests

AP6 primarily has three types of investments: Fund investments, Direct investments and Secondary. There are variations within each category as regards both the setup and implementation.

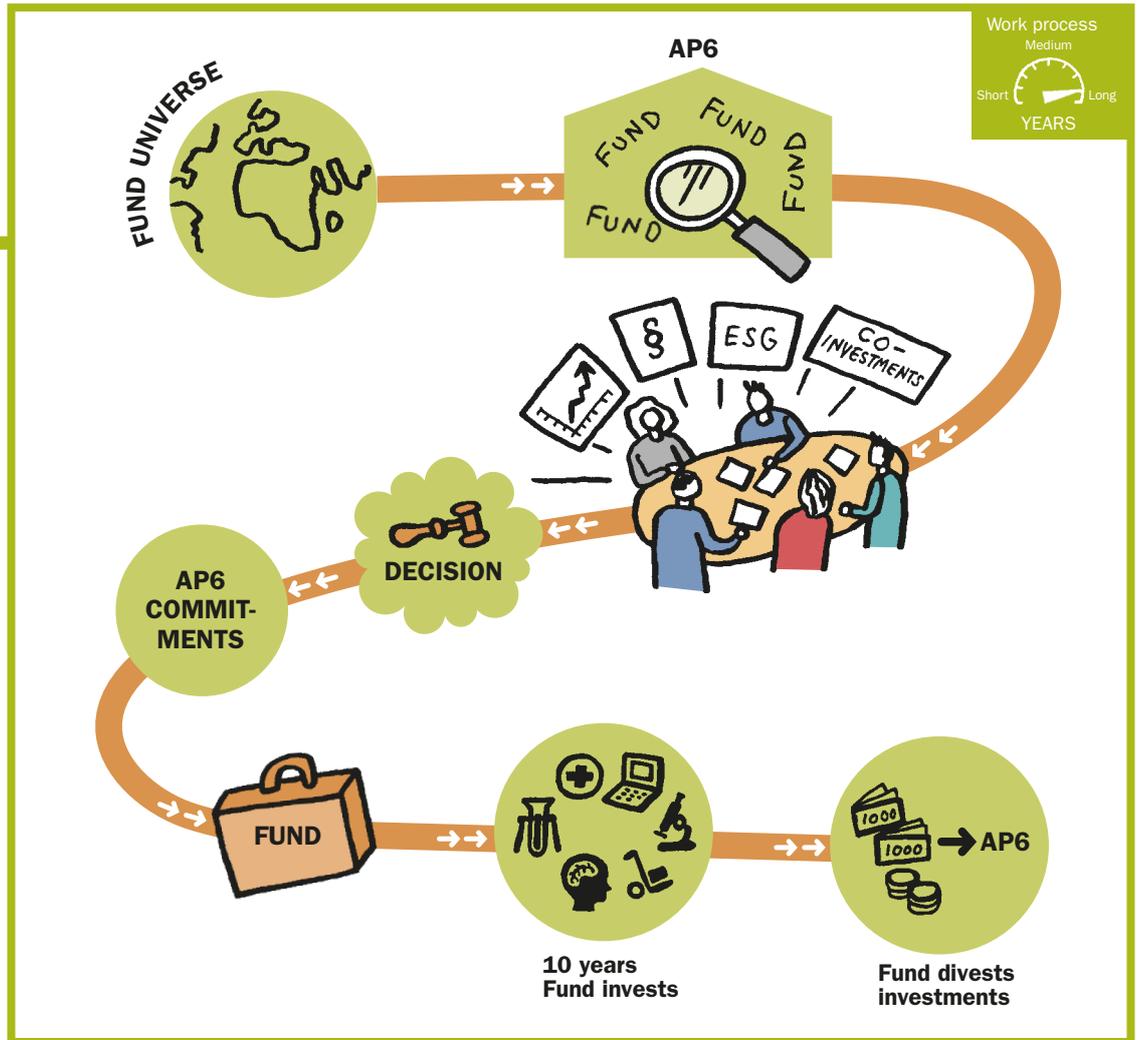
The illustration provides an overview of the main players, steps in the process and time required for applying the different approaches.



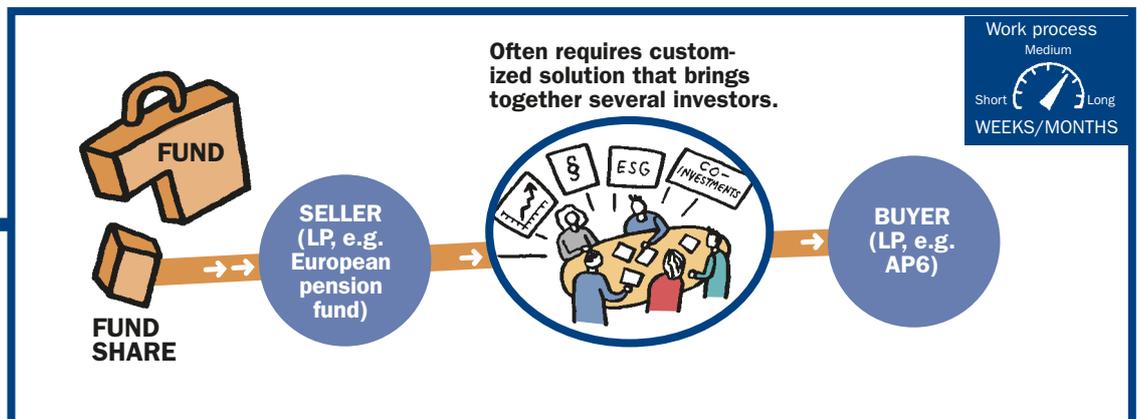
Direct investments



Fund investments



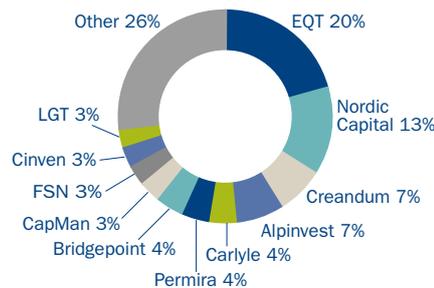
Secondary



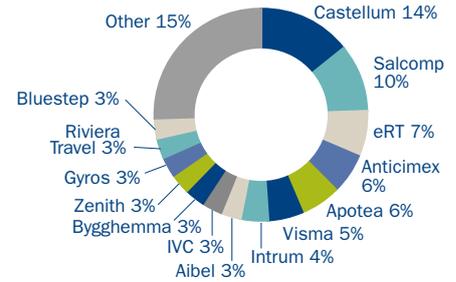
The Sixth AP Fund's portfolio

- Over the last five years, the portfolio has essentially been entirely renewed. Older holdings from the prior investment strategy have been divested.
- The current portfolio results from a high rate of investment over the last five years.
- The investment focus is consistent with our current strategy. It is entirely made up of unlisted assets.
- There is an even distribution between direct investments and fund investments.
- A well-diversified portfolio with adequate risk diversification.
 - There are approximately 350 underlying portfolio companies
 - There are approximately 30 fund managers
 - The portfolio contains approximately 30 direct investments
- For the investments that have been made, there is a good spread across four main sectors: Consumer discretionary, Industrial goods, IT/telecom, Healthcare

Major fund investments



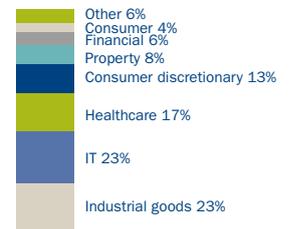
Major direct investments



Geographic distribution of The Sixth AP Fund's investments



Sector distribution



MEGATRENDS AND INVESTMENT THEMES - ANOTHER WAY OF DESCRIBING THE PORTFOLIO

AP6 invests based on its hypothesis of value creation that is guided by a realistic plan for profitable growth. Each company is unique and faces the specific conditions prevailing in its market. Accordingly, each investment decision is based on the company's own merits. However, it is still possible to generalize and conclude that

several investments fall into the same category as regards certain megatrends. Examples of such are demography and digitalization. The latter megatrend has been opening up new opportunities in nearly every sector. Megatrends create conditions and opportunities for business both nationally and internationally. AP6's portfolio, for

example, contains a large number of companies where the business concept and value creation are based on opportunities resulting from technological breakthroughs and altered behavioural patterns. Below are examples of companies which, based on megatrends, can be categorized into different investment themes

MEGATREND EXAMPLES



Demography & societal changes



Breakthroughs: IT and technology



Urbanization, climate change

INVESTMENT THEME EXAMPLES



Ageing population
Alloheim
Riviera
Kuoni



Changes in healthcare
ERT
Sivantos
Atos



Automation
WernerCo
Praesidiad
Salcomp



Digitalization
Apotea
Bluestep
Bygghemma



Change in habits, Adapted infrastructure
FläktWoods
Anticimex
Castellum



Meet some of AP6's partners

Investing in unlisted assets is characterized by an international market where there is a high level of competition for experienced partners and attractive investment opportunities.

As a state-owned pension fund manager and investor in unlisted assets, AP6 sets the bar very high when choosing its partners. The goal is to collaborate with only those who are considered to be the very best.

Accordingly, AP6 partners with investors who have extensive experience, specific expertise and a proven record of delivering a high return over the long term. On the upcoming pages, a selection of AP6's partners are presented, depicted on the basis of meetings and discussions with employees from AP6.

Discussion at Alpinvest's office in Amsterdam.

Cecilia Gross Friberger is Investment Director at AP6 and responsible for investments with Alpinvest.

Rob de Jong is Managing Director and Head of Alpinvest Partners' Team for Co-investment.

Wouter Moerel is Managing Director and Head of Alpinvest Partners' Secondary Investment Team.



Alpinvest values inquisitive and active investors such as AP6

INTERVIEW>> *Alpinvest is both a professional investor and a competent problem-solver. Its deep knowledge of both GPs and LPs enables Alpinvest to be an attractive co-investment partner to GPs, and offer innovative secondary solutions to both LPs and GPs looking for liquidity. The fact that AP6 brought a long list of questions to the negotiations was appreciated by Alpinvest, as it enabled Alpinvest to better understand the key issues driving AP6.*

You asked a lot of questions about sustainability, finance, legal issues, fund investments, co-investment and secondary solutions.

You also wanted to meet employees with different types of expertise from our entire organization. My impression was that you were applying a holistic approach aimed at fully understanding Alpinvest and with the intention of setting up a long-term relationship,” says Rob de Jong, Managing Director and Head of Alpinvest Partners’ Team for Co-investment.

Alpinvest is one of the major global investors in private equity. It invests in funds, secondaries and in co-investments. AP6 has extensive experience of investing in unlisted assets, both via funds and directly in companies in collaboration with other players.

“Getting to know and understand each individual partner takes time, energy and commitment. But everyone benefits from it in the end. That applies regardless of whether we’re discussing interesting investments, or any problems or challenges that might arise,” says Cecilia Gross Friberger, Investment Director at AP6 and responsible for investments with Alpinvest.

Given Alpinvest’s extensive investment experience and a high level of expertise of its investment professionals, it is able to identify and propose various investment opportunities, and offer these opportunities to investors, both in the form as a commitment to one of its funds, or as a co-investment. As such, AP6 has made both a fund commitment to Alpinvest Secondaries Fund VI, and has co-invested in specific second-

ary transactions alongside ASF VI.

“Working with the secondary market is all about solving problems and identifying opportunities. If the approach with secondaries is reduced to simply buying exiting well-known fund units from different LPs and paying the prevailing market price across all cycles, this may lead, by default, to buying an index of the secondary market. Our goal, however, is to create more unique secondary transactions, where significant alpha can be achieved,” says Wouter Moerel, Managing Director and Head of Alpinvest Partners’ Secondary Investment Team.

An example is the transaction where Alpinvest bought seven companies from a publicly listed entity managed by Eurazeo. These companies were transferred via a “fund restructuring” to a new fund still

managed by Eurazeo. The GP was looking to expand its investor base in the new fund and offering new investors an opportunity to invest, thus adding new capital that could be deployed for follow-on investments in the companies. Through a continuous dialogue, AlpInvest approached AP6 to step in as one of the new partners in the fund through a co-investment. This was beneficial to both AP6 now having a direct investment relationship with a high-quality GP, and for Eurazeo attracting a long-term investor.

“Our knowledge of AP6 and other potential new investors could be crucial to the GP in question. Our job is to solve different types of problems and meet the needs of both the seller, and the new owners. That’s how we’re able to close deals that otherwise would probably never have made it off the starting blocks,” says Wouter Moerel.

For co-investment, the same philosophy applies. Without deep knowledge of the players involved, many deals would never close.

“We value an investor like AP6, who understands our business and knows what it is looking for. It makes things easier for us, because then we know what potential issues to address and solve,” explains Wouter Moerel.

Time and expertise are frequently what makes it possible to take advantage of interesting opportunities.

“We occasionally engage in larger co-investment opportunities with GPs, where there is a need for additional equity in order to close the deal. In these cases, knowing which investors are interested and can deliver quickly is very important in order to secure the deal. Having an investor on board like AP6 who can play a role in these type of deals is really valuable,” says Rob de Jong.

For AlpInvest, building mutual understanding and trust are key to creating a long-term relationship.

“In my mind, an investor can never be too inquisitive or engaged. We want to get to know our investors. That way, we are better equipped to help them in the various situations that can arise,” says Wouter Moerel.

Waterland – a global GP with a local focus

INTERVIEW>> *Waterland emphasizes the value of being local throughout, both in terms of investment and where to establish offices. In combination with a long-term perspective, it is also beneficial that investors are geographically represented.*

For us, it is incredibly important to keep a local focus and that applies to just about everything. Through our investments, we learn about the local market and when we set up offices, we hire local expertise. The same applies when we select the investors in our funds. We also take a long-term approach and want our investors to be well-represented geographically,” says Frank Vlayen, CEO and Group Managing Partner at Waterland.

Waterland is ranked as one of the most high-performing buyout funds in the world. Since its inception in 1999, the return has been stable at a very high level.

Benelux and the German-speaking countries are its main markets. Waterland has identified four areas of particular interest from a long-term perspective. One has to do with demographic changes that are occurring in countries with an ageing population. Then, there is the need for higher efficiency and streamlining in both the public and private sectors. Another has to do with leisure and convenience. Sustainability is yet another important area, where the public sector, private sector and consumers are all becoming more aware of the future challenges. Emphasis on maintaining a local focus is the common denominator throughout. The strategy is to open local offices only at locations where Waterland has made interesting company acquisitions and identified opportunities. One example of this was the decision to establish an office in Copenhagen, which occurred in 2017, after making a dozen acquisitions in the Nordics over the past years.

“We feel that there is a natural link between being close to both our investments, and our investors. We’re firmly established



Karl Falk, Head of Fund Investments at AP6 and Bart Elema, CFO and Partner at Waterland.

in the Nordic region via our investments in Denmark and our newly established office in Copenhagen. AP6 is also in the region, with its special focus on unlisted assets. And, because you’re a pension fund with a long-term perspective, we feel that there is value in having AP6 as one of our investors,” says Bart Elema, CFO and Partner at Waterland.

In addition to that, investors are given the opportunity to follow Waterland’s continued progress, hopefully by increasing their involvement. That’s how a long-term relationship is established for both sides.

“It’s a good match with AP6’s strategy of carefully choosing partners and building long-term relationships with them. We’re convinced that it’s how to achieve the highest level of professionalism in regard to both investing and creating value for our clients, i.e. Sweden’s pensioners,” says Karl Falk, Head of Fund Investments at AP6.

Permira – growth investors who wants to get involved

INTERVIEW>> *Permira identifies investments via its combined strength of having a local presence across three continents and specialized sector teams, which focus on different areas. That's how concepts and resources can merge in a powerful way and create opportunities for a special kind of collaboration with a partner like AP6.*

We identify various types of investments and create collaboration opportunities by constantly maintaining an active presence in different markets. AP6 is prepared, and has the resources for entering the process during the early stages. And that is a prerequisite for being able to take advantage of whatever opportunities arise,” says Kurt Björklund, Co-Managing Partner at Permira.

Permira does not have a formal head office, in the traditional sense. Instead, much of that responsibility has been allocated to the company's twelve investing offices across Europe, Asia and North America. In addition to that, Permira has sector teams that are specialized in different areas.

“Everyone working at our offices worldwide meets with the sector teams and asks what they're looking for. They, in turn, want to know what's out there, for example, in the Nordic Region. We share ideas and suggestions, regardless of whether they come from Asia or North America. That is a real strength,” explains Kurt Björklund.

The fact that AP6 invests in both funds and directly in companies increases the opportunities for both parties in terms of cooperation.

“AP6's expertise and Permira's working method creates opportunities for collaboration in various forms. We see that as a clear advantage,” says Yue Gong, Investment Director at AP6 and responsible for investments with the Permira funds.

One recent outcome of the collaboration is the investment in Allegro, the most



Kurt Björklund, Co-Managing Partner at Permira.

popular online marketplace in Poland, with more than 20 million registered users and 14 million transactions each month.

AP6 has co-invested in Allegro together with Permira VI and another private equity firm, Cinven.

“This particular co-investment is a very good fit with AP6's investment strategy. Our collaboration with Permira gives us access to a new geographic region and new knowledge,” says Yue Gong.

The investment in Allegro stems from Permira's vast expertise in distance trading, consumer brands and IT/technology. Besides that, they have local understanding of each country's market and the progress it has made on technological development.

“We want to provide support, offer

opportunities and serve as a kind of service organization for founders and entrepreneurs. We want to offer them support that makes it easier for them to take the next step in their efforts to expand,” says Kurt Björklund.

Investors have different preferences and requirements. Some focus on a particular sector, other on a geographic region via specific countries.

“AP6 is highly diversified with regards to sectors, industries and geographic representation. We find this extremely interesting. It opens up more opportunities for collaboration,” says Kurt Björklund.

However, it also places higher demands on each party, so there must be an emphasis on understanding each other and building relationships. Only then will it be possible to derive the full benefits from each organization's expertise and experience.

“AP6 puts a lot of effort into building long-term relationships based on trust, because that's the key to creating new opportunities for making attractive investments together,” says Yue Gong.

It's an approach that Permira also values very highly.

“Creating mutual trust is fundamental to our strategy and way of working. It requires quicker forms of communication and more opportunities for testing different ideas,” says Kurt Björklund.



Yue Gong, Investment Director at AP6 and responsible for the investments with Permira.



Tomas Ekman, Partner at CVC together with Cecilia Gross Friberger, Investment Director at AP6 and responsible for fund Investments with CVC, Malin Källström Säfweräng, Investment Director, Direct Investments at AP6. All three are enthusiastic about the opportunities for collaboration stemming from AP6's ability to invest both via funds and directly in companies.

CVC – individual drive and team spirit

INTERVIEW>> *CVC is a global player that appreciates opportunities for collaborating with local investors. Their highly autonomous regional offices help facilitate that. CVC sees a lot of potential in collaboration with AP6.*

All investors are unique, but AP6 stands out because it focuses on both fund investments and direct investments. As an active investor in unlisted assets, with an interest in co-investment, we feel that our interests are very well aligned with AP6," says Tomas Ekman, partner at CVC, working out of the Stockholm office.

CVC's global structure is based on regional, relatively autonomous offices. Tomas Ekman feels that the combination of individual drive and team spirit is an important part of CVC's focus.

"If I were to choose two characteristics that describe us, they would be individual drive and team spirit. It's what has set the tone right from the very start and it affects not only how we choose investments, but also which employees we hire," explains

Tomas Ekman.

He says that the organization is fuelled by dedicated, motivated employees who have both individual drive and are very loyal to the company.

"There's a lot of freedom for divergent opinions and participation at our investment committee meetings. Everyone gets involved and discussions can become quite lively! But there is also a very important, serious dimension as well. By that, I mean that only the best investment concepts will survive when the debate forum is so intense. And I regard that as a sign of strength," says

Tomas Ekman.

It's also why he sees a great deal of potential for collaboration between AP6 and CVC's offices in Copenhagen and Stockholm.

"In the Nordic region, we engage in a lot of business via partnerships. AP6 wants to make co-investments and we think that's interesting," says Tomas Ekman.

Cecilia Gross Friberger and Malin Källström Säfweräng share that view. Both work with investment activities at AP6, one with a focus on fund investments, the other on direct investments.

"That, along with their experienced investment team and committed regional offices, has convinced us that collaboration with CVC will be successful," says Cecilia Gross Friberger, Investment Director at AP6 and responsible for fund investments with CVC.

CVC has acquired many companies in the Nordic region. It has both diversification and a good spread. Examples are Ahlsell and Paroc (industry), Synsam (optical retailer) and Etraveli (online travel agency)

"We really value that CVC's regional offices are so independent and motivated. This applies to the co-investment opportunities in particular," says Malin Källström Säfweräng, Investment Director, Direct Investments at AP6.

Because CVC's regional offices have so much autonomy, each one is unique and stands out in a specific way.

"I think that those of us working in the Nordic region are quite entrepreneurial. We believe that it makes us a good match for AP6, which has invested in unlisted assets for 20 years. Although AP6's focus is more on buyouts, it has always interfaced with companies, both large and small. We like that level of diversification and breadth, in general. For a state-owned pension fund manager, we find that to be quite interesting. I'm absolutely convinced that we will complement one another very well," says Tomas Ekman.



"In the Nordic region, a lot of the business we engage in is via partnerships. AP6 wants to make co-investments and we think that's interesting," says Tomas Ekman, Partner at CVC.



Joakim Edsholt, Pest Control Technician, and Jarl Dahlfors, CEO Anticimex International AB, have established routines for demonstrating the smart rodent trap. Over a two-year period, Anticimex has succeeded in growing its volume of smart rodent traps worldwide from a low starting level to around 50,000 at the present time.

Anticimex – global expansion with digital pest control

INTERVIEW>>> *Pest control is a growing market due not only to the global trend but also increasing urbanization and new consumption patterns. The sector is also undergoing a transition from the use of environmentally hazardous pesticides and traditional methods to solutions like eco-friendly rodent traps. Anticimex is on the leading edge of development and its market share is growing. In 2017, AP6 made a direct investment in Anticimex when the main owner, EQT divested a limited portion of its holding.*

Development in some parts of the sector for pest control includes a transition from primarily manual methods to the use of digitalized, more refined ones. The trend is shifting from the use of pesticides to more modern traps that can be remotely monitored to track activity and progress, by, for example using sensors and cameras.

It gives a better grasp of the problem and ability to measure its severity so that an appropriate solution can be implemented. Customers thus know what they are paying for and a professional pest control company like Anticimex can offer customized solutions for nearly all environments and situations.

“In the past, we would disperse pesticides in various places, without really

being able to assess how effective they were. Sure, you might see certain signs, like bite or scratch marks, but you never knew for sure whether they were from a rat, mouse or squirrel, for example. Neither could you assess where the animal had gone,” says Joakim Edsholt, Pest Control Technician at Anticimex, who has been working in this field since 1985.

On one early winter morning, Joakim Edsholt and Jarl Dahlfors, CEO at Anticimex International AB, demonstrated the company’s proprietary smart rodent trap. This one, was located just a few meters from a manhole, in an area at the Stockholm University. Each trap has been placed at a strategic location. Often, they are set out near building drainpipes, for example.

Sensors react when a rodent is nearby,

which triggers ejection of plastic spears that kill the animal. If the trap is set up in a drainpipe, the animal is then washed away with the flow of wastewater. In other instances, the carcasses are collected in containers that are emptied manually. Each pest that is killed gets reported to Anticimex digitally and both the time and location are then registered.

When several traps have been set out, it is thus possible to assess the severity of the problem. This, in term, increases efficiency in terms of both time and costs. And that is particularly relevant in busy places like shopping centres and pedestrian-only shopping streets. There are driving forces for future success in the pest control sector. For example, the global urbanization trend puts increasingly higher demands on waste management and hygiene.

In the past, pest control was primarily the concern of local authorities and major property owners. Among today's clients there are a growing number of housing associations, businesses and individuals.

The pest control sector is fragmented, consisting primarily of many small companies with few employees. The methods offered to customers haven't changed much over the years. The investment that is required, makes many small companies reluctant to make the transition to modern traps that can be monitored from remote locations. One strategy for successfully transitioning to the new technology is via acquisition and becoming part of a larger group. Since 2013, Anticimex has made more than 100 acquisitions of smaller companies. The company has also been successful in convincing a rather conservative market to transition from pesticides to smart traps.

"Over a two-year period, Anticimex has succeeded in growing its volume of smart rodent traps worldwide from a low starting level to around 50,000 at the present time, says Jarl Dahlfors, CEO at Anticimex International AB.

The company has also managed to maintain its 80-year trend of consistent growth, now with more focus on profitability since Jarl Dahlfors took over as CEO in 2015. The driving force for success is the Anticimex model, which Jarl Dahlfors is

very enthusiastic about.

"We delegate responsibility for quality, efficiency, growth and profitability to our local office managers. We are then careful in our efforts to shift that focus, gradually. First and foremost, we must deliver high-quality services. The next priority is doing that both efficiently and profitably. The third step in the model is a focus on growth and higher profitability. But there are no shortcuts. Steps one and two must be successful before the focus can shift to step three," explains Jarl Dahlfors.

Measurement and monitoring of results is also part of the process. All success stories are shared throughout the organization. Then there is the prevailing idea that pest control is only a service sector. But Anticimex wants to change that by combining excellent service with the latest technology and efficiency. In the past, service involved a site visit by a technician, regardless of whether or not the problem with pests actually got solved. Typically, the service would simply involve dispersing pesticides and checking traps.

Today though, there is an assessment and documentation of the customer's problem, which results in a tailored solution. Once the technology is in place, site visits are no longer required at regular intervals. The focus is instead on analysis, customized solutions and delivery results.

"Service and technology must go hand-in-hand! That this only way to make progress and claim a higher market share," says Jarl Dahlfors.

For him, the branch offices play an extremely important role in all of this. When they operate as intended, it facilitates success all the way to the end customers. Theoretically, that might sound simple and logical. However, putting it into practice involves certain challenges, since Anticimex currently has around 140 branch offices in more than 17 countries.



Jarl Dahlfors, CEO at Anticimex International AB, and Joakim Edsholt, Pest Control Technician, at one of the manholes in Stockholm where smart traps have been set up.

"Clarity is required when you are dealing with such a large organization. We need to get the message out to all employees, so it needs to be simple and understandable," says Jarl Dahlfors.

He also has experience from working in this way at other large organizations.

"I'd make the case that it typically goes quicker when you're working with smaller units, like what we have at Anticimex. For example, implementing changes at a small hotel tends to be easier than at a big one. Anticimex has many small units, which, I believe is an advantage in our ongoing efforts to expand," says Jarl Dahlfors.

The Anticimex model also has a clear strategy for making acquisitions. However, Jarl Dahlfors emphasizes the importance of local ownership. The aim is for the prior owner to stay on, yet in a new role and with renewed energy and enthusiasm. Anticimex is very careful to avoid forcing anyone to fit into a particular mould.

"Owners who are willing to sell their company to us are extremely important. We want to retain them in our organization so that we all can continue developing as a team for many years to come," explains Jarl Dahlfors.

» **...Over a two-year period, Anticimex has succeeded in growing its volume of smart rodent traps worldwide from a low starting level to around 50,000 at the present time, says Jarl Dahlfors, CEO at Anticimex International AB.**

Anticimex on AP6's radar for quite some time



Jarl Dahlfors, CEO Anticimex International AB, and Vidar Andersch, Investment Director at AP6 and responsible for the investment in Anticimex.

INTERVIEW>> AP6 has had Anticimex on its radar for quite some time, having identified the company as an attractive potential investment opportunity. Key decision factors were its long history of strong financial performance and its potential for further success and a high rate of growth.

Our evaluation concluded that this is a leading company of Swedish origin operating in a fragmented global market. Our own observations confirmed that Anticimex's plans for expansion by acquiring small companies was really working," explains Vidar Andersch, Investment Director at AP6 and responsible for the investment in Anticimex.

The analysis also showed that there are excellent conditions for the company's future consolidation efforts. It's a plan that is compatible with technological developments in the pest control industry.

The investment that is required, makes many small companies reluctant to transition from the use of traditional pesticides to modern traps that can be remotely monitored.

"It used to be all about 'the man in the van' in this sector. In other words, all focus was on technicians offering manual solutions to a limited number of customers. But this approach is quickly becoming outdated. It simply can't compete with the more efficient digital solutions that are available. Above all, it has to do with offering customers a comprehensive pest control solution, where monitoring and statistics form the basis for further action," explains Vidar Andersch.

And that is precisely what Anticimex is able to do successfully. The company has a long history of strong financial performance and stable revenue. EQT acquired Anticimex in 2012 and, among others, it has helped the company grow international-

Facts about Anticimex

- Anticimex is a leading specialist with-in pest control, food safety, moisture control, house inspections and fire protection.
- The company delivers its services to around three million customers (companies and individuals) in 17 countries throughout the world. It is one of Sweden's most recognized brands.
- Anticimex's main area of operations is pest control, which accounts for approximately 79 percent of its sales.
- It has continued to grow each year since it was founded in 1934.
- Anticimex generates stable, recurring income via contracts and insurance solutions.
- The core of its current strategy is pest control in its existing markets.
- The market is still fragmented and acquisitions will be a key success factor going forward.

ly and focus on the area of pest control. This has included a higher focus on the goal to establish the company as the global leader in the pest control industry.

In 2017, EQT divested a limited portion of its holding to a group of investors that included AP6. It was a move that management was much in favour of.

"Allowing new owners, with a professional attitude and long-term approach into the company is important. For those of us working in senior management positions, it's very positive because it serves as evidence that the company is attractive, while imposing renewed demands on delivery," says Jarl Dahlfors, CEO at Anticimex International AB.



Sustainability Report

In 2017, AP6 obtained valuable feedback regarding stakeholders' demands and expectations. This was done through interviews with stakeholders who, in various ways, impact or are impacted by AP6's operations. Monitoring of funds' sustainability performance has continued during the year, also via interviews and with structured feedback of the results, which led to more dialogue and a much appreciated exchange of experience. AP6 also continues to engage on sustainability in directly owned companies, through the boards and investment partners. The 2017 sustainability report is the fifth GRI report issued by AP6. The organization is in this report transitioning from GRI G4 to GRI Standards.

Stakeholder engagement and materiality analysis



One fundamental expectation on a state-owned pension fund such as AP6 is for the organization to be run in accordance with the Sixth Swedish National Pension Fund Act (2000:193), where the goals for investing activities have been defined.

In addition, there are many groups in society with different expectations on AP6. In order to capture some of these expectations, AP6 has expanded its engagement with stakeholders. This was carried out in close cooperation with the Board's Sustainability Committee.

EXPANDED STAKEHOLDER ENGAGEMENT

The first step in the process was to identify relevant stakeholders. These are the ones who impact, and are impacted by AP6 the most. The Board adopted the stakeholder analysis on a full day meeting devoted to sustainability. Engagement with stakeholders was carried out via approximately 20 interviews.

AP6 has listened to and discussed issues with representatives from pension organizations, students, the Ministry of Finance, the Riksdag Pension Group, trade associations, funds and companies that AP6 has invested in and of course, AP6's employees. "General public" refers to potential beneficiaries in the form of current and future pensioners.

"Nature and Ecosystems" is another stakeholder group lacking specific individuals to represent it, but was considered an important group in relation to the impact of AP6's investments.

AP6's engagement with stakeholders revealed that there is wide variation in knowledge and expectations between the various groups. Stakeholders that AP6 interacts with in the area of unlisted investments have, as would be expected, more knowledge of AP6 compared to other stakeholders. Regardless of the stakeholder group, the engagement revealed an interest in participating and learning more about AP6.

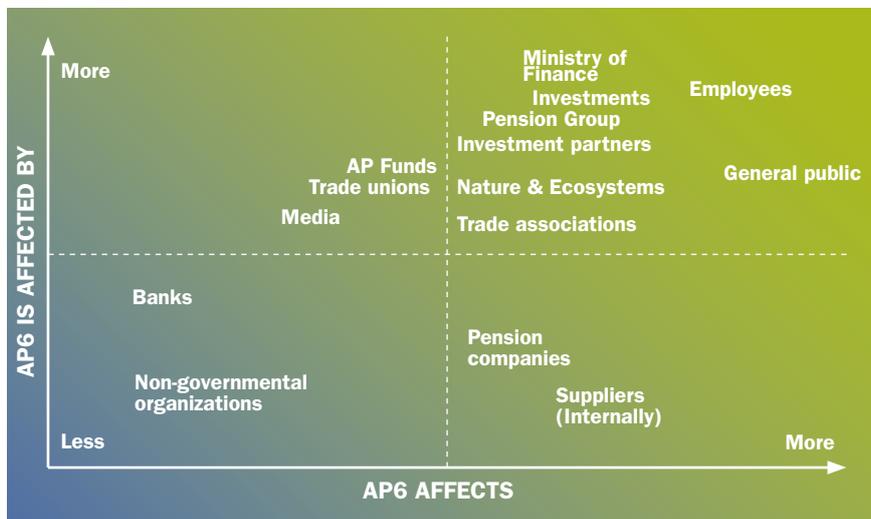
MATERIALITY ASSESSMENT

The results can be divided into two groups. One has to do with the fundamental requirements and expectations on AP6, which, for example, includes meeting its

obligation as a pension fund manager to deliver a high, long term return.

The second group contains specific desires and views about what AP6 does, which includes everything from investing activities and sustainability efforts to ensuring that information about the organization is clear and easily accessible.

The Board and management have discussed the results from stakeholder engagement and compiled a materiality assessment, which ranks the issues that have highest relevance to AP6. Management has also considered the specific suggestions derived from stakeholder engagement when compiling next year's business plan.



AP6's most important stakeholders, as established by the AP6 Board of Directors

At top right of the illustration there is a list of the stakeholders who impact, and are impacted by, AP6's activities the most, based on the stakeholder analysis. These are the ones who were included in the expanded stakeholder engagement. (Certain stakeholder organization have been included as representatives for "General Public" and "Nature & Ecosystems").

QUOTES FROM STAKEHOLDER ENGAGEMENT

“In the finance sector, there is much talk about active ownership and engagement. But what that actually means is seldom discussed. We expect to see greater demands on transparency in the future as regards content, challenges and the results of active ownership”

Kathleen McCaughey, Expert Advisor, Amnesty International

“Keep encouraging us to further our work with responsible investments. You influence us in a good way.”

Pär Norberg, Director Investor Relations, Nordic Capital

“It’s important for AP6 to monitor fund managers, since AP6 through its fund investments are quite removed from the companies’ impacts. Regardless of the investment method, AP6 should maximize its influence as an owner.”

Frida Arounsavath, Researcher, Swedwatch

“AP6 is a very good, active minority owner that contributes both inside and outside the boardroom.”

Carl Engström, Senior Investment Manager, Nordstjernen

“AP6’s annual report is user-friendly and it is important that the general public has easy access to this information. After all, it’s their money.”

Lars-Arne Staxäng, Member of the Riksdag (M), Pension Group*

“AP6 is a good partner, with clear processes for co-investment. AP6 delivers with quality and has professional employees with distinct areas of responsibility.”

Marcus Wallinder, Partner, Deputy Head of Investor Relations, EQT

“Pension assets must deliver a return to current and future pensioners. At the same time, a major investor can influence by setting high standards for companies.”

Anders Thoré, Expert on Pension Issues, the Swedish National Pensioners’ Organization (PRO)

*(The Pension Group is a cross-party working group with representatives from the Riksdag parties that support the pension agreement – MP, S, M, L, C and KD)

Materiality assessment

Generating a high long term return to pensioners and withholding public confidence is a prerequisite for AP6’s existence.

It requires:

- Ensuring the expertise and professionalism of AP6’s employees
- Disciplined, systematic value-creation within the scope of a clear investment

strategy

- Responsible investment based on a broad sustainability perspective including human rights, labour rights, environment and anti-corruption
- Good business ethics and morals
- Clear communication and easy access to information about AP6
- Openness and transparency towards external stakeholders



AP6’s model for meeting the requirements of legislators and stakeholders

In order to live up to the expectations and meet the requirements of external stakeholders, AP6 has created a model based on, among others, its Code of Conduct and Investment Strategy, which rests upon four main pillars. Together, the foundation and pillars provide the stable prerequisites for delivering a long-term high return and maintaining public confidence in AP6.

Stakeholders’ expectations, requirements and needs

Stakeholders: Increase visibility and knowledge of AP6 through, for example, more information about AP6’s role in the pension system, the activities and goals of the portfolio companies and the actual sustainability impact.

AP6: AP6 can and should make a bigger effort to increase knowledge of its own operations. This is reflected in such things as the annual report and related information, but it is an area that needs further development.

Stakeholders: Clear standpoints on sectors/activities that AP6 avoids.

AP6: More information on sectors/activities that AP6 avoids has been added to this year’s sustainability report. See also the AP6 Code of Conduct.

Stakeholders: Participate more in public debates on the pension system.

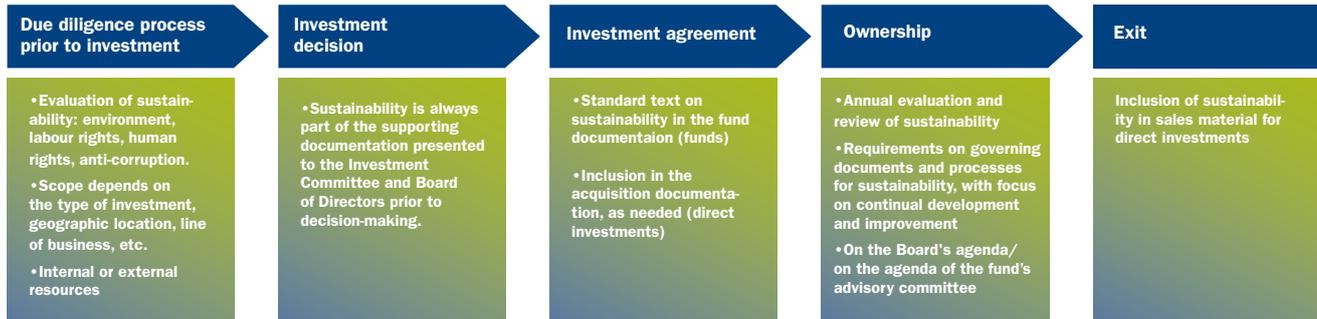
AP6: This is an issue for the owner (Riksdag). AP6’s standpoint is that it should not state opinions or debate issues for which the owner is responsible.

Stakeholders: AP6’s investments should, to the extent possible, contribute to solutions on global challenges like climate change and violations of human rights.

AP6: The 2018 business plan contains an evaluation of how the UN Sustainable Development Goals can be used in the organization, in addition to AP6’s existing tools for responsible investments.

Responsible investments

SUSTAINABILITY IS AN INTEGRAL PART OF AP6'S INVESTMENT ACTIVITIES AND VALUE CREATION



RESPONSIBLE INVESTMENTS

For AP6, sustainability and responsible investment go hand-in-hand in our efforts to meet the goal of providing a long-term high return. Research is increasingly showing that there is a positive correlation between sustainability and a company's value. Over the long term, sustainable development is a fundamental requirement for future generations and for generating economic returns for future pensioners.

As a Swedish, state-owned pension fund, AP6 can and should be a forerunner and require high ambitions when it comes to sustainability and responsible investment.

Since 2013, AP6 has been working systematically to integrate sustainability into the investment process, for example within the scope of the review and follow-up on investments. As an investor in various types of businesses, in different sectors and geographic locations, it is necessary to take a broad approach to sustainability, aligned with international agreements on human rights, labour rights, the environment and anti-corruption. Responsible investment and the integration of ESG is led by the Deputy Managing Director and coordinated by the Sustainability Manager, while the responsibility for the practical application lies within the investment organisation, where investment managers are responsible for integration of ESG in companies and funds.

Specific training is sometimes organized to develop sustainability capacity within

the organization. During the year, AP6's employees participated in human rights training. The training was based on specific case studies with a focus on investor responsibility for human rights impact.

The AP6 Code of Conduct provides

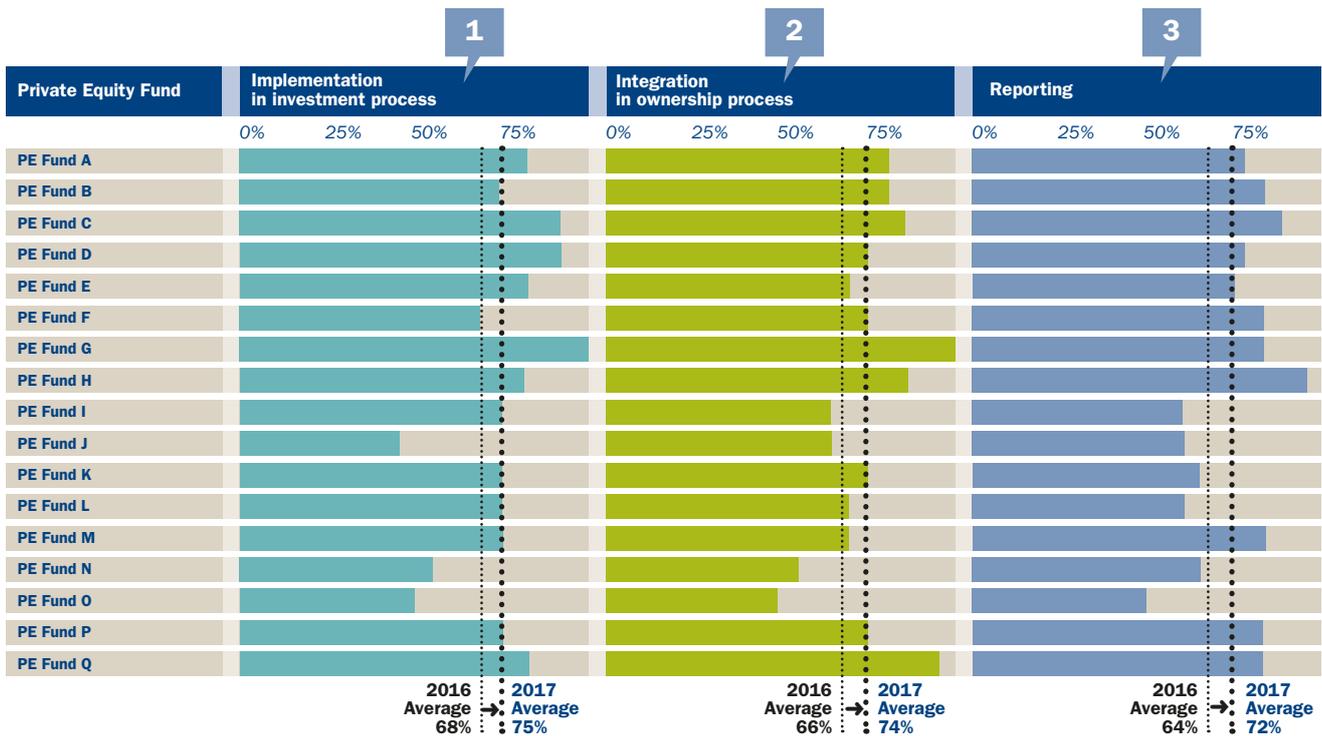
the basis for AP6's approach to responsible investment. Templates and other tools are constantly added to enhance and formalize such efforts further. One of the most important tools is AP6's proprietary tool for evaluating private equity funds.

LONG-TERM GOALS FOR DIRECT INVESTMENTS

Area	Goals	Status
ESG due diligence	100% of 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	44 %
Climate	Companies corresponding to 80 % of the value in the portfolio for direct investments must report greenhouse gas emissions and document climate-related risks and opportunities	37 %
Gender equality	The proportion of women on boards of portfolio companies should be 50 percent	17 %

LONG-TERM GOALS FOR FUND INVESTMENTS

Area	Goals	Status
ESG due diligence	100% of 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	56 %
Climate	Funds corresponding to 80 % of the value in the portfolio for fund investments should address climate change through carbon footprint, climate strategy or similar	54 %
Equality/diversity	AP6 will take steps to ensure that gender equality and diversity is a measurable target for funds and portfolio companies	Page 26



ANNUAL ESG ASSESSMENT OF FUNDS
 AP6's proprietary tool for ESG evaluation and follow-up of private equity firms.

In 2017, AP6 met with 17 fund managers as part of the annual ESG assessment of the fund portfolio. The assessment is based on a model developed by AP6, which, in turn, is based on an industry-specific template for sustainability evaluation of fund managers in the unlisted investment asset category. The average rating for the fund portfolio was higher in 2017 compared to last year.

Most fund managers were able to demonstrate positive developments in one or more of the areas that were assessed. It indicates a continuous development in several funds as well as a high base-line level in some of the new funds, assessed for the first time. Like last year, the funds with formalized ESG processes and a high level of in-house ESG expertise received the highest ratings.

In general, there is a positive correlation between a larger fund size (and thus greater resources) and higher ratings. In this year's evaluation, however, there were several smaller funds that stood out and had received high ratings based on their structured, resource-efficient ESG processes. Also

1. How does the private equity firm review sustainability-related risks and opportunities prior to acquisition? What processes and resources are used? How is the investment decision impacted by sustainability factors?

2. How do private equity firms manage the portfolio companies' sustainability-related risks and opportunities for value creation during the holding period? This is done, for example, through corporate governance and specific support on sustainability.

3. How does the private equity firm report sustainability and responsible investments? Through, for example, public reporting and regular reporting to investors.

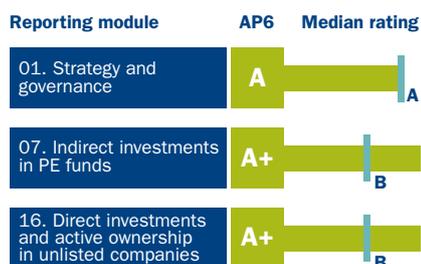
new for this year was that the assessment also included secondary funds, i.e. funds focusing on second-hand shares in companies and/or funds. Last year's specific feedback on the results of the assessment was very appreciated by participating funds. Accord-

ingly, there was much focus on providing detailed feedback, in separate meetings for each fund. The feedback includes both open discussions and possible development areas.

AP6's model for ESG assessment

- Conducted each year in September by meeting with several fund managers for AP6's fund portfolio.
- Structured interviews are used to collect information. These are based on PRI Limited Partners Responsible Investment Due Diligence Questionnaire. It is a compilation of sustainability aspects that has been prepared by investors.
- AP6's own ESG scorecard is used for the assessment.
- The evaluation is followed up with structured feedback to participating fund managers.

- Funds that were evaluated for the first time in 2017 have not been included in this year's assessment.
- The average for the AP6 portfolio is estimated to be higher than the average for a global private equity portfolio. To a large extent, this is explained by the fact that the AP6 portfolio primarily consists of funds managed by large Nordic and European investment teams, which generally have a more advanced approach to responsible investments, along with AP6's integration of ESG into the fund selection process.



PRI'S ANNUAL EVALUATION

As a signatory of the UN Principles for Responsible Investment (PRI), AP6 reports each year on its responsible investment activities using PRI's specific framework for reporting. Based on the report, PRI compiles a confidential assessment report, where A+ is the highest possible rating.

AP6 received the following scores from the most recent evaluation report:
Strategy and governance: rating A
Indirect investments (funds): rating A+
Direct investments and active ownership in unlisted companies: rating A+

MEMBERSHIPS

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

Institutional Limited Partners Association, ILPA, www.ilpa.org/

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

SWE-SIF, www.swesif.org/

COMMITMENTS, AFFILIATIONS

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

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

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

POTENTIAL INVESTMENTS THAT AP6 DECLINED BASED ON ESG ASPECTS

Each year, AP6 evaluates numerous investment opportunities. AP6 never excludes a particular sector by default. Rather, it evaluates each possible investment based on its specific characteristics. When AP6 decides not to make an investment, it is typically based on several factors, like commercial considerations, terms and conditions, etc. Sustainability aspects could be another reason for declining. All companies face sustainability challenges. Many companies deal with these challenges through an active approach to sustainability, while others need to become more engaged. There are, however, certain types of operations that AP6 will always avoid due to the fact that the operations themselves are not compatible with sustainable development and responsible investment, irrespective of how the company handles sustainability. Examples are weapons, pornography and fossil fuels.

Type of investment	Investment opportunity	Motivation
Direct	Companies with a high level of exposure to civil nuclear power.	Reluctance to actively invest in nuclear power due to safety risks and the competitiveness of nuclear power.
Direct	Manufacturing and selling sensors for military purposes and border surveillance.	Increased risk of violations of human rights. AP6 avoids exposure to the defence industry.
Fund	Non-Swedish fund with defence industry as one of the core sectors.	AP6 avoids exposure to the defence industry.
Secondary	Secondary portfolio with several companies in the energy sector (focus on extraction and transportation of oil, gas and coal).	AP6 avoids exposure to fossil energy in the light of climate change and the transition to renewable energy systems.

EXAMPLES OF ESG-RELATED INCIDENTS IN THE 2017 PORTFOLIO

AP6 is a demanding investor in many ways, e.g. when it comes to such things as information and how potential incidents are managed. AP6 seeks rapid and clear feedback from affected companies or funds regarding ESG-related incidents in the portfolio. Below are examples of serious ESG-related incidents in the portfolio during 2017. No incidents of corruption or violations of human rights were reported.

Type of investment	Incident	Action taken by AP6	Status
Fund	Hazardous emissions caused by portfolio company.	Dialogue with fund manager regarding remedy of damage and preventive measures.	During the year and in collaboration with the fund manager and authorities, the company investigated and remedied the damages and also implemented preventive measures.
Fund	Work-related casualties at two portfolio companies.	Ongoing dialogue with fund manager.	The fund manager is actively working to minimize accidents in the workplace. Both companies have lower accident frequency than peers.
Direct	Fire in a production facility caused minor personal injury.	Follow-up via the company's board of directors.	Early stage.

Continued focus on climate change

Since 2015, AP6 has taken an active role in promoting an increased focus on climate change in private equity. Climate change is a threat to future economic prosperity since it undermines the stable climate required for human activity. AP6 is part of the Swedish pension system with a mandate to secure pensions for many generations ahead. Accordingly, climate change has high priority. A long-term perspective is required when managing pension funds. Therefore, consideration must be given to future generations and conservation of the earth's resources. We must also strive to ensure that climate, nature and ecosystems are in balance.

The core of AP6's climate focus is to demonstrate the relevance of climate change from an investor perspective and to strive for increased climate- and carbon transparency.

Accordingly, AP6 welcomes the new recommendations that were launched during the year on how companies and investors should report climate-related information. The background is an increasing awareness among more and more financial players. These recommendations were issued by the Task Force on Climate-related Financial Disclosures (more information is available at www.fsb-tcfd.org).

CLIMATE CHANGE IS AN INTEGRAL PART OF THE INVESTMENT PROCESS

AP6's Code of Conduct states that "AP6 is committed to ensuring that the companies and funds it invests in take action on climate-related risks and opportunities". Climate-related targets have been established by the AP6 Board of Directors (see page 20).

AP6 has integrated climate into its evaluation of new investments and reviews various climate-related risks and opportunities that may affect the investment decision or ownership plan. This may involve evaluating the consequences of increasing the exposure to fossil fuels through a fund investment. Another example is to ask rel-



evant questions about how climate change impacts commodity prices, which may have a significant impact on the cost of production for a company, which ultimately affects earnings and thus the return generated for investors.

AP6's ongoing review and follow-up of companies and funds also includes climate, as an important part of a broader ESG dialogue. Identification of climate-related risks and opportunities, integration into governance and strategies, as well as measurement and reporting on emissions are all included in the discussions of the annual sustainability evaluation of the fund managers (see page 21). These efforts make it possible for AP6 to demonstrate the importance of climate change from an investor perspective and to strive for more transparency.

FOSSIL FUELS

Within the private equity segment where AP6 is active, it is unusual to invest in commodity extraction and energy. AP6 has very few investments in the energy sector (as of 31 December 2017, energy accounted for 2.1 % of total managed assets). Most were in the service segment to extraction activities. Accordingly, AP6 has relatively low exposure directly to extraction and distribution of fossil fuels. In general, AP6

avoids investments in fossil fuels and has on various occasions, declined such opportunities (see page 22). The reason for this is the negative climate impact associated with fossil fuels and the risk of stranded assets. This means assets that are no longer possible to extract due to limitations imposed via a global carbon budget. There are other financial risks to consider as well.

CARBON FOOTPRINT

For the fourth year in a row, AP6 has measured the carbon footprint of the fund's unlisted investments.

For an investor in unlisted companies with a limited number of investments, wide variation can occur with the sale of a company in one sector and acquisition of a company in another. A carbon footprint thus becomes a rather blunt tool for measuring climate impact over time. Neither does a carbon footprint capture climate-related physical risks such as drought or flooding. Carbon footprint is also a poor measure of how well a portfolio is positioned in terms of the transition to a low-carbon economy or how well the companies are equipped for climate-related changes in market, regulation or weather patterns. From AP6's perspective, the carbon footprint is primarily used to demand greater transparency from unlisted

companies and private equity funds, and to promote greater awareness of climate change in the private equity industry. For example through the consideration of physical risks, and the risks and opportunities associated with a transition to a low-carbon economy.

Compared to listed companies, it is not as common for unlisted companies to report their carbon emissions. To a certain extent, it is due to a lower level of public reporting in general. Furthermore, unlisted companies face different sets of requirements (from their owners, consumers, interest groups and other stakeholders) when it comes to measuring and reporting carbon emissions. Because it is relatively unusual for unlisted companies to report their carbon emissions, access to such information is limited. In order to report the carbon footprint of AP6's investment portfolio, reported information on the portfolio companies' carbon emissions was combined with estimated carbon emissions. This was done using the same method as in prior years.

Measurement occurs each year at the end of December, using the latest available carbon data for direct emissions, all of which is in accordance with an agreement between the other Swedish AP Funds. Besides the three indicators for carbon footprint that the AP Funds have already agreed to report on, an additional indicator has been added this year to measure the portfolio's exposure to carbon-intensive companies. "Weighted average carbon-intensity" is thus a measure of the company's carbon intensity, regardless of the investor's ownership share. In the international recommendations mentioned earlier, companies and investors are encouraged to use this indicator when reporting on climate-related risks and opportunities.

AP6's carbon footprint for 2017 corresponds to approximately 35 percent of the carbon footprint from an equally large investment according to a global index for listed companies. The low carbon intensity result is in part attributable to the new indicator, "weighted average carbon-intensity". The portfolio companies' carbon intensity is quite simply relatively low, regardless of the ownership share.

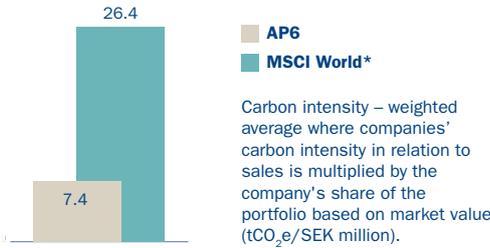
New this year is that the percentage of reported carbon emissions has increased

in relation to estimated emissions. This is in part because AP6 has obtained access to indirect holdings' carbon emissions. Private equity funds are increasing their expectations on portfolio companies when it comes to measuring and reporting

carbon emissions. Several fund managers in AP6's portfolio now systematically collect information on carbon emissions from their portfolio companies and can thus pass that information on to investors.

Carbon intensity – weighted average 2017

tCO₂e/SEK million



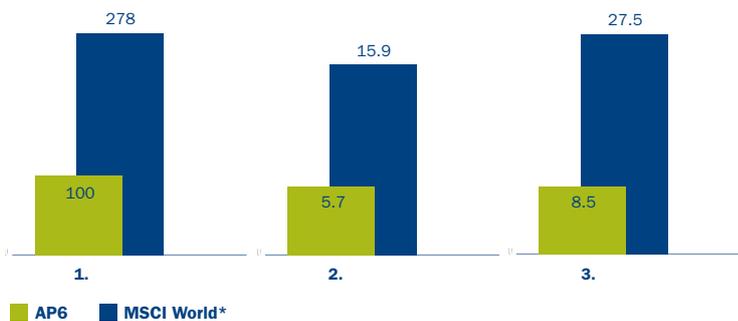
*The comparison is based on the exchange traded fund that is linked to MSCI All Countries World Index (MSCI ACWI ETF). It means that all information on holdings and weightings in MSCI's index are based on publicly available information.

Carbon footprint 2017

Thousand tCO₂e

tCO₂e/SEK million

tCO₂e/SEK million

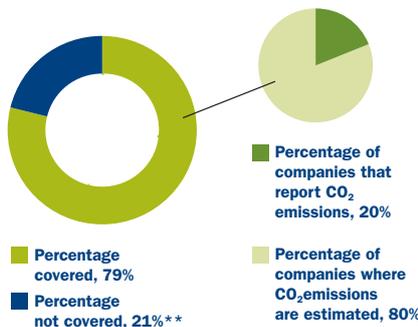


AP6's carbon footprint shown as three indicators, compared with the carbon footprint of corresponding capital invested in a global equity index (MSCI World):

- The absolute carbon footprint of AP6's investment corresponding to ownership share of companies' total emissions (thousand tCO₂e)
- Carbon intensity shown as the absolute carbon footprint in relation to the share of companies' market value (tCO₂e/SEK million)
- Carbon intensity shown as the absolute carbon footprint in relation to the share of companies' sales (tCO₂e/SEK million)

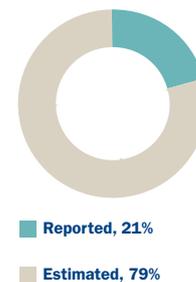
Scope of carbon footprint 2017

(as a percentage of employed capital)



Percentage of reported and estimated CO₂ emissions 2017

(as a percentage of the absolute carbon footprint)



**For practical reasons, companies under a certain value are not included. The portfolio contains a large number of small holdings, each of which has a relatively small value. Approximately 70 companies represent 79 percent of the value, while the remaining companies in the portfolio, nearly 300, represent 21 percent of the value.

AP6's internal sustainability

AP6's definition of internal sustainability covers several areas. It includes everything from running the organization with good business ethics to sustainable means of business travel. Internal sustainability efforts are aligned with the necessity for AP6 to maintain public confidence.

The owner, represented by the Ministry of Finance, has, together with the Swedish Association of Local Authorities and Regions (SKL) issued guidelines on what constitutes bribes and conflicts of interest.

AP6 maintains a wide margin to what is allowed. The closer you get to the allowed limit, the greater the risk of exceeding it. One consequence of that is that AP6 has adopted its own guidelines aimed at protecting the organization's credibility and independence in decision making.

The guidelines are strict and among others, they state that employees may never accept gifts. For 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.

Employees of AP6 must never risk acting in their own interest – or being swayed



» AP6 employees must never act in a way that risks damaging public confidence in how pension fund assets are managed.

by someone else who may influence their decision.

AP6 employees must never act in a way that risks damaging public confidence in how pension fund assets are managed. AP6 does not allow secondary occupations that conflict with the requirement for loyalty to

the employer. Secondary occupations are regulated in the Act on Public Employment (LOA).

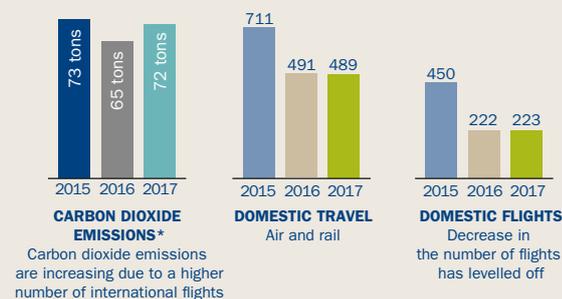
AP6's Ethics Committee acts as an advisory body in matters concerning ethics, credibility and appropriateness of anything associated with AP6. This may involve everything from invitations to industry events to specific portfolio company business considerations. The Ethics Committee deals with cases both on its own initiative and on the initiative of employees. Ethical issues are also discussed on an ongoing basis within the organization. The composition of the Ethics Committee is described on page 28.

The AP6 Code of Conduct (see www.apfond6.se) describes the values that apply to the organization and is aimed at employees, partners and holdings.

SUPPLY CHAIN

AP6 is subject to the Act on Public Procurement (LOU). AP6 continually assesses its suppliers and sustainability is one of

Environment and climate



*The calculation includes direct emissions (Scope 1), indirect emissions from purchased electricity, heating and cooling (Scope 2) and indirect emissions from business travel and commuting (Scope 3). The calculation is based on the Greenhouse Gas Protocol (GHG), an international standard for calculating and reporting carbon emissions. The calculation for 2017 has been reviewed by external expertise and it has been concluded that calculations were in accordance with GHG Protocol. Carbon emissions from investments (Scope 3) are reported separately on page 24.

Environmental impact from internal operations is low. Business travel has the largest impact, representing 90 % of the organization's carbon emissions. Travel must have the lowest possible environmental impact, which is why rail travel and video conferences are used as much as possible instead of air travel. Because AP6 is engaging in more international collaboration, air travel has increased during 2017 with increased carbon emissions as a result.

several important factors in this respect. These suppliers consist of a small number of 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 travel. AP6 has different means of stimulating sustainable business travel. (More information under Environment and Climate). Financial services in connection with the issue, sale, acquisition or transfer of securities or financial instruments are excluded from LOU.

INTERNAL FOLLOW-UP

AP6's internal sustainability is followed up continually during the year and when preparing the GRI report. The evaluation and revision of the Code of Conduct, policies and goals take place once a year. An anonymous whistleblower system is implemented. No reports were received in 2017.

GENDER EQUALITY AND EQUAL PAY

For AP6 it is very important that employees with the same skills, experience and job description have the same terms of employment. This is a prerequisite for an organization to function properly. Documentation of salaries is done each year and the results for 2017 show that AP6 complies with the applicable laws, regulations and guidelines.

DIVERSITY

A professional organization that strives to improve relies on the experience and skills of its employees. Different experiences and backgrounds add new perspectives when it comes to making analyses and assessing various alternatives when making investments and regarding sustainability. It is therefore important that the composition of employees is diverse. Furthermore, as a government agency, AP6 must strive to reflect the diversity that exists in Swedish society.

AP6's organization is comprised of a relatively small workforce, with low staff turnover, in a very homogeneous industry. This makes it particularly important to have a comprehensive and long-term plan for increasing diversity. Diversity and gender

equality is part of the recruitment specification, both in terms of fixed-term and permanent positions. A balanced gender distribution at all levels of the organization is a prerequisite for running an optimal organization.

In 2016 and 2017, AP6 participated in Rapid Acceleration Management Program (RAMP), a special project at the Stockholm School of Economics. The aim of the program was to provide a fast track into the Swedish labour market for university graduates who have been granted asylum. AP6 offered a supervised apprenticeship to one participant during 2016-2017. The participant graduated in June 2017 and then obtained a permanent job at an international company, long established in Sweden, in the relevant industry.

AP6 also actively strives to increase diversity in the industry. This occurs via an ongoing dialogue with private equity firms, companies and other partners. Diversity is also a topic that AP6 discusses at international forums and seminars. In 2016, AP6 held a seminar on diversity that was attended by around a dozen private equity firms. Follow-up is planned during 2018.

ATTRACTIVE EMPLOYER

It is of strategic importance that AP6 is and attractive employer that is able to recruit and retain employees, encouraging them to continually develop their skills. Management of public pension funds through investments in unlisted assets, demands a high level of expertise and judgement. AP6 recruits employees in a competitive market. To accomplish this and be perceived as an attractive employer, AP6 strives to provide:

1. Interesting and worthwhile assignments.

AP6 is a major player in the Nordic market for unlisted companies. Several highly ranked European private equity firms are partners of AP6. Because of this, employees at AP6 are able to work with interesting tasks that develop their expertise. AP6 also prioritizes governance and sustainability issues.

2. A good work-life balance.

It should be possible to combine a demanding professional role with e.g. being a parent to young children.

3. Relevant remuneration.

Within the framework of the guidelines for remuneration and benefits, staff should be able to earn a good salary and receive reasonable benefits

Internal sustainability goals (selection)

Gender equality

– Even gender distribution across all departments.

Diversity

– A workplace that reflect the diversity in society (ethnic background, gender, age, etc.)

Climate

– *Business travel*; Rail travel will increase by 10 percent in relation to national travel.
– *Video conferencing*; The number of video conferences will increase by 10 percent on a full-year basis.

Suppliers

– An assessment is required prior to selecting suppliers. It must always contain a sustainability evaluation.

Action/fulfilment

For recruitment of new employees and replacements, the list of final candidates must be 50 % men and 50 % women. Measurement will be on a rolling 3-year basis starting in 2018.

For recruitment of new employees and replacements, AP6 must actively strive to achieve the goal of diversity.

The number of train trips represented 55 % of domestic travel, which is on a par with the levels since 2016.

The number of video conferences increased by 41 percent compared to 2016.

When procuring a new supplier, sustainability is included as part of the evaluation.



Continuous professional development is a key issue when it comes to retaining expertise and being regarded as an attractive employer in the market. Capacity building is planned at the annual appraisal. The amount of training per employee was approximately 17 hours in 2017, broken down into 9 hours for management and 19 hours for employees. Training of approximately three hours per employee was offered in the following areas: anti-corruption, human rights and policies associated with these. Updates on sustainability occur regularly and in a variety of contexts.

WORK ENVIRONMENT AND 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 fitness subsidy. Every other year an external company is relied on to assist with an employee survey.

Employees - composition/key ratios

The total number of employees was 31 (32), of which 15 (15) women and 16 (17) men. Age distribution:
 < 30 years 2 people
 30–49 years 18 people
 50–70 years 11 people

Senior management consists of 7 people; of which 6 men and 1 woman.

Of the 31 (32) employees, 25 (26) work at the head office in Gothenburg and 6 (6) in Stockholm.

The Board of Directors consists of 5 (5) people, 2 (2) of whom are women. The Chairman of the Board is a woman.

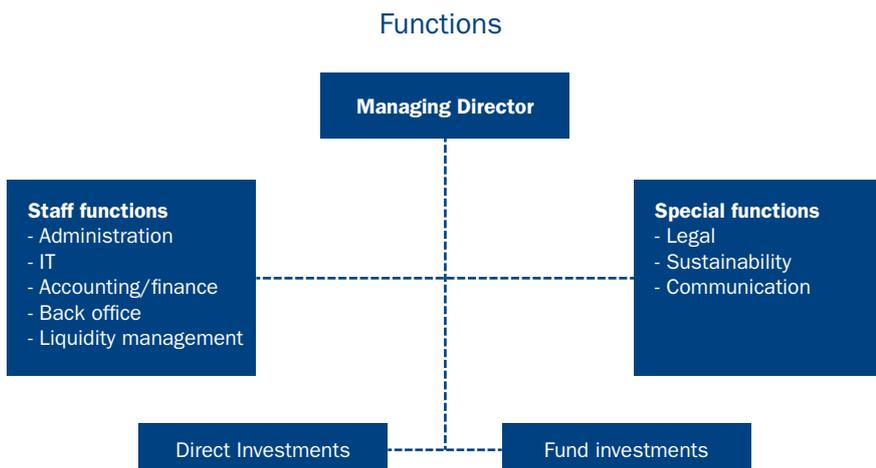
Absence due to illness 3.1 (1.1) %
 Employee turnover recruiting 6.4 (6.5) %, severance 9.5 (6.5) %.
 The option of a contribution towards gym membership etc. was taken up by 93 (91) percent of employees.

REPORT PROFILE

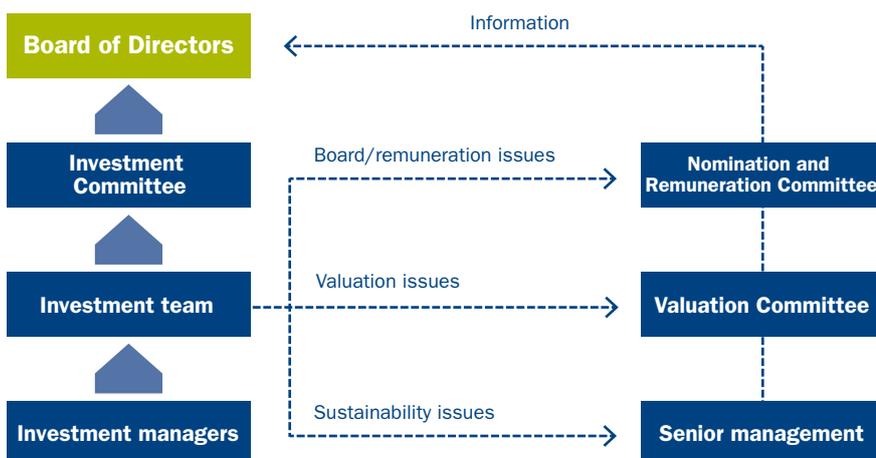
This GRI report is the fifth by AP6 and the reporting period is the calendar year 2017. AP6 has elected to report in accordance with GRI Standards, Core level. This means that the report is based on factors relevant to AP6's operations and which AP6 can influence in different ways. The report covers 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 a component of the AP6 annual report. The GRI report has not been audited by auditors. However, the report has been reviewed, see page 29.

For information or comments on the sustainability report, please contact:
Margareta Alestig Johnson
 Deputy Managing Director with responsibility for sustainability issues
 margareta.alestig@apfond6.se

Organizational chart



Decision-making processes and committees



GLOBAL COMPACT AND PRI

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

The Sustainability Report contains the 2017 Communication on Progress regarding AP6's commitment to the UN Global Compact.

AP6 is also a signatory of the UN Principles for Responsible Investment, PRI. Accordingly, AP6 has undertaken to consider, among other things, environment, social and governance aspects prior to making an investment and during ownership. AP6 actively strives to promote the principles throughout the investment industry.

AP6 regularly participates in relevant PRI working groups aimed at sharing knowledge and experience regarding sustainability in private equity and at promoting the PRI principles throughout the private equity industry. For more information on AP6's approach to responsible investment, please see AP6's PRI transparency report, www.unpri.org

Senior management and committees

SENIOR MANAGEMENT:

Karl Swartling (*Managing Director*)
 Margareta Alestig Johnson (*Deputy Managing Director*)
 Henrik Dahl (*CFO*)
 Mats Lindahl (*Head of Direct 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

VALUATION COMMITTEE:

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

NOMINATION AND REMUNERATION COMMITTEE:

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

ETHICS COMMITTEE:

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

AP6 BOARD COMMITTEES

Audit Committee
 Per Strömberg (*Chairman*)
 Katarina Staaf

Remuneration Committee

Urban Lindskog (*Chairman*)
 Katarina Staaf

Sustainability Committee

Catrina Engestam (*Chairman*)
 Klas Eklund

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* N/A = Not applicable

THE AUDITOR'S OPINION ON THE SIXTH AP FUND'S SUSTAINABILITY REPORT

For the Sixth AP Fund
org.nr 855104-0721

Assignment and delegation of responsibility

The Board of Directors is responsible for the Sustainability Report for 2017 and for ensuring that it has been prepared in accordance with the Sixth AP Fund's principles for sustainability reporting, which correspond to those stipulated in the Annual Accounts Act.

Focus and scope of the review

Our review was conducted in accordance with FAR's recommendation RevR 12, Auditor's report for companies preparing the statutory sustainability report. It means that our review of the sustainability report has a different focus and a much smaller scope compared to the focus and scope of an audit in accordance with International Standards on Auditing generally accepted auditing standards in Sweden. We feel that this review has provided an adequate basis for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 23 February 2018

PricewaterhouseCoopers AB

Magnus Svensson Henryryson

Authorised Public Accountant

ABOUT THE SUSTAINABILITY REPORT

The report covers AP6's operations. It also outlines AP6's areas of influence as determined by the analysis. The analysis includes an assessment of the importance of every relevant issue, as well

as identifying where this effect occurs, internally or externally. The analysis is based on GRI's principles for selection of content.

AP6 is not subject to the requirements on sustainability reporting from 2017

stipulated in the Annual Accounts Act. However, it has nevertheless elected to report in accordance with the law. It also means that the auditors have conducted a review of the sustainability report as prescribed by law, see the Auditor's Report on page 54.

Fund Governance Statement

The Fund Governance Statement was written using the Swedish Corporate Governance Code as inspiration. It is a set of guidelines on good governance for listed companies and it has become standard practice for industry, government agencies and other types of companies. The report must, at the same time, cover AP6's specific status as a government agency and AP fund. Compared to other public authorities, the difference is large. The various AP funds have a very special status, with their activities regulated by law. The Swedish Government does not have any regulatory authority over the funds, in contrast to what applies for other public authorities.

PERFORMANCE IN 2017

As regards investing activities, 9 direct investments and 8 fund investments were made during the year, of which 2 were expansions of prior commitments.

SUSTAINABILITY

During the year, AP6 further developed its sustainability efforts. For example, there was more stakeholder engagement and a materiality analysis was conducted in 2017. In addition, the focus on climate and equality/diversity continued, along with efforts to further develop the evaluation model for fund investments. AP6 has also been actively involved in its efforts concerning the UN Principles for Responsible Investment (PRI) and with other trade organisations.

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 2017. Ebba Lindsö and Henrik Dägel resigned from the Board during the year. Catrina Ingelstam was

appointed Chairman and both Klas Eklund and Katarina Staaf were elected as new Board members.

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 6 ordinary and 7 extra board meetings over the course of 2017. 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 particular topic. The most important tasks of the Board include setting AP6's performance target, deciding on investments, 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.

The owner appoints the Board



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 (as required) and risk management, as well as briefing the Board on the audit of the annual report. It is also the Audit Committee's task to approve the Valuation Committee's 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 Managing Director, Deputy Managing Director, CFO and a keeper of the minutes 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. This applies to AP6's employees and direct holdings. The Committee must prepare draft proposals for a framework for annual salary reviews for AP6's employees. The Committee consists of two members from the Board, one of whom should be appointed chairman. The Managing Director, Deputy Managing Director and a keeper of the minutes should be co-opted members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee assists the Board in a drafting capacity in matters concerning AP6's sustainability efforts. The Committee must, in collaboration with AP6's management prepare the following:

- The annual plan for sustainability efforts
- Relevant sustainability goals
- Criteria and methods for measuring and evaluating the Fund's sustainability efforts
- Guidelines for annual sustainability reporting

The Committee must meet twice per year and consist of two members from the Board, one of whom shall be appointed chairman.

FEES, SALARIES AND INCENTIVE SCHEMES

Fees and other remuneration paid the Board are decided by the government. Annual remuneration 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 remuneration for the Managing Director and pay scales for all other employees. The Board also decides whether 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 AP fund senior executives. These guidelines rule out variable remuneration, introduce limits on pension benefits and regulate retirement age. See Note 6 for more details.

INTERNAL CONTROL

Internal controls are essential to efficient operations. The Board is responsible for internal controls. The Board may be assisted by the Managing Director and, if necessary, internal audit if a particular area requiring an audit has been identified. Since AP6 has few employees, and no separate (in-house) function for internal audit, external consultants with the right expertise are instead engaged.

The risks identified by internal auditors and through internal controls, are managed by introducing specific activities to the process flow. New or modified activities mainly relate to organizational 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 to assist with day-to-day operations are also created.

AP6 is supported by four different committees:

- **The Investment Committee**, which is involved in investment decision and prepares supporting documentation on investments that will be considered by the Board.
- **The Ethics Committee**, which handles ethical issues that arise within the organization.
- **The Nomination and Remuneration Committee**, which monitors the nomination and remuneration issues faced by investment managers at portfolio companies.
- **The Valuation Committee**, which, prior to the publication of annual and interim financial statements, must approve the valuations of unlisted holdings.

For financial institutions with larger organizations, and those following the Swedish Financial Supervisory Authority's (FI) regulations, functions are required for managing compliance and risk. At AP6, these functions are shared between different levels of the organization. The compliance function is shared by AP6's legal adviser (legislation and regulations) and the CFO (financial reporting). The risk management function is performed by a risk controller who reports regularly to the Deputy Managing Director. Risk management is a natural part of ongoing investing activities. Risks are accordingly 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 Peter Nilsson (PwC), whose appointment runs until 31 May 2018.

The auditors' work includes examining AP6's operating activities, administration, financial statements and annual report. Based on their audit, the auditors express an opinion on the accounting records and the administration. 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 operations. An audit has also been conducted of AP6's IT environment.

At least once per year, the auditors present a written and oral report on their audit to the Board, along with a written report on their audit of the administration and financial statements. In addition to this, the auditors report verbally to the Ministry of Finance once a year.

THE BOARD'S OWN 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 published on the AP6 website.

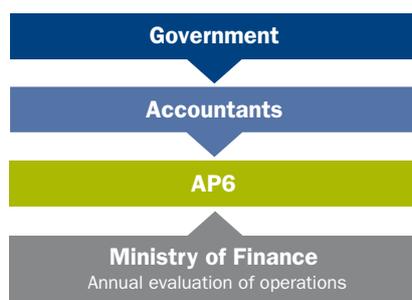
GOVERNMENT ASSESSMENT

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 2017 financial year.

Internal control of operations



The owner exercises control



Board of Directors



CATRINA INGELSTAM
Chairman

BORN: 1961
ELECTED: 2016

OTHER APPOINTMENTS:
Member of the Board of KPA Pensionsförsäkring AB.
Member of the Board and the Risk & Audit Committee for Sparbanken Sjuhärad AB.
Member of the Board and Chairman of the Audit Committee for Orio AB.
Member of the Board of Dina Försäkringar Mälardalen AB.



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 Chairman of the Committee for the Prize in Economic Sciences in Memory of Alfred Nobel.



KLAS EKLUND
Board member

BORN: 1952
ELECTED: 2017

OTHER APPOINTMENTS:
Senior Economist Mannheimer Swartling Advokatbyrå AB.
Member of the Board of Mistra.
Member of Mistra's Asset Management Committee.
Member of the Board of Magnora AB.



KATARINA STAAF
Board member

BORN: 1967
ELECTED: 2017

OTHER APPOINTMENTS:
Head Recruiter, Poolia Executive Search AB.
Member of the Board of FastPartner AB.
Member of the Board and Audit Committee of Entra ASA.
Member of the Board of Länsförsäkringar Fondförvaltning AB.
Member of the Board of Sensys Gatso Group AB.
Member of the Board of Staaf och Partners AB.



URBAN LINDSKOG
Board member

BORN: 1965
ELECTED: 2015

OTHER APPOINTMENTS:
Member of the Board of Scanst AB.
CEO of Lindskog & Partners.

Management



KARL SWARTLING
Managing Director

BORN: 1965
EMPLOYED: 2012
BOARD ASSIGNMENTS:
None

No holdings in unlisted companies.



MARGARETA ALESTIG JOHNSON
Deputy Managing Director and Administrative Director

BORN: 1961
EMPLOYED: 2013

BOARD ASSIGNMENTS:
Green Cargo AB and Wallenius Wilhelmsen Logistics ASA.

No holdings in unlisted companies.



HENRIK DAHL
CFO

BORN: 1975
EMPLOYED: 2008
BOARD ASSIGNMENTS:
None

No holdings in unlisted companies.



KARL FALK
Head of Fund Investments

BORN: 1972
EMPLOYED: 2012
BOARD ASSIGNMENTS:
None

No holdings in unlisted companies.



MATS LINDAHL
Head of Direct Investments

BORN: 1964
EMPLOYED: 2012
BOARD ASSIGNMENTS:
SLS Invest AB and Bergsala AB.

No holdings in unlisted companies.



JONAS LIDHOLM
General Counsel

BORN: 1970
EMPLOYED: 2001
BOARD ASSIGNMENTS:
None

No holdings in unlisted companies.



ULF LINDQVIST
Head of Communications

BORN: 1963
EMPLOYED: 2008
BOARD ASSIGNMENTS:
None

No holdings in unlisted companies.

Remuneration levels, benefits and representation costs

The government adopted guidelines in 2009 on remuneration of senior executives at the AP funds; other employees 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 investments in various places in the Annual Report, including the GRI report. Benefits, guidelines on remuneration of all employees and the results of a comparison of the level of remuneration paid to all employees are set out below.

Government guidelines for senior executives of the AP funds

- The total remuneration paid to senior executives of the AP funds should be reasonable and motivated.
- 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 organizational culture.
- The remuneration should not be higher than at comparable institutions but should instead be characterized by moderation.
- Variable salary (i.e. 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 employees, not just senior executives, fall within the scope of the government guidelines.
- There will be no opportunities for variable salary (i.e. bonuses)

AP6 must also encourage the application of the guidelines in companies in which

AP6 has an ownership, to the extent that it is commercially feasible.

ANALYSIS OF AP6'S REMUNERATION LEVELS

AP6 has commissioned an evaluation of total remuneration levels (salary and pension) for all of its employees. Aon Hewitt 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. The two categories are private asset managers as well as state-owned companies and agencies.*

AP6's operations differ somewhat from those of other similar organizations 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.

Results of the evaluation

The result of Aon Hewitt's evaluation for 2017 has revealed that AP6's total remuneration (salaries and pension) is 23 percent below the average in the private market and 17 percent lower than the median level of remuneration.

In comparison to the government sector, AP6's average total remuneration is 2 percent below that of equivalent positions and 15 percent higher than the median level of remuneration.

Because changes in the market occur over time, comparison to the prior year could be affected by changes in the reference group. AP6's goal is to, each year, conduct a comparison with a similar reference group in order to monitor the salary trend in the chosen market.

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

Average	AP6 2017	AP6 2016
Private market	-23 %	-21 %
Government market	-2 %	+1 %
Median		
Private market	-17 %	-15 %
Government market	+15 %	+14 %

The conclusion of the AP6 Board is that remuneration to the employees can be considered reasonable and in line with the government guidelines.

Costs of representation and taxable benefits in 2017

AP6 has strict guidelines when it comes to representation 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)	458
Taxable benefits (Public transport passes, meals subsidies, health insurance)	18,165

* In instances where there was insufficient data, Aon Hewitt indexed the previous year's data by an average of approximately 2.8 %.

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 2017 financial year. The Annual Report consists of a Directors' Report, income statement, balance sheet, specifications and notes to the financial statements.

GENERAL

The Sixth AP Fund (AP6) is a specialist fund that is part of the Swedish pension system and it has the unique task of investing in the Private Equity (PE) market, which is the market for unlisted assets. The mission is to generate a long-term high return with adequate risk diversification. Investment activities are focused on the buyout segment (mature companies) which, over a long period of time have delivered a good return. Venture capital investments (early phase) are only made indirectly through funds. Direct investments are ideally made together with other established financial and industrial investors. This primarily means co-operations in which AP6 takes a minority position and works closely with or via a partner. It is thus possible to, in the role as either partner or investor, commit capital to a management team or set up collaboration by making a direct investment in a company. There are currently many long-term, well-established relationships in both direct investments and fund investments which, through continual collaboration, facilitate cost-efficient management and good conditions for generating a high return.

SIGNIFICANT EVENTS DURING THE YEAR

Profit/Loss

The net profit for 2017 amounted to SEK 3,470 (1,722) million, which corresponds to a return of 12.3 (6.5) %. The return should be compared to the performance target for the year, which was 16.2 %. Return on capital employed amounted to SEK 3,450 million, which corresponds to a return of 20.3 %. Of that amount, SEK 1,679 million was fund investments with a return of 19.6 % and SEK 1,771 million was direct investments with a return of 21.1 %.

AP6 strives to base the annual report on the latest available information. For some fund and direct investments, it means that the valuation is based on reporting through the third quarter. Adjustment is made afterwards for the cash flows that occur through to year-end. For direct investments, where AP6 establishes the value through own assessments, all companies are valued in conjunction with year-end.

Fund capital performance

AP6 was established in 1996 with fund capital of SEK 10.4 billion, which by the end of 2017 had grown by SEK 21.2 billion to SEK 31.6 billion. This is equivalent to a total increase in value since launch of 194 % and an annual average growth rate of 5.4 %. Since

2003, the majority of AP6's assets has been invested in unlisted companies. An analysis shows that during the period 2008-2017 (the last 10 years) fund capital has grown from SEK 19.6 billion to SEK 31.6 billion, which corresponds to an average annual growth rate of 4.9 %.

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 fund capital.

Commitments to future investments

Investing in PE funds involves a capital commitment of a specified amount. The funds then claim the capital at the rate that investments are made. Typically, the investment period is five years, after which the fund is transferred to a manager to gradually divest the holding and collect the return. At year-end, remaining committed capital amounted to SEK 13.1 (11.1) billion, of which funds were SEK 12.7 (10.8) billion and direct investments were SEK 0.4 (0.3) billion.

Goals and benchmarks for AP6

SIX Nordic 200 Cap GI, a Nordic index that includes the 200 largest listed companies, provides the foundation for setting the performance target. A risk premium of 2.5 % is added in order to take into consideration the unlisted company category of assets, which are not liquid. The target is used for evaluating the return generated by AP6 over the long term. Making this type of comparison provides an indication of the return that could have been generated for the pension system if the capital had been invested in that index, rather than in accordance with the mandate for the Sixth AP Fund (AP6) according to the Sixth AP Fund Act (2000:193).

For this reason, an unlisted benchmark is used to supplement the return analysis in order to shed light on the question of whether AP6's return matches that of other private equity investors. This benchmark, Burgiss Europe All, shows the return generated by a median fund in the private equity market (with investment focus on Europe), during different periods of time. Unlike with a traditional PE fund, AP6 may neither claim nor distribute capital when the fund is closed. To deal with this difference, a liquidity buffer of around 10 % is established for future investment commitments. So, in order to be able to make a fair comparison the basis used is 90 % of the chosen PE benchmark and 10 % of OMRX T-Bill as the goal

for liquidity management. Unlike with listed companies, there are natural reasons for a delay in information from the unlisted market. The primary reason is the valuation efforts associated with the funds along with the extensive registration work required by the supplier of the return data. All return figures consist of the correct number of years and periods, but there is a delay of approximately one quarter. As with the listed target, the reference point must also be used for comparisons over the long term and over several business cycles.

Overall return analysis

AP6's net return for the year amounted to 12.3 % and the return on capital employed was 20.3 %. The difference is relatively large and it is primarily attributable to the large level of liquid assets that, with current market conditions, deliver a low return. Thanks to a strong stock market, the target (SIX Nordic 200 Cap GI plus 2.5 % risk premium) achieved was 16.2 %. A comparison with the unlisted benchmark (Burgiss Europe All less adjustment for normal liquidity estimated at - 0.8 %) shows that there was growth of 6.6 %.

Private Equity holdings are typically long term and the return must therefore be measured over time, and it must also include several business cycles. AP6's investment focus is mature companies, where the return over time has been favourable. Analysis of the period since AP6 was founded (21 years) and over 10 years shows returns in the mature companies segment of 15.0 % and 9.2 % respectively, which should be compared to the respective targets for these periods of 12.6 % and 9.7 % respectively. It is not possible to calculate AP6's unlisted benchmark from the date when the fund was founded because there is limited data available. Instead, comparisons are done on time periods of 5 and 10 years respectively, which show that the benchmark has grown by 10.5 % and 6.4 % respectively. In both cases, mature companies have also exceeded the return targets for corresponding periods of time at 11.6 % and 9.2 % respectively. The net return for the fund does not exceed the benchmark for either of these periods. The main reason for the lower return over 10 years is due to prior strategies and particularly the investments that were made directly in venture. The main reason for the lower return over 5 years results primarily from excessive liquidity with a low return, which occurred in conjunction with strategic realignment of the portfolio. The chosen benchmarks should be used to evaluate the return going forward and the Board of Directors and management have concluded that AP6 will perform well once liquidity has normalized.

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.

Direct Investments

The market value assets of the business area amounted to SEK 11.5 (7.9) billion at the end of 2017, while the profit for the year before internal expenses came to SEK 1,771 (1,013) million. Profit for the year corresponds to a return of 21.1 %, which is considered to be very good.

The market value of investments in companies in mature phase (buyout) amounted to a total of SEK 10.1 (6.8) billion, with the profit for the year before internal management costs totalling SEK 1,477 (933) million. This profit level yields a return for the year of 20.1 (11.1) %. The return is generated through a relatively broad upturn in the portfolio as well as through a few realized investments. The market value of investments in early phase (venture capital) amounted to SEK 1.3 (1.1) billion and the profit for the year before internal expenses amounted to SEK 294 (80) million. The profit level generates a return for the year of 27.8 (8.0) % and is mainly attributable to the positive growth of Apotea, which is a market-leading E-pharmacy.

There was a high level of activity in the portfolio in 2017. In total, SEK 2.7 billion was invested, of which the favourable flow of business generated 9 new investments for a value totalling SEK 2.5 billion. Two of these new investments were made with new pan-European partners.

With its more than 30 companies, the portfolio offers a well-diversified foundation for adding new investments at a stable, steady rate. Positive market conditions have facilitated good value growth, which is synonymous with a favourable exit climate. One of the two major divestitures in the portfolio was Nordic Capital's sale of the Lindorff (credit management services) to Intrum Justitia. The other was EQT's divestiture of Bureau van Dijk to Moody. Both companies have generated a good return over a relatively short period of time.

The market for Aibel (service company within the oil industry) remains uncertain even though it stabilized quite a bit during the year. The company is following its established plan, but it must still make major organizational changes over the next few years. In summary, it means that the risk remains high, which has adversely affected the valuation.

The return for the buyout business area since inception (1997-2017) and for the last 10 years (2008-2017) is 15.3 % and 8.5 % respectively. The corresponding figures for venture capital are -10.0 % and -10.1 %, where the lower return is a result of past strategic focus. Investments within the mature segment have outperformed the target, which, since inception, amounts to 12.6 %. But performance is slightly below target for the last ten years and amounts to 9.7 %. The return for the buyout segment may over time be considered sufficiently high and the prospects for these investments as still good.

Fund investments

The market value assets of the business area amounted to SEK 10.7 (8.9) billion at the end of 2017, while the profit for the year before internal expenses came to SEK 1,679 (603) million. Profit for the year corresponds to a return of 19.6 %, which is considered to be very good.

The market value assets in the buyout portfolio amounted to SEK 8.5 (7.2) billion, while the profit for the year before internal expenses came to SEK 1,241 (491) million. This profit level yields a return for the year of 17.5 (8.1) %. The profit level was affected positively by broad revaluations throughout the portfolio and by realizing assets at values higher than the opening market value. The market value assets in the venture portfolio amounted to SEK 2.2 (1.7) billion, while the profit for the year before internal expenses came to SEK 438 (112) million, primarily attributable to Creandum's investment in Spotify. The profit level within this segment corresponds to a return for the year of 28.1 (8.0) %.

Fund Investments invest in funds managed by experienced management teams, who invest in companies in the buyout and venture market segments. Investments are made mainly in primary funds, but also in the secondary market by making commitments to secondary funds, or through the purchase of own secondary shares. The portfolio consists of more than 60 active funds associated with more than 350 companies. Once again in 2017, there was a stable, high rate of commitments to new funds, not least in the international market. Commitments were made totalling SEK 4.8 billion, of which SEK 2.4 billion in the Nordic region and SEK 2.4 billion elsewhere. Three international fund managers were added to the portfolio in conjunction with these commitments.

The return for the buyout business area since inception (1997-2017) and for the last 10 years (2008-2017) is 14.6 % and 10.4 % respectively. The corresponding figures for venture capital are -0.1 % and 2.3 %, respectively. Investments within the mature segment outperform the targets for these periods, which are 12.6 % and 9.7 % respectively. As with direct investments, this return strengthens the focus towards mature companies. During the last few years, the performance of venture has improved considerably and is now delivering a return of 13.9 % over the last five years. The low number of high-performing teams, in conjunction with fewer funds on the market means, however, that the number of commitments will remain limited in relation to the major buyout funds.

MANAGEMENT OF THE LIQUIDITY RESERVE

At year-end, the liquidity reserve was SEK 9.6 (11.7) billion and it comprises the portion of AP6's capital that has not been used for investing activities. The purpose of the liquidity reserve is to maintain the ability to pay with management employing low risk and favourable risk diversification. Investments are made in interest-bearing securities with high liquidity. The management objective for interest-bearing 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. The microcap fund also saw positive growth in 2017, contributing a profit of SEK 133 (211) million. The market value at year-end amounted to SEK 0.3 billion. The fund is being closed down and the remaining holdings are expected to be fully divested during 2018. Overall profit for liquidity management amounted to SEK 107 million (198).

Restructuring of AP6's portfolio has been completed and there is now a new, diversified portfolio of investments. The major divestitures that occurred in 2016 (Norrporten and Volvofinans) provided a good return, but they also caused a situation where liquidity will represent a significant portion of fund capital over the next few years. The assessment is that the current investment focus will employ capital in a way that ensures satisfactory risk diversification and creates the best possible conditions for delivering long-term high returns.

MANAGEMENT COSTS

Costs are categorized as 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.

The management fees and acquisition costs attributable to holdings in funds and companies are expensed as incurred and recognized in unrealized gain/loss. In total, these costs amounted to SEK 310 (267) million, of which SEK 300 (255) million is attributable to the management costs for funds. The management costs for funds corresponds to 1.3 (1.3) % in relation to total assets managed for funds, which at year end, amounted to SEK 23.4 (19.6) billion. That amount consists of current market value and remaining committed capital. The cost increase in SEK is attributable to having acquired a greater number of reputable funds which, over time, are expected to generate high, stable returns.

Total costs for AP6 amounted to SEK 117 (105) million in 2017, with SEK 72 (60) million of this sum attributable to investing activities and liquidity management, while SEK 45 (45) million relates to joint costs.

ORGANIZATION AND EMPLOYEES

AP6 is owned by the government and reports to the Ministry of Finance. In terms of structure, the investment organization is divided into two business areas, Direct 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 securities 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 (32) employees. See Note 6 for additional information on staff. For more information on AP6's organization 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 published on the AP6 website.

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.

RESPONSIBLE INVESTMENTS

Sustainability applies to investments, organization 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. 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.

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, which is also reflected in how sustainability is implemented. 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. Direct Investments consist 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 has an ownership stake are encouraged to adopt or adhere to 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.

AP6 also has a Sustainability Committee consisting of two Board members. The Committee decides on the guidelines for sustainability reporting, along with the criteria for measurement and evaluation. An overall strategic plan is also established, together with long-term goals. The Committee provides sustainability efforts with a clearer link between the Board's strategic efforts and the organization's operational activities. The goal, however is clear: for AP6 to be a leader in sustainability for unlisted companies. Accordingly, efforts are continually being improved in order to meet the high requirements and expectations in this area.

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 impact 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	2,050	–	20,158	22,208
Interest-bearing securities	8,041	–80	270	8,231
Cash	819	–	–	819

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) There is no observable market data that can be used on the asset.

Change within level 3 for the year SEK million	Direct Investments	Fund investments	Total
Opening balance 1 January	6,157	8,977	15,134
Investments	2,730	2,758	5,488
Value changes*	1,769	1,870	3,639
Divestitures	–936	–2,992	–3,928
Exchange rate differences and other adjustments	1	94	95
Closing balance 31 December	9,721	10,707	20,428

* 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. Direct Investments for existing listed holdings are also adjusted.

As is apparent from the table above, 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" on page 40).

The most common valuation method, which is also the method used most frequently by AP6, is multiple valuation against 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 on page 56).

Valuation at visible net asset value is a method often used by asset-intensive companies. With this method, there is no direct assessment of the company's future earnings potential. Based on the visible net asset value, an assessment is instead made of the need for a discount or premium, depending on how comparable listed companies (peers) are valued.

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 holdings are 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 at 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

Each year, AP6 conducts a thorough review and documentation of the risks in its operations. Each area of risk has its own risk factors, which are analysed. Each risk is then discussed, along with the likelihood of it occurring and how it would affect operations. An assessment is then made of the mitigating factors that exist, along with whether the net risk is acceptable. These efforts are carried out by AP6's senior management and reported to the Audit Committee, or, when applicable, the Sustainability Committee. As with all

companies, there are a variety of risks that need to be managed. The six risks deemed most significant to AP6's operations are described below.

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 % 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 valued assets in foreign currency at the end of the year amounted to SEK 13,518 (10,723) million; of this amount, assets in EUR were the largest individual currency with a market value of SEK 5,114 (4,578) million. Of the total market value, SEK 12,820 (9,456) million was hedged, providing a currency exposure of 2.2 (4.5) % in relation to the assets under management. In line with the established investment policy, AP6's target is for currency exposure to be within the range 0 - 7.5 %.

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, each year, the Board 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 % of AP6's total managed assets. There is also a line of credit that can be utilized 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 direct 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 regular 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. Individual skill development also occurs on a regular basis.

Sustainability risks: These risks exist in all types of operations, but

for AP6, exposure is primarily via the investments in companies and funds. The sustainability risks vary, depending on company's or the fund's operations and geographic location and may include risks of violations of human rights or labour law, corruption risks, risk of environmental damage or climate risks. AP6 manages sustainability risks by systematically reviewing and assessing them prior to making an investment and afterwards working with them continually during the ownership phase. The risks are also managed by, each year, having the Board of Directors establish goals for AP6's systematic sustainability efforts.

SIXTH AP FUND PERFORMANCE 2008-2017 (10 YEARS)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Trend in return, %	-16.6	11.3	9.4	-6.9	9.2	9.2	6.5	12.2	6.5	12.3
Benchmark index ¹	7.4	7.5	6.5	7.7	20.2	30.0	19.5	15.4	10.5	16.2
Unlisted benchmark ²	-12.4	-6.1	-3.0	2.0	1.1	7.5	15.9	6.9	8.3	6.6
Fund capital, SEK b	16.4	18.2	19.9	18.5	20.2	22.1	23.6	26.4	28.1	31.6
Profit/loss summary, SEK m										
Profit/loss before costs	-3,108	1,999	1,874	-1,237	1,838	1,982	1,561	2,994	1,827	3,587
External management costs	-17	-16	-22	-23	-21	-24	-22	-21	-13	-31
Internal management costs and shared costs	-127	-130	-146	-120	-116	-98	-98	-106	-92	-86
Profit/loss for the year	-3,252	1,853	1,706	-1,380	1,701	1,860	1,441	2,867	1,722	3,470

1. Benchmark index: 2003–2011 absolute performance target. 2012–2017 performance target SIX Nordic 200 Cap GI +2.5%.

2. Burgiss Europe, median all assets. Adjusted for normalized liquidity.

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

SEK million	Profit/Loss					Total	Return before costs, % Market value assets	
	2013	2014	2015	2016	2017		2013-2017	2017-12-31
Direct Investments	418	372	1,788	1,013	1,771	5,362	10.4	11,471
Fund investments	763	796	720	603	1,678	4,560	13.5	10,658
Liquidity management & risk management	777	371	465	198	107	1,918	–	9,569
Shared assets, net *	–	–	–	–	–	–	–	-90
Internal management costs	-48	-50	-59	-47	-41	-245	–	–
Shared costs	-50	-48	-47	-45	-45	-235	–	–
Total	1,860	1,441	2,867	1,722	3,470	11,360	9.3	31,608

* Shared assets, net, primarily consist of transactions that have not yet gone into liquidation, which are reported under other receivables and other liabilities.

Income statement

SEK million	Note	2017	2016
Investing activities			
Net gain/loss, listed shares and participations		192	348
Net profit/loss, unlisted shares and participations	2	3,299	1,170
Dividends received		105	308
Other financial income and expenses	3	-9	1
Management costs	4.6	-72	-60
Shared costs	5.6	-45	-45
Profit/loss for the year		3,470	1,722

Balance sheet

SEK million	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Investment assets			
Shares and participations in listed companies and funds	7.8	2,050	3,719
Shares and participations in unlisted companies and funds	7.9	20,158	14,899
Other interest-bearing instruments	7.10	8,311	9,773
Total investment assets		30,519	28,391
Receivables and other assets			
Derivative for currency hedging		136	55
Other current receivables	11	405	161
Prepaid expenses and accrued income	12	86	119
Cash and cash equivalents	7	819	365
Total receivables and other assets		1,446	700
TOTAL ASSETS		31,965	29,091
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Retained earnings		17,772	16,050
Profit/loss for the year		3,470	1,722
Total fund capital		31,608	28,138
Current liabilities			
Derivative for currency hedging		216	365
Accrued expenses	14	91	72
Other current liabilities	15	50	516
Total current liabilities		357	953
TOTAL FUND CAPITAL AND LIABILITIES		31,965	29,091

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 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 the Fund's accounting policies in 2017.

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. 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 has been determined that the year's results are consistent with IFRS. As with the other AP Funds, a separate cash flow statement is not prepared for the annual report. This is the only exception to IFRS.

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 recognized 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. The annual report is based on the latest available information, which for some of the fund and direct investments means that valuation is based on reporting through the third quarter. In all instances, adjustment is made afterwards for the cash flows that occur through to year-end. For direct investments, where AP6 establishes the value through own assessments, all companies are valued in conjunction with year end. 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 interest 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 market value of the investment is often its cost of acquisition, or lower.

Net asset method

This method is appropriate for property or finance companies, whose value consists primarily of the company's net assets. Afterwards, consideration is given to comparable listed companies value as regards a premium or discount to net asset value.

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.

Other accounting policies

Revaluations of unlisted holdings are recognized 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 recognized, usually for the entire amount of the investment. This impairment loss is recognized 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 2017. In the case of holdings where AP6

has not as yet received valuations taking into account performance in the fourth quarter of 2017, the most recent valuation has been adjusted for actual cash flows.

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

Convertible loans are reported under "Shares and participations in unlisted companies and funds" and recognized at amortized cost.

For funds, the cost of acquisition refers to all payments that have been made, excluding external management costs. External management costs are expensed and recognized as part of the year's unrealized value change, in Note 2. The total amount is also provided in the running text of Note 4.

Changes in the value of unlisted securities, whether realized or unrealized, are recognized in the Income statement under Profit/loss for the year. The realized gain/loss represents the difference between the sales proceeds and the carrying amount on the date of sale. The realized gain/loss also includes any impairment losses on carrying amounts which may arise in the case of bankruptcies, for instance. Furthermore, impairment losses only occur when the unit that AP6 has invested in has gone bankrupt. It means that bankruptcies or liquidations of the funds' portfolio companies are not recognized as impairment losses because there has not been a direct investment in them.

AP6 manages some joint investments via dedicated holding companies. When the holding company's holdings are sold, the unit is revalued at the transaction cost. A realized gain occurs upon settlement, when AP6 receives its payment. Typically, it takes a bit of time before that distribution can be made, once the holding company has been sold. It means that AP6 may communicate that a joint investment has been sold even though it is not yet possible to realize the gain.

Recognition and measurement of listed securities

Assets in which the fund's capital has been invested are recognized 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 recognized 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.

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

The realized 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 derivatives are measured at fair value and recognized in the same item as the instrument's underlying asset class.

Changes in value, whether realized or unrealized, are recognized in the Income statement as Profit/loss for the year.

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

Recognition and measurement of interest-bearing securities

The extent of investments in interest-bearing securities varies in line with changes in the fund's liquidity reserve, the size of which depends on acquisitions and disposals of holdings. When interest-bearing securities are acquired, the asset is recognized in the

balance sheet under the item, "Other interest-bearing securities."

Any interest accrued at the time of acquisition is recognized as accrued income. Quoted prices are available for all interest-bearing securities that the AP6 invests in, excluding investments in accounts with credit institutions, such as deposit accounts. All assets must be measured at market value and changes in value are recognized in the income statement along with accrued interest in Note 3, "Other financial income and expenses".

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 and unlisted holdings are expensed as incurred and reported in the income statement. There is no capitalization of management fees or acquisition costs for investments.

Internal management costs, which primarily comprise the cost of AP6's own employees working in investment activities, are expensed as incurred together with shared costs, which primarily refer to personnel costs relating to the Managing Director and shared specialist functions, as well as the cost of premises, IT costs and general office expenses.

Internal and external management costs are accounted for separately in Notes 4 and 5.

Performance-based remuneration is not included in external management costs but instead reduces the capital gain/loss in respect of the asset under management. No such remuneration was paid in 2017.

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 recognized at the net realizable value. Liabilities are measured at amortized cost. Equipment purchases are expensed as incurred.

Realized and unrealized 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 9. Remuneration to senior executives is accounted for in Note 6. 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.

Commitments to investments

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. When payment is made and the fund has established a cost of acquisition, the holding will then be reported in Note 9. The difference between committed capital and capital paid out, plus any amounts to be reinvested, is recognized as a commitment and presented in Note 16.

Note 2 Net profit/loss, unlisted shares and participations

	2017	2016
Realized		
Income from disposals	3,882	10,411
Capital invested	-2,472	-5,485
Reversal of value-change on divested holdings	-1,453	-4,946
	-43	-20
Unrealized		
Value change for the year	3,327	1,280
Exchange rate difference	15	-90
	3,342	1,190
Total	3,299	1,170

Note 3 Other financial income and expenses

	2017	2016
Interest income	20	28
Interest expenses	-32	-31
Exchange rate difference	3	4
	-9	1

Note 4 Management costs

	2017	2016
External management costs		
Listed holdings	31	13
Internal management costs		
Personnel costs	36	40
Legal consultants	0	0
Other external services	1	3
Travel expenses, etc.	2	2
Charged VAT	1	1
Other costs	1	1
Total	72	60

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

External management and acquisition costs attributable to holdings in unlisted private equity funds and companies amounted to SEK 300 (255) million and SEK 10 (12) million, respectively. At year end, all management costs had been expensed and recognized in the income statement. They were reported in the year's value change on unrealized holdings in Note 2.

Note 5 Shared costs

	2017	2016
Personnel costs	28	28
Premises costs	6	6
IT costs	4	4
External services	1	1
Management costs	1	1
Travel expenses, etc.	1	0
Charged VAT	2	2
Other costs	2	3
Total	45	45

Shared personnel costs include costs for the Managing Director and the support organization for the business.

Management costs include remuneration to audit firms as follows:

	2017	2016
Audit assignment		
PwC	0.7	0.8
Total	0.7	0.8

As in prior years, the audit firm was only engaged to perform the statutory audit.

Note 6 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 team. 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 2017

The Board of Directors decides the total annual salary revision and any variable remuneration. In 2017, 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 34 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 Manage-

ment, 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 of Directors, Managing Director, other senior executives and other staff are shown in the table on page 48. 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, which applies to both senior executives and 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

In 2017 remuneration to Board members was as follows: Catrina Ingelstam SEK 79,166 (Chairman as of 1 June), Ebba Lindsö SEK 41,667 (Chairman until 31 May), Per Strömberg SEK 75,000, Henrik Dagek SEK 20,833, (Board member until 31 May), Katarina Staaf (new Board member as of 1 June), SEK 29,167, Klas Eklund SEK 29,167 (new Board member as of 1 June) and Urban Lindskog SEK 50,000.

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.

Senior executives include the Managing Director and other member of senior management, which, at the end of 2017 consist-

ed of: 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 3.2 million, SEK 2.1 million, SEK 1.8 million, SEK 1.8 million, SEK 1.9 million, SEK 1.7 million and SEK 1.7 million.

Pensions, excluding employer's contribution, are as follows: SEK 1.0 million, SEK 0.6 million, SEK 0.5 million, SEK 0.5 million, SEK 0.6 million, SEK 0.5 million and SEK 0.5 million.

In addition to salaries, other remuneration and pensions, the following benefits were received: SEK 1 thousand, SEK 18 thousand, SEK 15 thousand, SEK 23 thousand, SEK 26 thousand, SEK 1 thousand and SEK 26 thousand.

		2017	2016
Average number of employees	Men	17	17
	Women	15	14
		32	31
Number of employees as of 2017-12-31*	Men	16	17
	Women	15	15
		31	32
Board of Directors	Men	3	3
	Women	2	2
		5	5
Senior management	Men	6	6
	Women	1	1
		7	7

* 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.

	2017	2016
Salaries and fees		
Chairman of the Board	0.1	0.1
Board of Directors, excl. Chairman	0.2	0.2
Managing Director	3.2	3.1
Senior Management, excl. Managing Director	11.0	10.5
Other employees	22.5	25.1
Total	37.0	39.0
Other benefits		
Managing Director	0.0	0.0
Senior Management, excl. Managing Director	0.1	0.1
Other employees	0.5	0.4
Total	0.6	0.5
Pension expenses		
Chairman of the Board	–	–
Board of Directors, excl. Chairman	–	–
Managing Director	1.0	0.9
Senior Management, excl. Managing Director	3.2	3.1
Other employees	6.8	7.9
	11.0	11.9
Social security expenses, incl. employers' contribution, excl. pension expenses	14.4	15.5
Personnel costs – Total	63.0	66.9

Note 7 Financial assets and liabilities by category

2017	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
Financial assets at fair value	22,208	136	270	22,614	22,614
Other current assets	–	–	491	491	491
Short-term investments	8,041	–	–	8,041	8,041
Cash and bank balances	819	–	–	819	819
Total financial assets	31,068	136	761	31,965	31,965
Accounts payables	–	–	2	2	2
Other liabilities	–	216	139	355	355
Total financial liabilities	–	216	141	357	357

2016	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
Financial assets at fair value	18,618	55	235	18,908	18,908
Other current assets	–	–	280	280	280
Short-term investments	9,538	–	–	9,538	9,538
Cash and bank balances	365	–	–	365	365
Total financial assets	28,521	55	515	29,091	29,091
Accounts payables	–	–	3	3	3
Other liabilities	–	365	585	950	950
Total financial liabilities	–	365	588	953	953

Note 8 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				
Castellum	11,850,583	4.3	4.3	1,640
Tobii	4,000,630	4.1	4.1	142
Funds				
Lannebo Micro Cap	68,215			268
Total				2,050

Brokerage fees paid in 2017 amount to approximately SEK 0.3 (0.7) million.

Note 9 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/ units of participation	Share of voting rights %	Share of equity %
Amplico Kapital AB*		556703-3161	Gothenburg	5,000,000	100.0	100.0
AP Partnerinvest Sec AB*		556754-2583	Gothenburg	100,000	100.0	100.0
AP Riskkapital AB*		556711-0407	Gothenburg	1,000	100.0	100.0
Aumar AB		556631-5932	Gothenburg	16,093	69.5	69.5
Gar Förvaltnings AB*		556312-2968	Gothenburg	10,000	100.0	100.0
Industrial Equity (I.E.) AB		556599-9702	Gothenburg	1,000	100.0	100.0
	<i>Accumulate AB</i>				8.5	8.5
	<i>Applied Nano Surfaces Sweden AB</i>				17.7	17.7
	<i>Bokadirekt i Stockholm AB</i>				35.0	35.0
	<i>CombiQ AB</i>				19.9	19.9
	<i>Flexion Mobile Ltd</i>				11.2	11.2
	<i>FPV Holding AB (Apotea)</i>				99.2	99.2
	<i>The Local Europe AB</i>				9.0	9.0
	<i>Yanzi Networks AB</i>				17.9	17.9
Iqube Holding AB		556676-0764	Stockholm	226,889	13.2	13.2
Johanneberg Campusbo AB		556658-6730	Gothenburg	800	80.0	80.0
Johanneberg Campusbo KB		969704-9451	Gothenburg		n/a	79.2
Krigskassa Blekinge AB		556709-7992	Karlskrona	30,000	50.0	50.0
NCS Invest AB (Aibel)		556914-7530	Stockholm	360,000	36.0	36.0
Neqst 2017 AB		559061-7063	Stockholm	41,493	4.1	4.1
NetSys Technology Group Holding AB*		556550-2191	Möndal	100,000	100.0	100.0
Nordia Innovation AB		556228-6855	Stockholm	6,357,197	3.5	3.5
Pagero AB		556581-4695	Gothenburg	243,201	2.8	2.8
Primelog Holding AB		556680-6914	Stockholm	331,552	53.4	53.4
	<i>ARRIGO Logistics Consultants AB**</i>				100.0	100.0
	<i>Financial Industrial (FIND) Consulting AB**</i>				100.0	100.0
	<i>Primelog Services 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>Gyros Protein Technologies Holding AB</i>				55.3	55.3
	<i>Light Sciences Oncology, Inc.</i>				21.7	21.7
	<i>Medical Vision AB</i>				87.6	87.6
	<i>OpGen Inc.</i>				n/a	n/a
Vega Ronneby AB		556762-7798	Ronneby	2,017,365	25.0	25.0
Yanzi Networks AB		556580-9554	Stockholm	1,837	35.5	35.5

Co-investments	Investment	Share of voting rights %	Share of equity %
Adagio Co-Invest L.P.	Allegro	n/a	5.5
Anticimex TopHolding AB	Anticimex	n/a	4.5
Atos Medical Co-Invest SCSp	Atos Medical	n/a	10.2
Carlyle Erpe-Mere Partners, L.P.	Praesidiad	n/a	14.2
Cinven Cullinan L.P.	Allegro	n/a	5.5
EQT Aslan Co-Investment L.P.	Evidensia	n/a	46.2
EQT Auris Co-Investment L.P.	Sivantos	n/a	3.8
EQT Auris II Co-Investment L.P.	Sivantos	n/a	4.2
EQT Butterfly Co-Investment SCSp	Bluestep	n/a	50.0
EQT Dynamite2 Co-Investment L.P.	Sitecore	n/a	5.8
EQT Kfzteile24 Co-Investment L.P.	Kfzteile24	n/a	33.3
EQT Kiwi Co-Investment L.P.	Kuoni Travel	n/a	11.0
EQT Mid Market US Co-Investment Coöperatief U.A. - Class C	Data Intensity	n/a	33.3
EQT Yellow Maple Co-Investment L.P. **		n/a	11.2
Farfalle L.P.	Fläkt Wood Group	n/a	100.0
FSN Capital IV Netcompany Co-Investment L.P.	Netcompany	n/a	58.3
FSN Capital Project Growth Co-Investment L.P.	Byggghemma	n/a	34.3
HgCapital Gabriel Co-Invest L.P.	Visma	n/a	12.7
NC Alexander Co-Invest, L.P.	Lindorff/Intrum	n/a	13.1
NC Alexander 2 Co-Invest, L.P.	Lindorff/Intrum	n/a	30.0
NC Mighty Co-Invest Beta, L.P.	eResearch Technology	n/a	18.6
Nordic Capital VIII UF Co-Invest Beta, L.P.	Unifeeder	n/a	23.3
Silverfleet Capital Partners Project Maverick A L.P.	Riviera Travel	n/a	100.0
Willa C L.P.	Werner	n/a	100.0
Zeus Co-Investment L.P.	Zenith	n/a	19.5

Total cost of shares and participations in companies amounted to SEK 8,569 million (6,453).

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.

The cost amounts reported below have been extracted from the AP6 accounting. They are not based on documentation from each individual fund.

Funds	Corporate Identity Number	Registered office	Share of equity %	Cost of acquisition
Accent Equity 2003 KB	969694-7739	Stockholm	63.1	23
Accent Equity 2012 L.P.			10.0	220
AE Intressenter KB (Accent Equity 2008, L.P.)	969724-7873	Järfälla	100.0	111
AEP 2003 KB	969694-5196	Stockholm	15.8	0
AlpInvest Co-Investment Fund (Lux Feeder) VII, SCSp			23.1	83
AlpInvest Secondaries Fund (Lux Feeder) VI, SCSp			26.6	107
Atomico IV (Guernsey) L.P.			21.2	86
Auvimo AB	556587-9565	Gothenburg	100.0	0
Auvimo KB	969621-7729	Gothenburg	100.0	21
Axcel IV K/S 2			9.7	120
Bridgepoint Europe V L.P.			2.5	483
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100.0	202
CapMan Buyout IX Fund A L.P.			8.5	144
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5	63
CapMan Technology Fund 2007 B KB	969720-4288	Stockholm	100.0	61
Carlyle Europe Partners IV L.P.			2.7	508
Chalmers Innovation Seed Fund AB	556759-5003	Gothenburg	23.7	28
Creandum Advisor AB	556644-0300	Stockholm	34.0	1
Creandum I Annex Fund AB	556759-5623	Stockholm	49.2	4
Creandum II KB	969708-0274	Stockholm	98.5	114
Creandum III L.P.			18.6	155
Creandum IV L.P.			13.7	59
Creandum KB	969690-4771	Stockholm	49.3	3
Crown Global Secondaries IV PLC			2.7	76
Cubera VI L.P.			9.0	0
Cubera VII L.P.			15.0	34
Cubera VIII L.P.			7.4	62

Funds (cont.)	Corporate Identity Number	Registered office	Share of equity %	Cost of acquisition
EQT IV (No. 1) L.P.			2.4	0
EQT V (No. 1) L.P.			3.5	151
EQT VI (No. 1) L.P.			1.6	317
EQT VII (No. 1) L.P.			2.3	537
EQT Expansion Capital II (No. 1) L.P.			4.2	54
EQT Mid Market (No. 1) Feeder L.P.			8.1	406
EQT Mid Market Europe (No. 1) Feeder L.P.			4.9	104
Eurazeo Capital II SCSp			2.9	115
Femfond KB (Nordic Capital V, L.P.)	969687-5062	Stockholm	100.0	42
FSN Capital IV L.P.			7.1	210
FSN Capital V LP			4.4	40
Fysikten KB (Nordic Capital VI Alpha, L.P.)	969712-1029	Stockholm	100.0	28
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9	159
HealthCap III Sidefund KB	969699-4830	Stockholm	22.7	0
HitecVision Private Equity IV L.P.			1.4	16
HitecVision V L.P.			0.8	24
InnKap 2 Partners KB**	969661-4735	Gothenburg	5.4	0
Intera Fund I Ky			12.0	63
Intera Fund II Ky			10.0	95
Intera Fund III Ky			10.0	33
Nordic Capital V, L.P.			3.3	29
Nordic Capital VI Alpha, L.P.			5.7	3
Nordic Capital VII Alpha, L.P.			2.6	267
Nordic Capital VII Beta, L.P.			2.8	324
Nordic Capital VIII Beta, L.P.			4.4	445
Northern Europe Private Equity KB	969670-3405	Stockholm	69.1	0
Northzone VII L.P.			8.0	128
Northzone VIII L.P.			7.1	82
Norvestor V L.P.			8.5	30
Norvestor VII L.P.			7.3	110
Permira VI L.P.			1.4	202
Scope Growth II L.P.			24.1	91
Scope Growth III L.P.			16.7	71
Silverfleet Capital Partners II LP			6.6	143
Sixth Cinven Fund (No.2) L.P.			1.0	142
Sustainable Technologies Fund I KB**	969734-9620	Stockholm	100.0	38
Swedestart Tech KB**	969674-7725	Stockholm	20.6	1
Triton Fund IV L.P.			1.3	241
Valedo Partners Fund I AB	556709-5434	Stockholm	25.0	21
VEPF VI Co-Invest 1, L.P.			57.1	84
VEPF VI Co-Invest 2, L.P.			18.3	84
Vista Equity Partners Fund VI-A, L.P.			0.6	151
Funds, total				7,849
Total cost				16,418
TOTAL MARKET VALUE				20,158

* The company is dormant.

** The company is undergoing liquidation.

Note 10 Other interest-bearing instruments

	2017	2016
Short interest-bearing securities	8,041	9,538
Loans to unlisted companies	270	235
Total	8,311	9,773

Note 11 Other current receivables

	2017	2016
Transactions that have not been liquidated	400	156
Other	5	5
Total	405	161

Note 12 Prepaid expenses and accrued income

	2017	2016
Accrued interest income	47	73
Prepaid management fee	34	30
Other prepaid expenses and income	5	16
Total	86	119

Note 13 Liabilities to credit institutions

	2017	2016
Approved line of credit	1,500	1,500
Unutilized part	-1,500	-1,500
Utilized amount of credit	0	0

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

Approved line of credit within the framework of the group account structure amounts to SEK 1.5 billion.

Note 14 Accrued expenses

	2017	2016
Accrued interest expense	-	5
Accrued management fee	85	58
Other	6	9
Total	91	72

Note 15 Other current liabilities

	2017	2016
Transactions that have not been liquidated	46	511
Accounts payables	2	3
Other	2	2
Total	50	516

Note 16 Contingent liabilities and commitments

	2017	2016
Contingent liabilities	207	199
Commitments – capital committed, not yet paid out	13,112	11,065
Total	13,319	11,264

Note 17 Significant events after the financial year-end

After year-end, AP6 completed the co-investment in Alloheim together with Nordic Capital. The purchase sum is reported as a capital commitment, not yet paid out (see Note 16).

Gothenburg, 22 February 2018

Catrina Ingelstam
Chairman of the Board

Per Strömberg
Deputy Chairman of the Board

Klas Eklund
Board member

Katarina Staaf
Board member

Urban Lindskog
Board member

Karl Swartling
Managing Director

Auditor's report

For the Sixth AP Fund, org. nr 855104-0721

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of the Sixth AP Fund for the year 2017. The annual accounts of the Sixth AP Fund are included on pages 35–53 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Sixth Swedish National Pension Fund Act (2000:193) and present fairly, in all material respects, the financial position of the Sixth AP Fund as of 31 December 2017 and its financial performance for the year 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.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Sixth AP Fund in accordance with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

OUR AUDIT APPROACH

Focus and scope of the audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the fund, the accounting processes and controls and the industry in which the fund operates.

The Sixth AP Fund invests directly and indirectly in unquoted equity instruments to obtain return on investment, primarily through increase in values. Our audit has focused on the investments in unquoted equity instruments and the matters relating to ensure a fair presentation of investments when they are acquired, at their disposal and during the holding period.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 1–34. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

In preparing the annual accounts, the Board of Directors and the Managing Director are responsible for the assessment of the fund's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the fund, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise profes-

sional judgement and maintain professional scepticism throughout the audit. We also:

–Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

–Obtain an understanding of the company's internal control relevant to our audit 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.

–Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

–Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists relate to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinions about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

–Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we have identified.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

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 2017.

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards

are further described in the Auditor's Responsibilities section. We are independent of The Sixth AP Fund in accordance with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the Sixth Fund's organization and the administration of the fund's affairs. This includes among other things continuous assessment of the fund's financial situation and ensuring that the Sixth Fund's organization is designed so that the accounting, management of assets and the Sixth Fund's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the Sixth Fund's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective for the audit of the administration is to obtain audit evidence to assess, with a reasonable degree of assurance, whether there are any remarks regarding the Board of Directors' or the Managing Director's administration of the Sixth AP Fund for the year 2017. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgement with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have a particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion.

Stockholm, 23 February 2018

Magnus Svensson Henryson
Authorised Public Accountant
Appointed by the Swedish
Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Swedish
Government

Definitions and Glossary

Buffer funds – The AP funds are public pension funds that have existed in Sweden since the 1960s. They have changed in character, number and focus over the years. The five AP funds (AP1-4 and AP6) are buffer funds and they are included as a minor portion of the income pension system's assets. The Seventh AP Fund manages the funded capital of the premium pension system. As of 2009 and for approximately 25 years into the future, pension disbursements will exceed the pension contributions. The AP Funds are mandated to even out the temporary variations between pension contributions and pensions disbursements. They must also contribute to the long-term financing of the pension system.

Buyout – Unlisted mature companies with an established business model that have established a market position and have a positive cash flow. It is an English expression that originates from transactions where an investor "buys out" the existing owners in an unlisted company.

Co-investment – This is when a Limited Partner (LP), such as AP6, has invested in a fund and then invests directly in a company together with the fund.

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).

Direct investment – With a direct investment, the investor obtains a holding in the form of shares in the unlisted company. The investor thus has direct ownership in the company.

Due diligence – a work process and method for gathering and analysing information about a company or a fund prior to making an investment.

ESG – Acronym for environmental, social and corporate governance.

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

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

Fund investment (unlisted assets) – The market for fund investments is comprised of a variety of different private equity firms with different focuses and profiles. A private equity firm that would like to establish a new fund and is seeking investors for that, thus engages in fundraising. The new fund will have a specific size as regards the total amount invested. Investors who have notified that they are interested (such as pension funds, insurance companies, etc.) are then allocated a share of the new fund. The investors make a commitment, which means that they commit to paying in a certain amount corresponding to their share of the fund. If there is much interest from potential investors, they may not be given the opportunity of investing the entire amount that they were willing to commit. It may also be the case that some investors are not given the opportunity to invest at all. That happens when the fund is oversubscribed and there simply aren't enough allotments for all of the investors wanting to participate. Once the shares in the new fund have been allocated, the fundraising stage is officially over. However, the amounts that the various investors have committed are not paid in a lump sum. Rather, payments from investors are made at the rate that the fund acquires companies.

A typical fund has a lifespan of about 10 years. During that time, the fund typically invests in around 15-20 companies. These companies are developed in a way that will generate higher value. The fund is closed once all of the companies have been divested and the invested capital, including the gains, have been distributed to the investors.

Fund capital AP6 – The initial capital allocated to the Sixth AP Fund at inception, together with accumulated profits/losses. AP6 covers its own costs. Profits from investments are continually reinvested.

General Partner (GP) – The private equity firm that manages the fund. Typically, a GP manages several funds simultaneously.

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

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.

Indirect investment in an unlisted company – With a fund investment, the investor obtains indirect ownership. It occurs from the investor obtaining a holding in a fund, which in turn invests in the unlisted company. The fund is the formal owner of these companies, while the investor in the fund has an indirect ownership in the company. See also Fund investment.

Invest Europe – European trade association for private equity funds. Included here is buyout, venture and infrastructure.

IPEV – International Private Equity and Venture Capital Valuation Board.

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

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

Limited Partner (LP) – an investor in a fund, such as AP6.

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.

Unlisted assets – These are primarily unlisted companies, which means companies that are traded on a stock exchange.

Operative share % – Refers to the ownership interest in a private equity fund irrespective of legal structure. The legal ownership is reported in Note 9.

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.

Risk Capital or Private Equity (PE) – Both of these are collective terms for unlisted assets. Typically, it refers to unlisted companies (i.e. not traded on a stock exchange), in part unlisted companies and in part funds investing in unlisted companies.

Private equity fund – see Fund investment.

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

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 gathers direct and indirect emissions into three groups: 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 – When an investor in a fund wants to sell its share before the fund is closed. Typically, this requires a customized solution that brings together several interested investors. With a secondary transaction, a main player typically solves various problems for a number of investors, while simultaneously creating new opportunities.

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

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.

Code of Conduct – The Board of AP6 has established and adopted a code of conduct that describes the values that apply to the business and is intended for use by employees, partners and investments. The Code of Conduct is actively communicated to these groups.

- Core areas covered by the Code of Conduct are:
- 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

Committed capital When an investor decides to invest in a fund, a commitment is made for a specific amount. That amount is never paid as a lump sum. Rather, it is claimed at the rate that the fund invests in the company. See also Fund investment.

Venture – Newly started companies with a business concept that typically will require capital over a long period of time before the company succeeds in establishing a market position and generating a profit.

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.



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