

2022

**ANNUAL REPORT
SIXTH SWEDISH NATIONAL
PENSION FUND**

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S Sustainability report

The sustainability report is integrated in the Annual Report and is indicated by the letter S. The Sustainability Report is signed by the Board of Directors. The auditors have submitted a statement on the Sustainability Report.



Produced by: The Sixth Swedish National Pension Fund in cooperation with Silo Design
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About AP6

Since its inception AP6 has contributed SEK 58 billion to the Swedish public's pension assets. Since the start in 1996 AP6's fund assets have grown from SEK 10.4 billion to SEK 68.6 billion at the end of 2022.



Invests in unlisted assets

AP6 is part of the pension system of the Swedish state and, along with the other AP funds, is referred to as buffer capital. AP6's assignment is to manage funds entrusted to it in the private equity market (unlisted assets) according to the law that governs the Fund's operations, the Sixth Swedish National Pension Fund Act (2000:193). Fund assets are to be invested such that the long-term high return and adequate risk diversification requirements are met. Investing in unlisted shares (unlisted companies), or the more common term private equity, is significantly different from investing in and managing listed shares/companies. An unlisted company is not listed on a marketplace (stock market) where the company's shares can be traded. Unlike a listed company, an unlisted/private equity firm is an illiquid investment. An unlisted/private equity firm has a smaller number of owners who run and develop the company. As there is no marketplace, if the owner/owners wish to sell the company or their shares in it, an agreement on the sale must be reached between the various parties directly in order for the sale to take place. Another alternative is to list the company on a stock exchange. The majority of private equity investments are in large private equity firms.

Long-term strategy – long investment horizon

The existing investment portfolio is a result of a comprehensive strategy review

that began in 2012 and was further defined as a combination of funds and co-investments in 2016. It was not until 2019 that the full transformation of the portfolio was completed, which illustrates how long it takes to transform a strategy for private equity investments.

The investment strategy pursued by AP6 is successful and has generated high returns for the national pension fund system. The strategy changes that started in 2012 have laid the foundation for good returns that AP6 has generated for the pension system – SEK 58 billion since the start. Just over SEK 49 billion of this was generated after the strategy change. To manage the illiquidity associated with investing in private equity firms, a private equity fund has a very long investment horizon.

Institutional investors who invest in the fund commit to injecting capital throughout the life of the fund for a predetermined investment period.

They then await distributions as the companies in the fund are divested. This is why an investment in a private equity fund is called a fund commitment. It may take 10–15 years before a fund is fully divested and the investors receive dividends on the capital injected.

A co-investment, i.e. an investment in an individual company, usually made together with funds in AP6's fund portfolio, is normally structured in the same way. In other words, the principal owner (the respective fund) is responsible for running, developing and, when the time is right, divesting the company.



Closed-end fund

The conditions for private equity investments are entirely different from those for asset management involving listed equities. For a private equity investor the way in which liquidity is managed is particularly important.

Not meeting the commitments of a fund can be very costly and can jeopardise the entire remaining investment. This is why this class of asset is normally best suited for large and institutional investors with a long investment horizon. It is also the reason why AP6 is a so-called closed-end fund, where the legislator is aware that it is not possible to extract liquidity on an ongoing basis in the same way as from other AP funds. For this assignment, long-term and stable conditions for investment in unlisted assets are essential.

Integrated sustainability approach with a long time horizon

AP6 has a long-term and systematic approach to responsible investment and the integration of sustainability into all parts of the organisation's activities. According to the Sixth Swedish National Pension Fund Act (2000:193), AP6 is to manage fund assets in an exemplary manner through responsible investment and ownership.

Integrating sustainability helps to identify risks as well as opportunities in investment activities and is therefore essential in order to generate a long-term, high return in line with AP6's assignment.

BASIC THEMES AND KEY TERMS FOR AP6 AND ITS CULTURE



Trust

We have an important responsibility to manage the pensions of others

Respect and consideration

We care about each other and the communities in which we work



Commitment

We are committed and we develop our organisation

68.6

billion (SEK)
managed by AP6

1.3

billion (SEK)
– profit for the year

1.9

percent
– net return for 2022

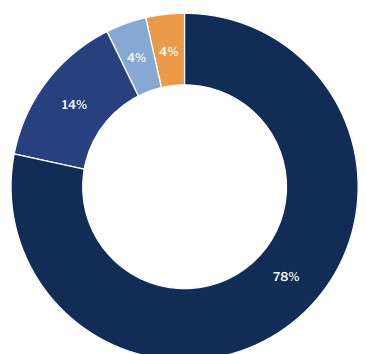
Paying attention to sustainability factors is also essential in order to maintain public trust in AP6 as an asset owner in the Swedish national pension system. AP6 bases its efforts to ensure it invests responsibly and acts as a responsible owner on the international frameworks and agreements that define sustainability and that are expressed in the Swedish Government's core values regarding human rights, democracy and sustainable development.

The responsible investment approach is characterised by clear processes to integrate sustainability in the investment and ownership phases, by setting standards, evaluating, monitoring and through dialogue.

Return

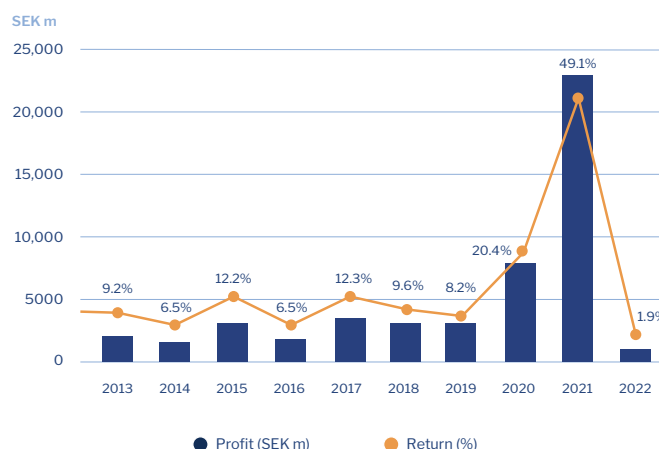
Sixth Swedish National Pension Fund manages SEK 68.6 billion

Through funds, a total of around 1,000 companies are managed, around 70 of them are co-investments



● Buyout ● Venture/Growth
● Secondary ● Liquidity management + other

Return after costs 2013–2022



Return over 10 and 5 years and in 2022

YEAR	2013-2022	2018-2022	2022
BUYOUT	17.2%	22.5%	16.3%
VENTURE/GROWTH	21.0%	40.1%	5.2%
SECONDARY	18.1%	19.3%	25.9%
FUND TOTAL	13.0%	16.8%	1.9%
RETURN TARGET / BENCHMARK	16.2%	15.9%	20.9%

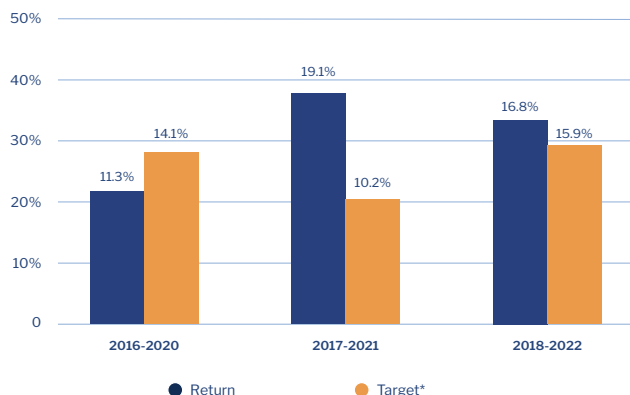
The year in brief

In 2022 the portfolio demonstrated good resilience despite very challenging capital markets. AP6 delivered positive net earnings for the year of SEK 1.3 billion and a return of 1.9 percent, despite a strong negative effect from statutory currency hedges. The investment portfolio delivered a return of 15 percent excluding currency hedges.

Profit for the year

In 2022 the portfolio showed good resilience and provided net profit of SEK 1.3 billion and a return of 1.9 percent, despite strongly negative effects from currency hedges. These account for a significant reduction in earnings, having a negative effect of SEK 5.9 billion. The five-year average return on capital employed was 24.1 percent (or 20.6 percent net after currency hedges). The five-year average return, including a negative contribution from liquidity management, was 16.8 percent, which exceeds the 2022 target of 15.9 percent (Burgiss past five years).

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



* Target based on data from Burgiss (See Directors' Report for detailed description). Development of operations is measured over rolling five-year periods.

1.9%

Net return for the year after costs

16.8%

The average net return over the past five years

Profit by segment, 2018–2022

SEK m	2018	2019	2020	2021	2022*	Average return %
BUYOUT (MATURE COMPANIES)	1,834	1,664	6,974	16,600	7,029	22.5
VENTURE/GROWTH	1,446	670	748	4,293	303	40.1
SECONDARY	157	191	-139	1,018	504	19.3
Liquidity management, risk management and internal expenses*	-395	333	66	264	-6,526	-
PROFIT	3,042	2,858	7,649	22,175	1,310	16.8

*From the beginning of 2022, profits for the respective segments are recognised excluding currency hedges. The totals of these are included in Liquidity management, risk management and internal expenses.

15.0%

Return for the investment portfolio in 2022 excluding currency hedges

Investments

The underlying investment outcomes, excluding currency hedges, generated positive profits in all segments of the portfolio. The return for the Secondary segment was 25.9 percent and Buyout 16.3 percent. The year brought substantial challenges for Venture/Growth investments. Despite market weaknesses, this segment of AP6's portfolio also delivered a return of 5.2 percent.

Buyout, which makes up the majority of the portfolio and consists of fund investments and co-investments, contributed SEK 7 billion. Secondary and Venture/Growth contributed SEK 0.5 billion and SEK 0.3 billion respectively. Combined, this adds up to a net

contribution of SEK 7.8 billion, a large portion of which constitutes distributed realised returns.

The large deduction from the profits consists of the currency hedges that are prescribed by law, with a negative contribution of SEK 5.9 billion. Liquidity made a negative contribution in 2022 due to investments in listed shares and interest-rate instruments.

The pace of investment in the private equity market, which is characterised by lengthy transactions, was relatively stable in the first half of the year. The pace slowed somewhat in the second half of the year.

New sustainability target

In mid-2022 the Riksdag (Swedish parliament) adopted a proposal to

supplement the law that governs AP6's activities with a new sustainability goal regarding exemplary asset management. AP6 welcomes this decision, which means that the sustainability approach initiated a decade ago now has been established in law.

Organisational structure

In 2022 more time was spent focusing on leadership and employee ship, and on discussing values, which resulted in an updated Code of Conduct. A new discussion forum called AP6 Talks was established during the year where those within the organisation can discuss current and interesting topics.

A resilient portfolio in a challenging year

In the challenging year of 2022 AP6's portfolio strategy proved to be risk-resilient, delivering an investment portfolio return of 15 % excluding currency hedges and liquidity. The fund size remains stable at SEK 68.6 billion, the strong level achieved in 2021.

With the unthinkable events that occurred in 2022, the markets ended up in a perfect storm lining up all kinds of situations of market stress throughout the year. 2022 opened in the same strong sentiment as the close of 2021 in the capital markets, but from the very second trading day of the year two major "what ifs" became great concerns: What if we will have an unthinkable war in Europe? What if the long era of overflowing cheap liquidity has come to an end? The reaction was immediate across markets and set off a long, volatile decline that continued throughout the year. Both concerns became reality. The highly unthinkable war was a harsh reality in February. The second concern was more expected; everyone knew the era of cheap liquidity must come to an end at some point or at least become less expansive, but since it had not materialised for a decade, the risk seemed to have been forgotten. The global logistics and sourcing systems built up in the last decades were turned upside down during the pandemic, causing supply shortages and increasing inflationary tendencies in Europe and the US. With inflation comes the fear of contractive monetary policy from the central banks, and risk assets were hit, both equities and corporate bonds.

In a year like 2022 the difference between the listed and unlisted markets was more visible. The listed markets reacted immediately – both negatively from early Jan-

uary but also positively from the bottom in late September in the wake of the European energy crisis and liquidity squeeze. The unlisted market, with its long transactions, maintained its investment pace into the first half of the year and it wasn't until the second half of the year that the pace slowed considerably. Given that the unlisted assets are valued a few times a year instead of through daily pricing, the high volatility in the listed market is smoothed out in the private equity market. In the end it comes down to realised results.

In this turbulent year, our portfolio strategy was tested in real time. The portfolio is composed to generate a high long-term risk-adjusted return for the benefit of the Swedish pension system. In private equity, risk is not measured by volatility in daily pricing but through the assets' cash flow profiles. By combining fund investments with co-investments within buyout with a smaller allocation of higher risk assets as in venture and stable return from secondaries, we have a total portfolio that yields high return with a balanced risk. In 2022 the portfolio proved to be as resilient as we designed it to be with a positive net



In 2022 the portfolio proved to be as resilient as we designed it to be"

result of SEK 1.3 billion, and a return of 1.9 % despite a strong negative effect from currency hedges. The underlying investment result, excluding currency hedges, generated strong positive returns, such as secondaries 25.9%, buyout 16.3% and even venture showed a slightly positive return of 5.2 % despite a very challenging year.

The combined buyout portfolio, a major part of the total portfolio, contributed SEK 7 billion, secondaries SEK 0.5 billion and venture SEK 0.3 billion, which sums up to a net contribution of SEK 7.8 billion of which a large portion is distributed realised returns. The large deduction in the result are the currency hedges with a negative contribution of SEK 5.9 billion. Of course, the foreign holdings, such as the US holdings, have developed positively measured in Swedish krona due to the strong US dollar but the net effect of the currency hedges is still negative with SEK 1.9 billion. The long-term investment horizon in this illiquid asset class will see many currency fluctuations during the holding period of each investment why it is difficult to see the benefits of mandatory hedging. Our liquidity management also contributed negatively in 2022 as it is invested in listed equities and fixed income. Still, the portfolio is demonstrating resilience by delivering a positive net result. Hence, we are confident of how well our portfolio strategy is functioning in various market sentiments.

The five-year average return in our invested portfolio is 24.1 % (or 20.6% net of hedges). The net five-year average return, including a negative contribution from the liquidity management, is 16.8 % which exceeds our goal Burgiss All five-year of 15.9 %. Private equity should be evaluated over the long term, but we also report the yearly returns to show the current trend. In 2022 the Burgiss benchmark return had

a positive impact due to the dominance of the US funds, providing a high return of 20,9%. The difference compared to our net return of 1.9 % is mainly explained by differences in allocation between US and European funds as well as the effect of our hedging as the Burgiss index is not hedged.

We are confident that our portfolio strategy executed by a highly skilled investment organization with profound experience of fund investments within buy-out, secondaries and venture capital as well as within co-investments will continue to successfully deliver long-term high returns to the Swedish pension system. In 2022 we actively developed the portfolio by strengthening our fund manager selection process, being active in the secondaries market and fine-tuning the long-term strategy. A key component in that strategy is the combined fund investment and co-investment opportunities among our partners.

Another key factor in our investment strategy is our integrated sustainability approach, which is an essential aspect of a long-term investment strategy. Looking beyond the short-term business cycle is essential when committing to funds that run for more than a decade. On 1 July the law governing AP6 was amended in line with the regulations for AP1-4, adding a statement on responsible investment and responsible ownership. As we have integrated sustainability into our investment process for many years, it was natural for our legal framework to be clarified in that respect. Our investment model of selecting qualitative managers with sustainable investment ambitions in an asset class dedicated to corporate governance is an efficient way to pursue responsible investment and responsible ownership in a portfolio of nearly 1,000 underlying indirect investments.

Looking forward we will continue the strategic path that has served us so well and generated a positive contribution of SEK 58 billion to the Swedish pension system so far. Our organization of dedicated professionals will continue striving to create a superior portfolio of private equity investments, finetuning quality and pro-



cesses, and actively pursuing our sustainability ambitions. We dedicated time in 2022 to focus on leadership and employeeship, and to discussing our core values, which led to a renewal of our Code of Conduct. We also established a new concept, AP6 Talks, to discuss thought-provoking topics across the Fund in an open-minded context. The topics discussed varied, between topics such as innovative investment ideas based on climate transitions, and how to provide a creative atmosphere for constructive dialogue.

To sum up, 2022 illustrates how well our long-term strategy with its integrated sustainability approach is performing in different investment climates. Our long-term focus remains the same, the strive to achieve the best possible private equity portfolio to deliver on our long-term goals.

Gothenburg, February 2023

Katarina Staaf
Managing Director
Sixth Swedish National Pension Fund



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David Rubenstein, co-founder of the Carlyle Group, and with previous experience from the White House, gave his views from a geopolitical and macro perspective.

AP6 Talks

A discussion forum where those within the organisation discuss topical and interesting topics – everything from innovative investment themes to providing the right conditions for creative meetings and conversations.

Topics discussed during the year include global transitions in electrification, transport and materials, and how organisations can help ensure their employees are confident and result-oriented.

To provide opportunities for a deeper dive and for discussion across the organisation about important topics and issues, a new discussion forum was launched in 2022 called AP6 Talks. The concept is the

same whatever the topic for discussion is: All employees assemble for a couple of afternoons in the spring and autumn. Ahead of the event, the AP6 Talks project group identifies a relevant topic, invites an inspiring and knowledgeable external speaker on the topic and prepares a workshop for the event. The speaker is often invited to AP6's morning meeting, which gives participants an opportunity to reflect during the morning and then take part in

an intensive workshop in the afternoon. By having no direct connection to any existing investment case within the organisation, a platform for a free and open discussion is created. The purpose is to create an opportunity for a creative discussion and to reach interesting conclusions. It also gives colleagues a chance to work together outside of their normal day-to-day routines. The workshop concludes with a summary of the different groups' thoughts and ideas.

The first event was held in the spring and included an external speaker who described the various shifts the world is facing in connection with climate transition. This creates interesting investment themes for the portfolio. It is just as important not to be on the wrong side of a such a shift. Transitions that have already happened were discussed, such as electrification, as well as transitions that are coming in areas such as foodtech, plastics and textiles. The discussions included identifying various



investment themes and also identifying holdings in AP6's portfolio with potential for value-creation linked to transitions. On another occasion AP6 learned about a new framework for sustainability that an international partner had developed. The new

framework involved a more standardised and uniform approach than in previous ways for working, which were more situation based. For many years now AP6 has developed its own models for integrating sustainability aspects into investing activities. The focus of the discussions in the workshops included comparisons between partners' new frameworks and AP6's own framework.

In 2022 the law governing AP6 was supplemented with a new sustainability goal. The goal of exemplary fund management already applies to other national pension funds, AP1–4, and for this reason a representative from one of the AP funds was invited to describe how they work towards the goal. Examples were provided of how the four AP funds chose to implement the concept of exemplary fund management in the sense that management is to be effective, result-oriented, open and have a particular focus on promoting sustainable development without compromising the return target. Even if AP6's mission is different from that of AP1–4, it was clear

that there are many shared experiences and opportunities to learn from each other.

David Rubenstein, co-founder of the Carlyle Group, and with previous experience from the White House, gave his views from a geopolitical and macro perspective. Topics explored included how the state of the market can be interpreted for an investor with a connection to the private equity market. The internal discussions that followed addressed how AP6 could be impacted in the future in terms of sector, geography, sustainability and strategy. The 2022 AP6 Talks event was concluded with a management consultant speaking on the topic of "Creating collective intelligence – results are created when we integrate".

The consultant highlighted the factors and conditions that are themes throughout organisations that are successful in creating effective, creative and thriving teams. The group discussions that followed discussed issues relating to the importance of security in teams and how roles and action plans impact internal processes.





AP6's strategy

The long-term strategy is focused on allocating funds in the Buyout, Venture/Growth and Secondary segments. Within Buyout, allocation is a combination of fund commitments and co-investments. Within the Venture/Growth and Secondary segments allocation consists of fund commitments.

Investment strategy

Private equity investments require a very long-term approach and strategy. This has to do with the illiquid nature of this asset class, but is also related to the purpose of the investments. It takes time to transform or develop companies.

In autumn 2020 AP6 carried out an evaluation of the investment portfolio and its strategic focus. In connection with this review an external consultant was also brought in to evaluate the existing investment portfolio. The consulting firm's analysis confirmed that AP6's portfolio structure is very strong and the advice given was to continue with the same investment focus with some minor adjustments. The portfolio that existed at the beginning of 2020 was the result of an extensive strategy modification process that began back in 2012 and subsequently resulted in a more clearly defined focus on the combination of funds and co-investments in 2016. It was not until 2019 that the transformation of the whole portfolio was completed, which illustrates how long it takes to transform a strategy in private equity. In Autumn 2022 the portfolio strategy approach adopted by the Board in 2020 was reviewed. The review showed that the strategy still has excellent potential to create a long-term, stable return with a good risk balance. Certain minor adjustments in boundaries between sub-portfolios were made.

Alongside the various strategic steps described above, an overall sustainability approach was developed for AP6. Sustainability is a central and natural aspect of the strategy. It is also essential for the creation of long-term value. With the long-term and illiquid nature of private equity, focusing on sustainability is particularly important because there are limited opportunities to divest investments that are not sustain-



Based on the 2020 evaluation, AP6's Board of Directors established a strategic direction towards 2030, focused even more clearly on allocation within the Buyout, Venture/Growth and Secondary segments."

able. As the investments have a very long horizon, it is important to try to assess what will be sustainable many years into the future. It is particularly important to perform a sustainability assessment before making an investment. During the ownership phase there are also many opportunities to promote sustainability in an industry where the business model involves active ownership. AP6's limited universe of fund relationships allows the fund to focus on prioritised issues and thereby indirectly impact the 1,000 or so underlying

companies in the portfolio. The sustainability approach is based on international frameworks for sustainability and covers human rights, labour, the environment and anti-corruption.

Based on the 2020 evaluation, AP6's Board of Directors established a strategic direction towards 2030, focused even more clearly on allocation within the Buyout, Venture/Growth and Secondary segments. Within Buyout allocation is a combination of fund commitments and co-investments. As described at the beginning, the long-term strategic focus adopted in 2020 is not a change of course but rather a clarification of how the combination of the different segments in AP6's full portfolio will create good long-term returns while maintaining a good risk balance – which is in line with AP6's mission.

The investment strategy pursued by AP6 is successful and has created high returns for the AP fund system. The change in strategy that started in 2012 is what laid the foundation for the good returns that AP6 has generated for the pension system – SEK 58 billion since the start. Just over SEK 49 billion of this was generated after

the strategy change.

An important component in the strategy is to find the best fund managers in each segment and then continue to invest with the selected managers as long as AP6 is satisfied with the partnership in terms of returns, strategic direction, sustainability, shared values and other cooperation, like the opportunities to carry out co-investments. AP6 believes in long-term partnerships with fund managers with the potential to last for many years. As AP6's portfolio matures and grows in size, the needs change in terms of choice of fund manager. Sometimes new fund managers are needed and sometimes past arrangements need to be terminated. In 2022 AP6 worked actively on the fund portfolio. This involved entering into some new fund relationships and not entering into new fund raising in certain existing relationships. It is important to have a good relationship with a sound fund manager who shares AP6's view of sustainability and where there is an opportunity to carry out co-in-

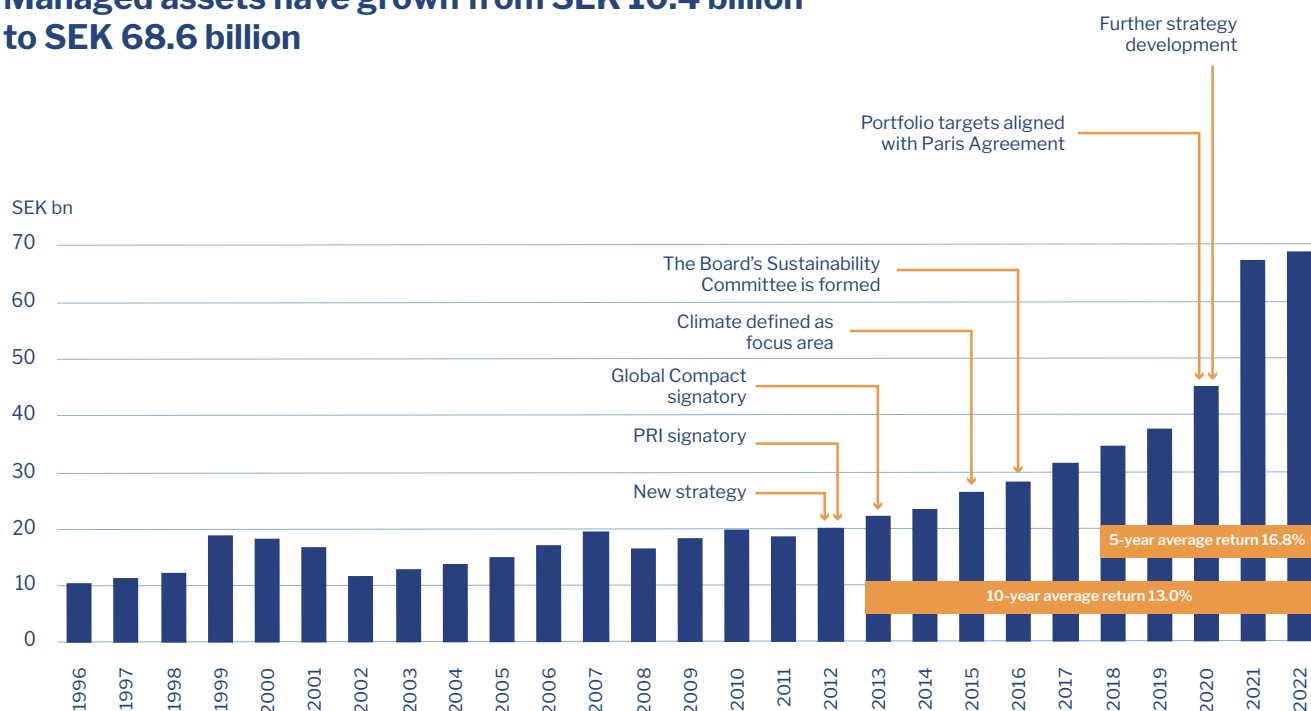


vestment. When prioritising, AP6 focuses on the overall portfolio and its sub-portfolios to create a whole that can provide the best possible, risk-adjusted net return for

the total portfolio. The strategy that is the basis for AP6's investments is robust and is generating excellent returns for Sweden's future pensioners.

Fund asset performance since inception

Managed assets have grown from SEK 10.4 billion to SEK 68.6 billion



What is unlisted/ private equity?

Investing in unlisted shares or the more common term private equity* is significantly different from investing in and managing listed shares. An unlisted company is not listed on a marketplace (stock market) where the company's shares can be traded. The company is an illiquid investment. The more common term is private equity, which better describes this type of investment. Private equity is different from public equity, which is aimed at the broader public. A company that wants to be listed on a stock market needs to become a "public" company through a public offering. This is one of the stock exchange requirements for approval of a listing of a company's shares. A privately owned company has instead a smaller number of owners (or perhaps just one owner) who operate and develop the company. As there is no marketplace, if the owner/owners wish to sell the company or their shares in it, an agreement on the sale must be reached between the various parties directly in order for the sale to take place.

Being an unlisted (privately owned) company should not be confused with being a company that is a small startup or a small family business, even though there are countless small privately owned enterprises. The majority of private equity investments are in large privately owned companies. To manage the illiquidity that is involved in investing in privately owned companies, a private equity fund has a very long investment horizon. Institutional investors who invest in the fund commit to injecting capital throughout the life of the fund for a pre-defined investment period. They then await distributions as the companies in the fund are divested. This is why an investment in a private equity fund is called a fund commitment. It may take 10–15 years before a fund is fully divested and the investors receive dividends on the capital they provided. A co-investment, i.e. an investment selected by a fund manager in an individual company in the fund portfolio, is normally structured in the same way, i.e. the principal owner is responsible for operating, developing and, when the time is right, divesting the company.

As the initial description indicates, the

conditions for private equity investments are entirely different from those for asset management involving listed equities. For a private equity investor the way in which liquidity is managed is particularly important. Not meeting the commitments of a fund can be very costly and can jeopardise the entire remaining investment. This is why this class of asset is normally best suited for large institutional investors with a long investment horizon. It is also the reason why AP6 is a so-called closed-end fund, where the legislator understood that it is not possible to extract liquidity on an ongoing basis in the same way as from other AP funds. For this assignment, long-term and stable conditions for investment in unlisted assets are essential. Private equity investments involve evolving a company from one position to another; for example, through transforming a business model, streamlining processes or improving market position by acquiring a competitor or supplier. The largest part of the private equity market consists of the value creation that occurs within mature

companies. A smaller part of the private equity market is the part in which young companies that have created new products or services are scaled up. This segment is called venture and can be divided into either seed, early or late stage. Late-stage venture is the largest category within venture. Growth is an additional smaller segment and involves companies that have grown beyond the venture stage and the focus has shifted to growth. Seed investment in brand new startups is a small category within venture. The investment expertise needed is entirely different from segment to segment within private equity, which is why the various funds focus on different segments or sub-segments.

**In this description the term private equity is used as a common term for unlisted assets in different phases (venture, i.e. early development phase, growth, and buyout for mature companies). Sometimes unlisted is instead divided into private equity and venture. Private equity in that case means buyout.*



How AP6 invests

1. Investment process

• Sourcing and selection

Fund investment decisions are preceded by an extensive process that can take several years. The fund selection process is selective and focuses on high-return actors that prioritise sustainability. In co-investments, business is generated based in part on a partner perspective and in part on a company perspective. Dedicated resources in the form of specialists monitor and analyse the market to identify attractive companies.

• Evaluation phase

In fund investments, broad selection criteria are used to ensure that the evaluation includes a sufficiently large number of actors. The selection process then involves narrowing down the number of candidates. Funds are gradually eliminated from the process as market mapping progresses. The evaluation timeframe for co-investments is relatively narrow, which underscores the importance of specialist evaluation and analysis expertise.

2. Ownership phase

• Influence and monitoring

AP6 sees the ownership phase as an opportunity to build knowledge and understanding, and to have an impact by monitoring and follow-up activities to ensure that investments are progressing according to plan in terms of return, strategy and sustainability.

• ESG assessment model

Influence is exercised through cooperation, requirements and feedback. AP6 has many years of experience of evaluating how funds approach sustainability. This is manifested in the model that AP6 has developed to measure, analyse and evaluate the funds' ESG approaches.

• LPAC

An important forum when investing in funds is the Limited Partner Advisory Committee (LPAC) consisting of representatives from a number of investors. The number of seats on the LPAC is limited and they are generally allocated based on the size of the investment. AP6 is represented on the LPAC through a number of funds in the portfolio. LPAC provides opportunities for deeper investment relationships.

3. Divestment

• Divestments provide distributions

As funds and co-investors realise holdings, disbursements to investors take place. The strategy is to stay with fund partners and co-investors during the divestment process.

• Closed-end fund

AP6 is a closed-end fund with no inflows from or outflows to the income-based pension system. It is therefore important to achieve a balance in future obligations in the form of fund commitments as well as in ongoing inflows and outflows in investment activities by maintaining a liquidity reserve.

• Liquidity forecast

As the portfolio matures gradually there is a good balance between disbursements/divestments from the portfolio and capital draw-downs/new investments, even if the gross flows may be considerable. AP6 works on an ongoing basis to further develop liquidity forecasting models created based on long-term cash-flow data from the market for the purpose of monitoring future liquidity scenarios as carefully as possible.

Collective expertise based on common goals



Investment

- Unique specialist expertise built up over more than two decades of investing in unlisted assets.
- A broad network of contacts and long-term relationships with partners.
- AP6's own models and methods for evaluating potential investments.



Sustainability

- Sustainability is integrated in all investment activities.
- Carefully developed frameworks and tools are used for evaluation prior to an investment and during the ownership phase.
- Resources are allocated on an ongoing basis depending on issues and needs identified.



Financial

- As a closed-end fund, AP6 has developed detailed models to forecast and manage liquidity.
- Experts from the Financial unit participate in the investment process to ensure transaction quality etc.



Legal

- The Legal unit works with the investment team during the evaluation phase.
- Prioritised topics can be identified early on in the process in preparation for contract negotiations.

1. Investment process

Fund investment

Investment in a fund takes place by committing a certain amount that is disbursed when the fund in question invests in companies.

Commitments are made to selected funds in the market segments Buyout (large and mid cap), Venture/Growth and Secondary. Most (around 80 percent) of the commitments are made to funds and co-investments within Buyout (large and mid cap). This segment consists of mature companies with an established business model and market position.

A smaller percentage of the commitments are made to the Venture/Growth and Secondary market segments. Venture capital funds invest in companies in an early development phase where capital is required over a longer period to generate profits. This segment is characterised by significantly higher risk than Buyout. There are no co-investments in this segment. Secondary transactions take place when investors in a fund want to sell their share before the fund is closed down. Secondary carries far less risk than Buyout due to extensive diversification in the segment.

EVALUATION

All of the organisation's expertise is brought to bear in each evaluation of a potential investment. Integrated cooperation is based on common objectives where each function and employee has an understanding of the various elements and parameters that make up an evaluation. As AP6 is a closed-end, national pension fund without flows to or from the state pension system, the Financial unit uses detailed models for liquidity that set the framework of AP6's investment volume.

Decisions to commit capital to a fund involve discretionary management for 10 years or more. To ensure that the fund is managed in line with AP6's requirements, detailed legal documentation is required that covers a number of scenarios and matters to address, such as incentives, fees, common interests, transaction structure and exclusion criteria, to name a few.

The Legal unit has specialist expertise in and many years of experience of negotiating with funds active in various segments and geographies. The Legal unit works with the investment team during the evaluation phase. Internal legal expertise is supplemented by an external network of legal services.

AP6 sees its commitment to funds as a process of building long-term relationships to generate stable and lasting returns. The life of a fund is generally around 10 years, although variations exist. Given this long timeframe, AP6 chooses to invest time and energy to monitor and become familiar with a fund focusing on its investment team and value-creation. This process can last for a number of years. Through

constant review of the composition of the existing portfolio it is possible to identify the need for changes that could support continued, long-term value-creation and good risk diversification.

MARKET MAPPING

Decisions to add a fund to the portfolio are preceded by a process that starts with market mapping. Initially, broad selection criteria are used to ensure that there is a sufficiently large cohort of candidates to assess. The selection process then involves narrowing down the number of candidates. Funds are gradually eliminated from the process as market mapping progresses.

Market mapping is a process of obtaining extensive information based on in-house analysis and an exchange of knowledge and experience with investors who are active in the area of unlisted assets. This involves existing networks and also building new networks based on current needs.

The purpose is to gather and review the experiences of various investors. As a pension fund manager and investor in unlisted assets for more than two decades, AP6 has built up specialist expertise. This has enabled us to develop our own models to monitor and analyse funds. Important parameters are the funds' models for their portfolio companies' value-creation and their approach to sustainability from a portfolio perspective and at the company level.

At an early stage AP6 rejects candidates whose approach to important aspects of value-creation and sustainability are not considered aligned with those of AP6.

EVALUATION PHASE

Once the candidate pool has been narrowed down in the initial selection process,



Important parameters are the funds' models for their portfolio companies' value creation and their approach to sustainability from a portfolio perspective and at the company level."



a more detailed evaluation phase begins. Uniform processes are used to evaluate different investment alternatives. One of the fundamental criteria is for all potential investments to be outlined and assessed based on a uniform template that allows comparisons to be made. However, the differences between the Buyout, Venture/Growth and Secondary market segments requires the structure of the evaluation and assessment process to be adapted accordingly.

A fund's strategy and market position is assessed by looking at which sectors it operates within and in which regions it has a presence. With respect to the fund's investment process and ownership, a review is carried out of its structure capital, value-creation and how it monitors deviations. One important area is return and here the fund is examined based on which resources are available to develop portfolio companies, how well aligned the investments

are with the fund's strategy, the length of the holding period and the fund's view of diversification. An important aspect is the possibilities for AP6 to carry out co-investments. When examining a fund's strategy and market position attention is paid to leadership, staffing and dependence on key individuals.

AP6 performs its own calculations, and analyses holding periods, portfolio returns and deviations. This creates a picture of the respective fund's value-creation and sustainability work.

Potential funds are examined based on a number of sustainability factors such as processes, dedicated resources, level of ambition and to what extent the fund has adopted international standards and frameworks, and its reporting of sustainability data to investors in the fund. As an investor in various businesses, industries and geographies, AP6 requires a broad approach to sustainability, including aspects linked to

human rights, labour, the environment and anti-corruption. Additional aspects that are always included in the evaluation are climate, equality and diversity.

Based on experience from a very large number of evaluations carried out over many years, AP6 has developed its own scorecard to summarise the evaluation of a potential investment.

In a joint review with representatives from the organisation's specialist units, the candidates are graded in each area. Finally, a balanced assessment is made of the grades received by a fund within each category. Although significant weight is attached to the overall assessment, an outcome that is too low in any individual area could disqualify a fund candidate.

Once an investment recommendation is made, a process begins that is handled by the Allocation Committee and the Fund Committee (see p. 22–23).



Co-investment

AP6 invests indirectly in companies (minority investment) in cooperation with funds to which AP6 has committed capital. A co-investment has a similar structure to a discretionary fund agreement where the principal owner/owners are responsible for the co-investment as managers/owners. AP6 has a co-investment strategy aimed at large and mid-cap buyout, where the majority of co-investments are made with existing fund partners. A smaller share of investments are with other co-investors. Co-investments do not normally take place within the two market segments: venture/growth and secondary.

Long-term relationships and a similar approach to value-creation, where sustainability is integrated, are what distinguishes the co-investments. Co-investment decisions are preceded by an

intense process that involves various specialists. The integrated collaboration is based on common objectives, where each unit and employee has an understanding of the various elements and parameters that the process involves. The organisation has many years of experience of evaluating and investing in unlisted companies within the buyout segment in cooperation with fund partners in the Nordics, Europe and North America. This experience enables AP6 to efficiently allocate internal resources to match the requirements of the various fund partners.

Co-investment is carried out within a relatively narrow timeframe and it is therefore important to have efficient decision structures and routines in place. As various units are involved at an early stage there are more opportunities for resource-efficient handling of complex issues.

Unlike when AP6 invests in a fund by committing a certain amount to be

paid out as and when the fund invests in companies, co-investment involves the whole invested amount committed being disbursed on one occasion.

The financial unit has many years of co-investment experience, where the standards are high for quality-assured processes and routines. Transaction security depends on co-investment actors meeting the requirements of each fund partner.

The legal negotiations that precede a potential co-investment generally involve reviewing and negotiating contracts in a process that is significantly faster than when investing in a fund. Most of the co-investments are with funds to which AP6 has committed capital. This makes it possible to use existing contract terms and conditions.

The Legal unit works with the investment team throughout the evaluation phase and can identify areas early in the process where clarification and contract

negotiation are needed. To manage specific contract issues linked to various segments of unlisted assets and geographies, AP6's internal legal expertise is supplemented by an external network providing legal services.

SOURCING

Business generation from a partner perspective is prioritised in co-investments. Partners largely consist of funds to which AP6 has committed capital. AP6 has relationships with several of these partners that go back many years; in some cases up to 20 years. The fund partners are very familiar with AP6's strategy, interests and expertise in implementing co-investments.

The fact that AP6 has a well-diversified fund portfolio consisting of actors operating in various segments and geographies, places high demands on AP6's ability to generate business from a partner perspective. Presence, relationship-building and identifying potential investments are all crucial. Long-term relationships and frequent dialogue make it possible to identify early on the co-investment needs and interests of partners.

Business generation also takes place from a company perspective. Dedicated resources within the organisation, in the form of specialists that have many years of experience, monitor and analyse the market to identify attractive companies. In a parallel process the status of potential fund partners is checked on an ongoing basis. Finding the right fit is based on AP6's strategy and the focus and interests of potential fund partners.

All on all this is a complex process that requires being very familiar with the portfolio structure, strategy and priorities of potential fund partners. Long-term relationships and mutual trust are very important. Co-investments – regardless of the type of business generation – take place in a competitive environment that has multiple actors active in unlisted assets.

EVALUATION PHASE

Various factors provide a framework for a co-investment. The structure varies depending on the type of investment, market

and partner. Those familiar with AP6's interests and expertise generally involve AP6 early on in the process. Contact with AP6 can also be initiated in the final phase of the process or after implementation.

Solid knowledge of market conditions and relevant companies, combined with existing relationships with fund partners, enables AP6 to efficiently bring the right internal resources into the process. The process leading up to implementation of a co-investment is generally characterised by having a narrow timeframe during which critical matters are examined by fund partners and participants on an ongoing basis.

The transaction security requirements are high for a number of reasons. If actors pull out towards the end of the process this could cause delays, resulting in increased costs and missed windows of opportunity. Professional management involves ensuring that potential investors early on in the process identify factors and circumstances that are crucial for continued participation.

Based on many years of experience AP6 has developed highly efficient routines and decision processes involving dedicated resources and a careful evaluation of the potential co-investment within a set timeframe. The potential investment is analysed and assessed based on a number of established criteria that are used in all evaluations. This ensures continuity and a uniform process to assess investments over time, which is essential in order to make comparisons.

In the part of the process that involves finding the right fit, a variety of parameters are used to determine how well aligned the



potential investment is with AP6's investment strategy and portfolio.

The company in question is evaluated based on a vintage perspective, holding period, exit, and risk and return profile. Relevant partners are assessed and evaluated. An assessment is made of the effect on the portfolio in terms of diversification based on geography and sector.

An analysis is made of the market in which the company operates, as well as a review of the company's offering, customer base, competitors, business model and financial development.

A sustainability assessment includes reviewing the formal reporting structures, operations, future projects and level of ambition. AP6, as an investor in various businesses, industries and geographies, must take a broad approach to sustainability; one that is based on international agreements on human rights, labour, the environment and anti-corruption. Various standardised tools are used in co-investment processes to determine which sustainability aspects are the most material in a specific case.

To test a company's resilience under different conditions, various types of yield analysis are carried out. The company's value-creation plan is analysed and assessed. In exceptional cases where an investment may involve representation on the company's board of directors, an assessment is made based on this. The investment team compiles a report on each area examined and analysed. Then a collective assessment is made of the results.

Once an investment recommendation is made, a process begins that is handled by the Allocation Committee and the Fund Committee (see p. 22–23).



All on all this is a complex process that requires being very familiar with the portfolio structure, strategy and priorities of potential fund partners.”

Decision structure

The strategy established by the Board of Directors is applied to all investments. The portfolio is gradually constructed through selective investment commitments and co-investments, where selection is the result of a process of identifying, evaluating and analysing.

The focus is on partnering with actors who share the vision of a long-term approach to value-creation and an emphasis on sustainability. We are constantly working across a broad front to identify actors with the same approach as AP6. Building long-term relationships is a key component in AP6's efforts to impact outcomes. A fund or a co-investment which, following an evaluation, meets the criteria profile of AP6 requiring long-term and sustainable value-creation is forwarded to the Allocation Committee.

ALLOCATION COMMITTEE

Based on a portfolio perspective, the Committee is responsible for determining which investments and divestments to prioritise and propose for implementation.

A portfolio strategy has been adopted by the Board of Directors to support the Allocation Committee in its decision process. The portfolio strategy is based on an analysis of return and risk with the aim of generating returns that are sustainable in the long term with a good risk balance.

The Committee also works on an ongoing basis to evaluate the existing portfolio in relation to the long-term strategy.

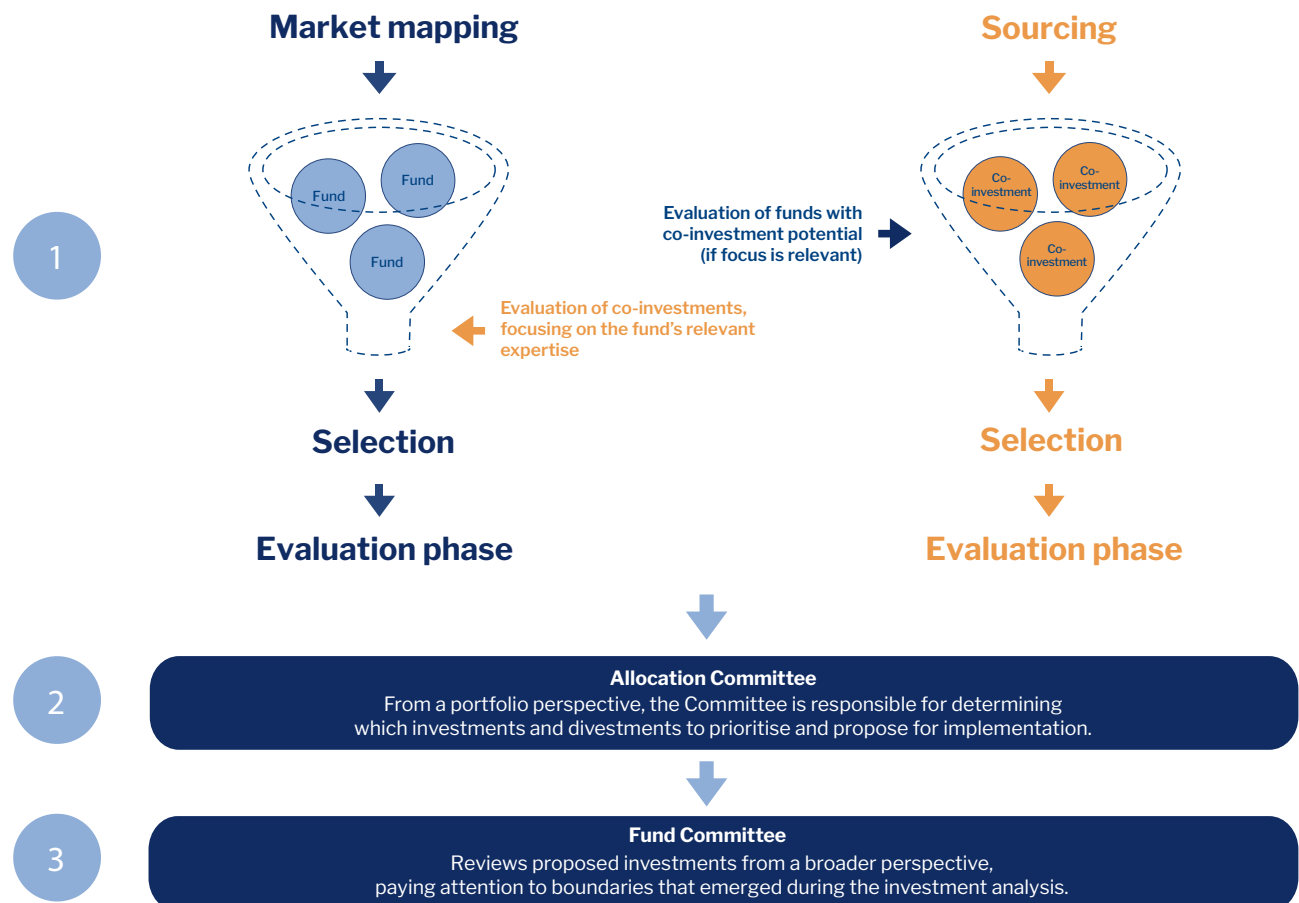
The Committee is chaired by the Managing Director and consists of representatives from the investment department and the CFO.

After the Allocation Committee has decided to approve an investment, it goes to the Fund Committee.

FUND COMMITTEE

The Fund Committee is tasked with reviewing proposed investments from a broader perspective. The Fund Committee is also responsible for assessing whether there is any reason not to approve an investment based on any issues that arose during the investment analysis process. These may relate to various aspects of sustainability, reputational risk, legal aspects or operational risk. The Fund Committee is chaired by the Managing Director and consists of the Head of Sustainability, General Counsel, Head of Communications, a portfolio strategist, and heads from the investment department.

An approval decision from the Fund Committee is needed before an investment can go ahead. In accordance with the decision-making procedure at AP6 certain investment decisions are taken by the Board.



EXAMPLES OF FUND INVESTMENTS IN 2022 WHERE AP6 DECIDED NOT TO INVEST

A thorough analysis and evaluation process forms the basis for the selection of fund investments. The process that culminates in a decision to commit capital to a private equity fund takes several years and involves ongoing discussions and prioritisation. There can be many reasons not to go ahead with an evaluation, such as capital available for allocation, commercial considerations, investment conditions and sustainability.

Type of investment	Situation	Main reason for decision
Venture	Evaluation of fund with investments in companies in an early phase.	AP6 chose not to invest due to the nature of the fund's sector exposure.
Venture	Evaluation of fund with investments in companies in an early phase.	It was determined that the fund's market focus was not aligned with AP6's strategy. AP6 decided not to invest
Buyout	Evaluation of fund with investments in mature companies.	AP6 chose not to invest based on increased risk exposure due to a change in strategy.
Buyout	Evaluation of fund with investments in mature companies.	The fund's returns did not meet expectations. AP6 decided not to invest.

EXAMPLES OF CO-INVESTMENTS IN 2022 WHERE AP6 DECIDED NOT TO INVEST

Every year AP6 makes decisions on a large number of co-investment opportunities. There can be many reasons not to go ahead with an evaluation, such as capital available for allocation, transaction security, resource allocation, commercial considerations, investment conditions and sustainability. Prioritisation and decisions on investments are made on an ongoing basis.

Type of investment	Situation	Main reason for decision
Buyout	Evaluation of co-investment with exposure to fossil fuels.	AP6 avoids exposure to fossil fuels due to climate change and the transition to renewable energy systems.
Buyout	Evaluation of co-investment with low investment allocation.	The investment is not deemed to be aligned with AP6's strategy based on investment size.
Buyout	Evaluation of co-investment where the company's services are associated with social and ethical issues.	The investment is deemed to be associated with an increased risk of human rights violations.



2. Ownership phase

AP6 regards the ownership phase as an opportunity to build knowledge and understanding, and to have an impact by monitoring and following up on activities to ensure that investments progress according to plan in terms of return, strategy and sustainability. The holding's value-creation is monitored closely by the respective investment manager. Continual dialogue and relationship-building add additional knowledge over and above the normal information-sharing in quarterly reports and at annual meetings. AP6's ambition and aim is to be an active partner with

expertise in managing complex transactions from various perspectives, such as commercial, financial, legal and sustainability. Constantly monitoring the development of holdings provides a basis for carefully considered future decisions on the continued partnership. When considering a potential investment, AP6 initially communicates its desires and expectations in a number of areas such as transparency, fees, profit-sharing, key individuals' holdings, organisational structure, reporting and sustainability. Financial reports and reporting on sustainability, incidents or material changes in a holding or among senior

executives are a few examples of reporting and disclosures required by AP6. AP6 is clear about its expectations and undertakings with respect to sustainability, or ESG (environmental, social, governance). This may be expecting a higher level of ambition or improved and more detailed reporting linked to various key ratios. AP6 exercises its influence in the area of sustainability through cooperation, evaluation and feedback. AP6 has many years of experience of evaluating how funds approach sustainability. This is manifested in the model that AP6 has developed to measure, analyse and evaluate the funds' ESG efforts. One

important aspect that encourages a deeper understanding of and greater cooperation around ESG-related issues is the individual feedback that AP6 offers all funds. For co-investments, sustainability-related matters are followed up within the framework of the ongoing investment monitoring process. Common to all types of investments is that any incidents are reported and followed up. Reporting comes primarily from the investments, but AP6 also uses external tools to identify events related to sustainability in the portfolio. An important forum when investing in funds is the Limited Partner Advisory Committee (LPAC) consisting of representatives from a number of investors. The number of seats on the LPAC is limited and they are generally allocated based on the size of the investment. AP6 is represented on

the LPAC through a number of funds in the portfolio. The LPAC enables closer monitoring of fund development. Through the LPAC, AP6's investment manager for the respective fund is able to participate in discussions at close quarters about the fund's holdings. Learning more about the respective fund team linked to strategy, teams, company acquisitions, value-creation and sustainability is valuable. Combined insights from ongoing monitoring form part of the decision-making process when a particular fund team is about to raise a new fund. AP6 has many years of experience of investments in unlisted assets and uses well-established systems that are adapted to handle large quantities of data in a resource-efficient way. Different funds use different structures and systems to report financial information, such as



AP6's ambition and aim is to be an active partner with expertise in managing complex transactions from various perspectives, such as commercial, financial, legal and sustainability."



Investor meetings and financial reporting

Owner representatives participate in investor meetings that address return and sustainability. Also covered are financial reporting and development of funds and co-investments.



ESG assessment

On an annual basis AP6 assesses the funds' efforts and progress on integration of ESG in the investment process, ownership phase and in reporting. Communicating the assessment results helps to promote a close dialogue with the fund managers.



Advisory committee – LPAC

The Limited Partners Advisory Committee (LPAC) consists of representatives of a number of investors in a fund. This representation enables closer monitoring of fund development. AP6 is represented on LPACs in a number of funds in the portfolio.



Incident reporting

It is customary in private equity for a fund manager to report incidents of a material nature to their investors through the formal quarterly reports or in other ways. AP6 is provided with these reports and takes action if necessary.



Cooperation and dialogue for co-investments

Each co-investment is an opportunity to further deepen knowledge about the fund manager's processes and ways of working as the co-investor has access to the fund manager's due diligence for the company.



Monitoring ESG and risk incidents

To supplement the funds' incident reporting, AP6 monitors the portfolio holdings through a third-party provider. This tool makes it possible to identify ESG issues, risk incidents, controversial activities, business conduct risk, compliance, etc.



valuations. AP6 has developed models and uses a number of tools to monitor and analyse the portfolio. The ownership phase in co-investments is essentially the same as for investments in funds. AP6 invests in companies (minority investments) together with the funds to which AP6 has committed capital. Opportunities to build knowledge and understanding, and to exercise influence, arise from established fund relationships and close dialogue. Co-investments where AP6's ownership share justifies representation on the board allow AP6 to exercise a greater influence. The aim is to monitor the company's development from close quarters in order to deepen and strengthen the relationship over time. Important focus areas are the company's value-creation strategy and how it approaches sustainability.

EXAMPLES OF EVENTS IN THE PORTFOLIO THAT LED TO DIALOGUE IN 2022

AP6 sets high standards for its partners. One area of importance is communication and management of any incidents or events of a more serious nature that could affect the value of an investment or have a significant impact on ESG. AP6 is keen to receive swift and clear feedback from the funds or companies in question regarding any such events.

Investment	Event	Action taken by AP6	Status
Indirect holding in fund	The company was accused of shortcomings in safety procedures in the workplace and in the services delivered	Dialogue with the fund manager regarding actions to manage the situation	The company has taken several steps to address the safety issues
Indirect holding in fund	The company was accused of fraud	Dialogue with fund managers about the situation and actions to manage it	The fund manager informs investors regularly about the situation

Ongoing reporting
and interaction

APG's annual
evaluation

Annual outcomes
for all fund managers

Annual feedback
to each asset manager

EVALUATION OF FUND MANAGERS

2022 saw a positive trend in the area of sustainability among the fund managers in APG's portfolio. For a number of years APG has evaluated the portfolio's ESG work, provided feedback and examples of good practices. Evaluating and monitoring the fund managers' sustainability work is an important aspect of APG's efforts to achieve

a higher and more sustainable, risk-adjusted return over time. Integration of ESG practices is primarily assessed based on the fund managers' formal processes for examining the sustainability perspective when they invest in companies, how they work with companies during the ownership phase, as well as their sustainability reporting. Positive development in ESG

related processes among the fund managers is in turn expected to result in positive development for the underlying portfolio companies.

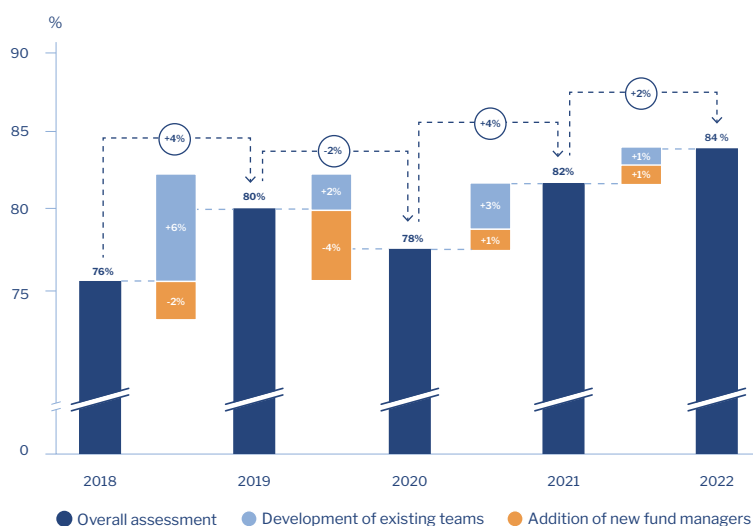
The evaluation process facilitates dialogue about the portfolio and ongoing sustainability efforts. APG's evaluation focuses on the fund managers' processes as well as resources and initiatives aimed at developing the companies' sustainability approach. It also examines work related specifically to APG's sustainability focus areas, read more on p. 38–40. APG's evaluation involves assessing the fund manager's ESG integration processes rather than the portfolio companies' actual impact on people and the environment. The evaluation follows APG's in-house developed assessment model based on industry established methodologies for assessing fund managers. The process of evaluation is refined regularly in line with industry development.

APG has noted an upward trend over time in the portfolio, with the fund managers' ESG related processes developing in a positive direction. A decrease in the average score was noted in 2020 as a result of the addition of new fund managers in an earlier phase of ESG integration. The positive development in 2022 is mainly contributed by newly added fund managers' established processes of integrating ESG in investment processes. ESG integration in the ownership phase was also a factor in the improved outcomes, mainly from existing fund managers' development during the year. Results in the reporting module were marginally improved compared to the previous year. The results are expected to improve further going forward as the fund managers have been focusing on establishing processes and systems aligned with new reporting requirements and initiatives.

The overall conclusion of the 2022 assessment is that the fund managers in APG's portfolio are intent on developing their sustainability agenda further with the majority of them adding more resources going forward.

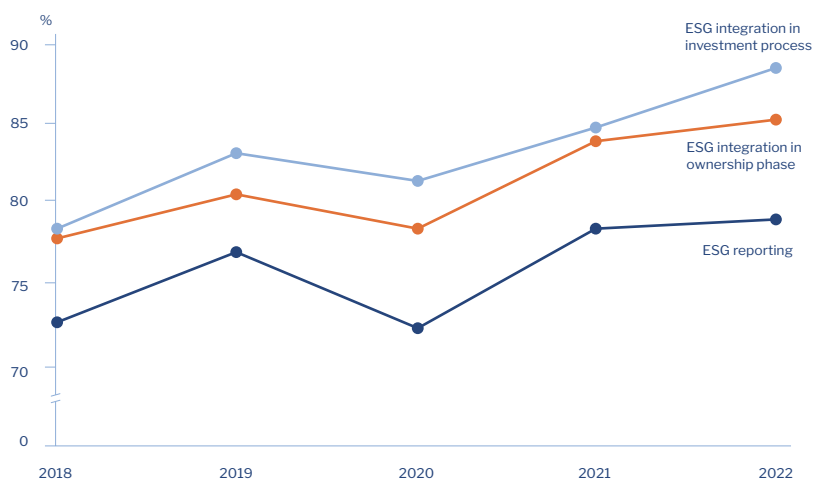
ESG assessment 2022

Overall result



Development of ESG integration

By area



3. Divestment

To manage the illiquidity associated with investing in privately owned companies, a private equity fund has a very long investment horizon. The life of a fund can vary (10–15 years) and there are three phases: acquisition of the company, value-creation and divestment. Institutional investors like AP6 who invest in private equity funds commit to a predetermined amount, known as the fund commitment, where they undertake to provide capital when the fund invests in a company. During the divestment phase the investors receive distributions when the fund divests a company.

In addition to fund commitments AP6 also invests directly in companies that are included in the respective funds that AP6 has committed capital to. These are called co-investments. With the respective fund,

AP6 becomes a minority investor in the company. The life of a co-investment is shorter than the life of a fund, but also varies (3–8 years). In the same way as with a fund commitment, the principal owner/fund is the actor responsible for running, developing and divesting companies. This means that a co-investment generally has a similar structure to a fund commitment.

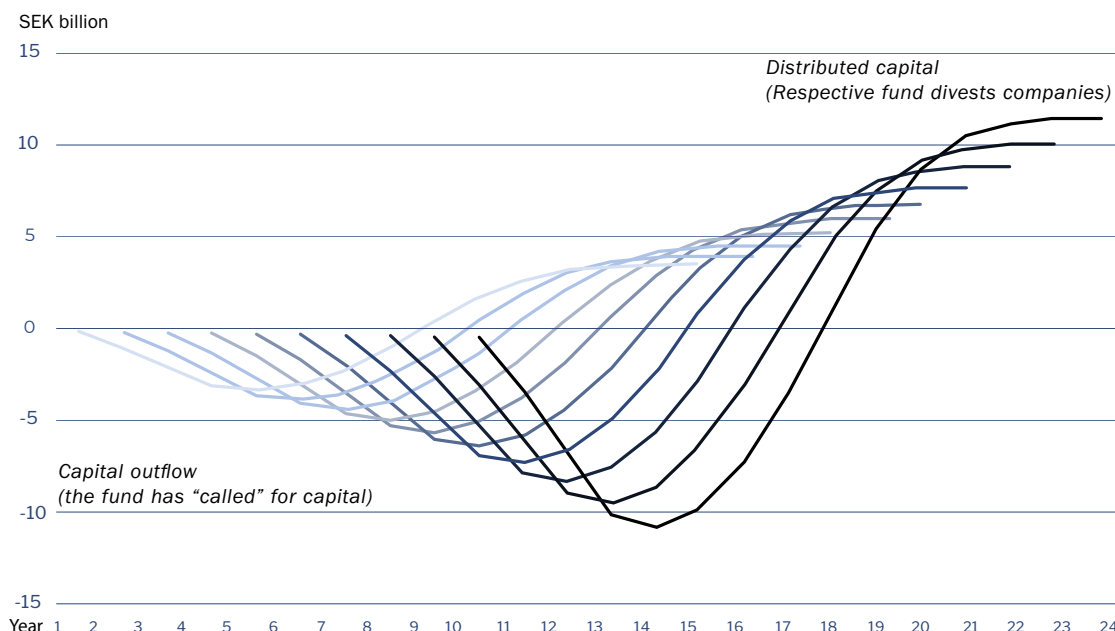
By AP6 investing on an ongoing basis, the portfolio achieves gradual maturity so that distributions/divestments from funds and of co-investments balance out capital drawdowns/new investment, despite the fact that gross flows can be considerable. As AP6 is a closed-end fund where returns are used for investments, it uses models to forecast liquidity. The models are constantly developed and evaluated based on

long-term cash-flow data from the market.

A fund commitment is an undertaking that must be fulfilled by investors. Not fulfilling a commitment can be very costly and in extreme cases may put the remaining investment at risk. These are factors that make larger, long-term institutional investors more suited to investing in private equity.

This is also the reason why AP6 is a so-called closed-end fund, where the legislator has determined that it is not possible to extract liquidity on an ongoing basis in the same way as from other AP funds. The need for long-term and stable conditions is a basic necessity for investment in unlisted assets.

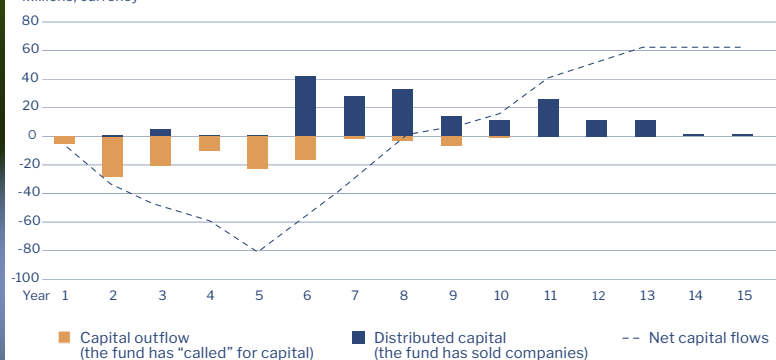
Theoretical example – net cash flows per year and growing size of fund commitments



Each curve represents around 20 co-investments for the year in question. The curves show net cash flow of capital. In general the amounts in the size of co-investments grow for the purpose of employing distributed capital.

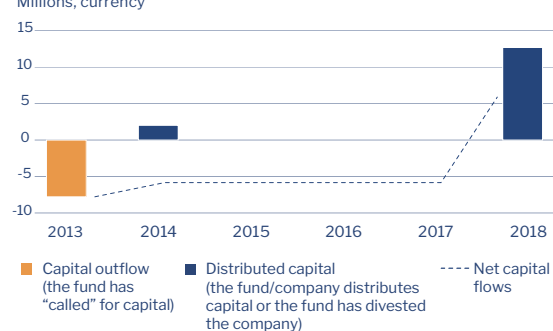
Outflows and inflows linked to an actual fund in the portfolio over a period of 15 years

Millions, currency



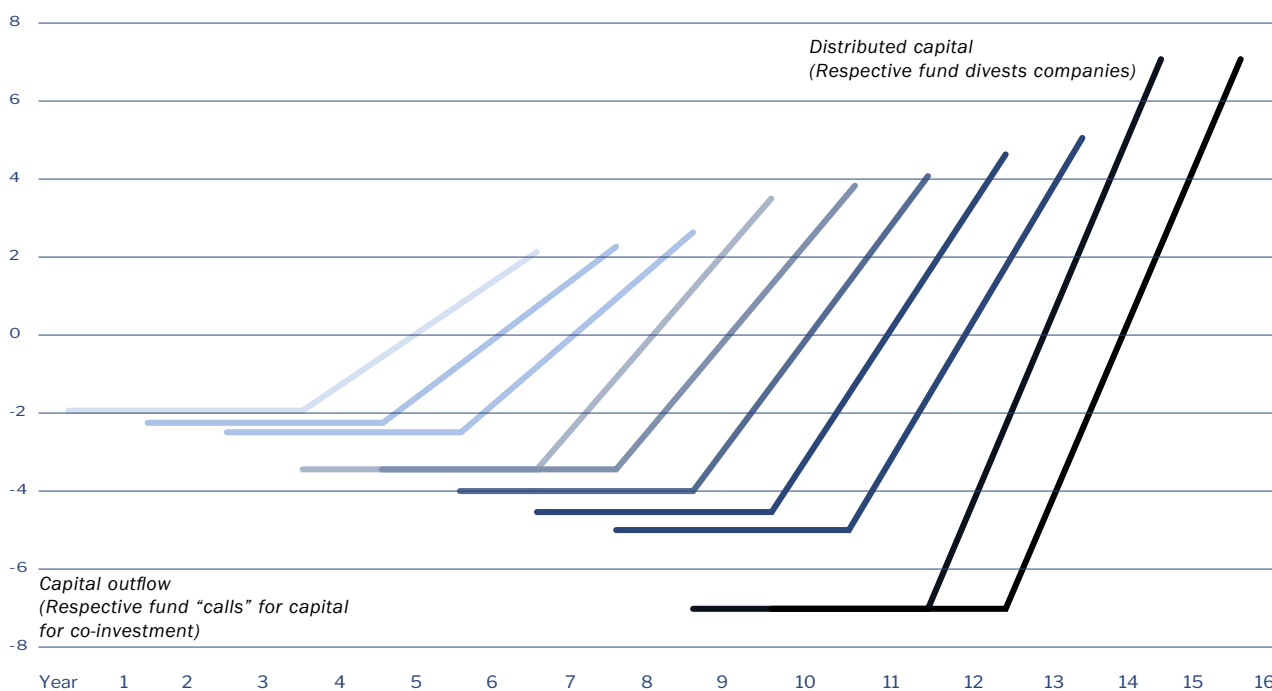
Outflows and inflows linked to an actual co-investment in the portfolio over a period of six years

Millions, currency



Theoretical example – net cash flow per year from co-investments in the portfolio

SEK billion



Each curve represents around 20 co-investments for the year in question. The curves show net cash flow of capital. In general the amounts in the size of co-investments grow for the purpose of employing distributed capital

Return targets

Since 2021 AP6 has had a return target that enables its strategies and returns to be evaluated in a more relevant way, compared with previous targets. The change makes it possible to break down the return and evaluation of various segments for the purpose of obtaining a full analysis of what the different parts of the portfolio are contributing when overall results are analysed.

The return target is calculated based on data supplied by Burgiss, a leader in collecting and providing data for unlisted investments. The quality and scope of the data on unlisted assets has gradually improved over the past few years, and at year-end 2022/23 around 12,700 unlisted funds with around USD 10,000 billion in market value were included in the data.

Data is based on reporting from the GPs, (general partners, i.e. fund managers) to their LPs (limited partners, i.e. the investors). This means calculated returns



As a closed-end fund, AP6 has neither inflows nor outflows. To manage the difference in liquidity management a liquidity buffer is required to meet the investment commitments, which may vary over time.

are net after fees, making them comparable with AP6's returns.

No geographical sampling is applied as AP6 has no such limitation in place.

Return data from Burgiss is converted

into Swedish kronor to be comparable with AP6's earnings, which are reported in SEK.

As a closed-end fund, AP6 has neither inflows nor outflows. To manage the difference in liquidity management a liquidity buffer is required to meet the investment commitments, which may vary over time. AP6's net returns are adjusted accordingly to obtain a fair comparison.

The amount of liquidity needed is estimated at around 10 percent of the fund assets. The return target set for this liquidity is OMRX T-Bill, which is the internal target for AP6's liquidity management. The calculation of the target is weighted for this reason. AP6's return targets are therefore as follows:

- 90 percent of the target return for the unlisted portfolio over the past five years (Burgiss)
- 10 percent of the target return for liquidity management (OMRX T-Bill).

RETURN OVER DIFFERENT PERIODS

Specification of AP6's total return (IRR*)

Period	Year	Total	Buyout	Venture/ Growth	Secondary	Fund total*	Return targets**
1 year	2022	15.0%	16.3%	5.2%	25.9%	1.9%	20.9%
5 years	2018–2022	24.1%	22.5%	40.1%	19.3%	16.8%	15.9%
The Board evaluates AP6's returns over a five-year period as these represent the current strategic focus.							
10 years	2013–2022	17.8%	17.2%	21.0%	18.1%	13.0%	16.2%
Since inception (26 years)	1997–2022	10.9%	16.4%	2.4%	N/A	7.5%	N/A

Returns for the past 10 years are to some extent associated with older strategies. Returns since inception are not comparable with those from current operations.

*From the beginning of 2022 the effect of currency hedges is only included for the Fund total.

**Return target: Represents the return for a median fund that invests in unlisted assets. To be comparable with AP6's net return the target has been adjusted for an estimated liquidity requirement of 10 percent. 90 percent of the return target thus consists of the performance of unlisted assets as well as 10 percent of OMRX T-bill.

Risk management

The risks in a portfolio consisting of unlisted holdings are different from those associated with listed holdings. AP6's risk management takes place in several steps and uses models and assessment templates adapted for private equity. Risks across the Fund are identified and evaluated annually after which AP6's risk profile is visualised. Any risks taken are to be carefully considered, manageable and possible to monitor. The aim is for the risk profile to be the result of well-informed decisions. Risk analysis identifies the likelihood of both strategic and operational risk. This includes quantifying the costs if the risk should materialise.

Operational risk is managed by an experienced unit with the appropriate expertise, an effective decision structure and professional system support for measurement and control. Private equity is characterised by involving illiquid assets. AP6's long-term strategy addresses this through, for

example, a combination of selected fund relationships and co-investments. The qualitative structure of the portfolio is built based on a systematic model to evaluate potential, risk and sustainability. For more information on sustainability risks, see p. 72. Ongoing monitoring ensures that the portfolio develops according to the long-term strategy.

A risk unit and professional system support are in place to enable risk measurement and to verify compliance with the investment rules in the Investment Policy. This includes exposure risk. The portfolio's risk diversification is visualised based on factors such as geography, industry, segment (Buyout, Venture/Growth and Secondary), year and cash flow. The various segments have different return and cash flow profiles which, in the right combination, can create a better, risk-adjusted return for the overall portfolio. The choice of fund manager and co-investment is an important factor in attaining risk-adjusted

returns. AP6's objective is to create a higher return than the average return in the private equity market. One way to achieve this is by taking active risks in the selection of funds and co-investments. Commitments to funds involve an undertaking to disburse funds in the future. If these commitments cannot be met, significant value may be lost. Liquidity requirements are monitored using various simulations in the forecast models produced. The possibility of implementing liquidity-creating measures is considered according to the contingency plan. Ongoing transactions are compared with the forecast liquidity development. The investment portfolio is largely invested in foreign currencies as a limited part of the market consists of holdings denominated in Swedish kronor. Balance sheet risk is taken into account when calculating currency risk. Current currency exposure is monitored and hedged based on certain limits as set out in the Investment Policy.

Exposure risk

Risk diversification in terms of geography, industry, segment (Buyout, Venture/Growth and Secondary), year and cash flow.

Risk-adjusted return

Different segments contribute to the risk adjusted return by the various segments having return and cash flow profiles that, in the right combination, can create a better, risk-adjusted return for the portfolio.

Active risk

The goal in taking active risks in the selection of funds and co-investments is to create a higher than average return.

Risk identification through AP6's scorecard

When evaluating an investment proposal, an assessment is made of potential and risk based on established frameworks and models. This facilitates comparison between different investment opportunities.

Risk assessment during the holding period

Evaluation process continues throughout the holding period to ensure that a fund or a co-investment develops as expected and follows the defined strategy. The outcome of this is an important factor in assessing new funds within the same fund relationship.

Annual ESG assessment

Annual assessment of the funds' progress on ESG through AP6's model that assesses the fund managers' ESG integration in the investment process, owner phase and in reporting.

Sustainability assessment based on risks and opportunities

Assessment of a potential investment includes a well-defined process to identify and assess sustainability based on the risks and opportunities associated with the owners, companies, markets and business models.

Liquidity risk

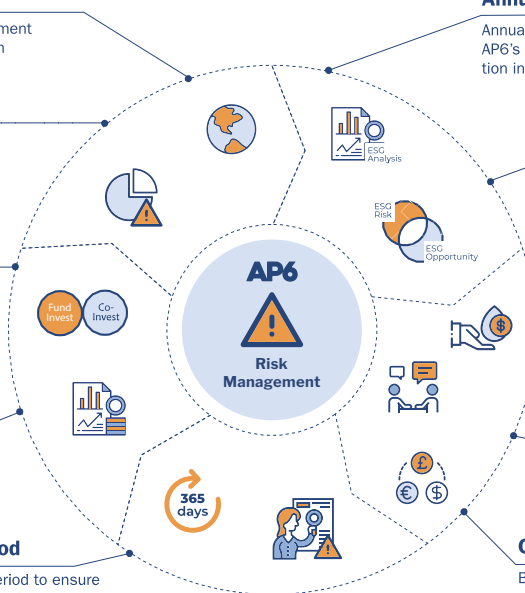
The liquidity requirement is monitored by the risk unit in various simulations in future forecast models. Here the assumptions on long-term cash flows are taken into account, evaluated and fine-tuned on a regular basis.

Funding risk

Commitments to funds involve an undertaking to disburse funds in the future. If these cannot be met, there is a risk that significant value will be lost.

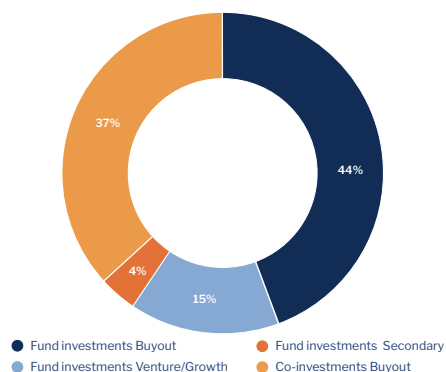
Currency exposure

Balance sheet risk is taken into account when calculating currency risk. Current currency exposure is monitored and hedged based on certain limits as set out in the Investment Policy.

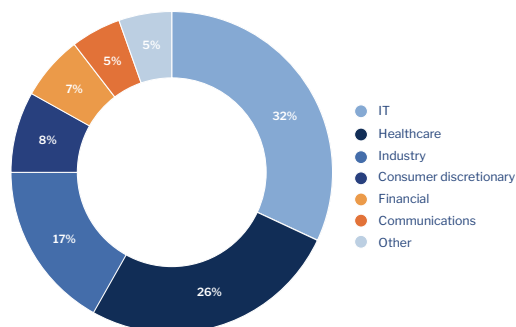


Portfolio

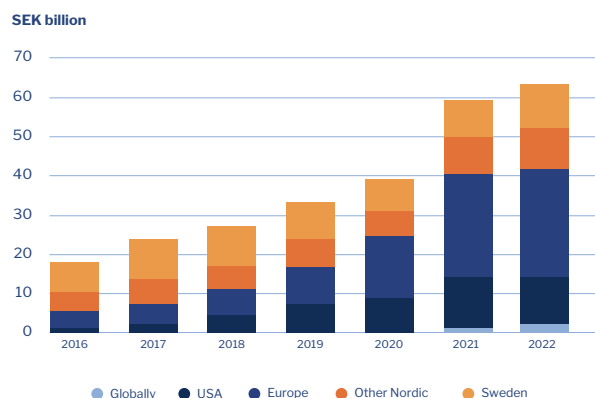
**Capital employed of SEK 66.5 billion
by market segment**



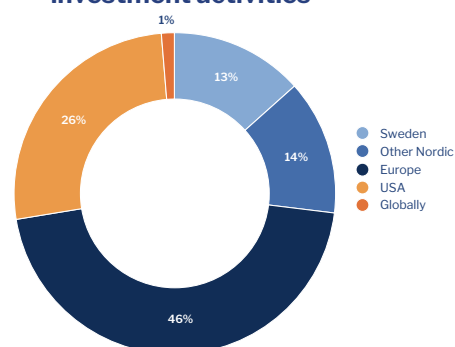
Industry distribution



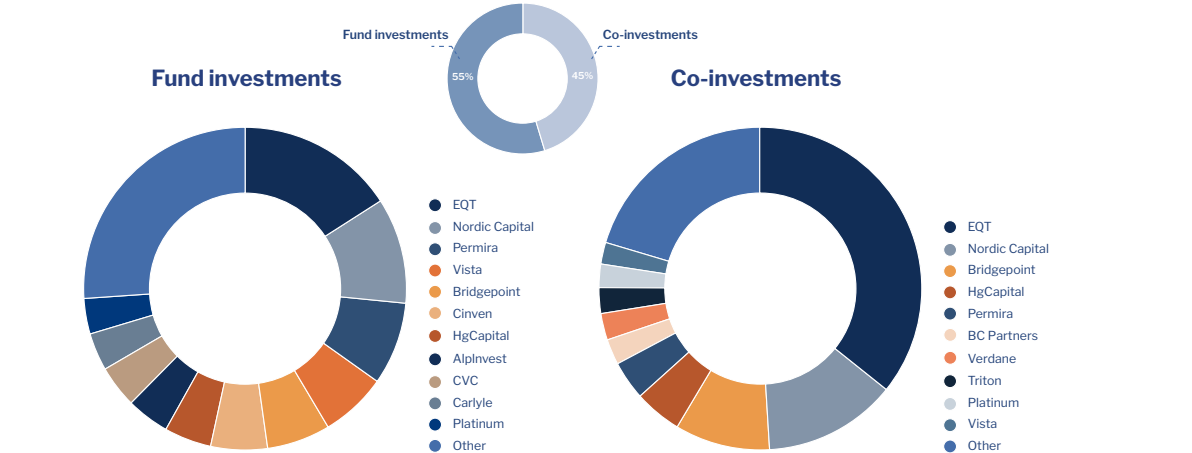
Gradual internationalisation of the portfolio



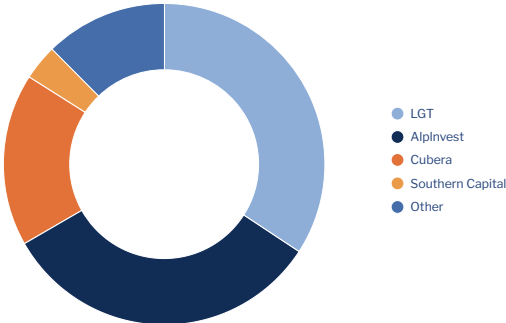
**Geographic spread in
investment activities**



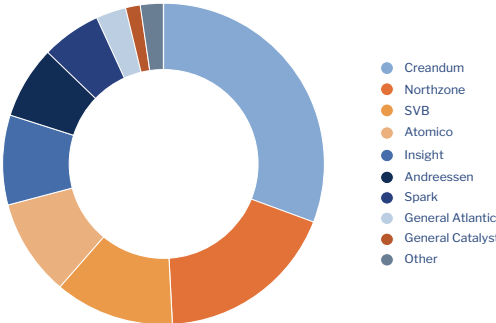
The main funds and co-investments in the Buyout segment



The main fund investments in the Secondary segment



The main fund investments in the Venture/Growth segment





An attractive employer

Managing public pension funds by investing in unlisted assets requires a high level of expertise and excellent judgement. It is of strategic importance for AP6 to be an attractive employer in order to recruit and develop skilled employees.

ATTRACTIVE ROLES

AP6 is a significant institutional investor in the private equity market. Partners include several high-ranking European and US investment private equity firms. The strategy of combining fund commitments with qualitative co-investments within Buyout with an integrated sustainability approach gives rise to interesting work roles at AP6. In addition to the Buyout segment, the portfolio also consists of Venture/Growth and Secondary. Specialists in various aspects of the Fund work together across the investment process. The investment team works with actors in Europe and the US. The return that AP6 generates contributes to the consolidation of the Swedish pension system for the benefit of future generations of pensioners.

INVESTMENT TEAM

The investment team is the largest part of the organisation. Analysts perform advanced analysis to evaluate fund commitments and co-investments in a team that includes investment managers and investment directors. Each pursued investment opportunity is staffed with team members bringing specific expertise to each case. Analysts often have an advanced university degree in economics, finance or engineering. Investment managers have many years of experience in the industry and have ownership responsibility for certain investments. They work closely with investment

directors who have extensive experience in various aspects of the private equity market. Investment directors have ownership responsibility for the largest holdings and for frequent dialogue to maintain strategic fund relationships. Managers and directors in the investment department are responsible for different parts of the investment portfolio and sit on committees where investment decisions are made.

SUSTAINABILITY

Sustainability is integrated into investment activities and is a theme throughout the process. Sustainability specialists have a background in areas such as engineering, natural sciences or social sciences, as well as many years of experience working in the area of sustainability. Those in a role with responsibility for ESG integration have experience of both the financial aspects and of integrating ESG into investment activities. The Head of Sustainability leads the sustainability programme and is also a member of the decision-making Fund Committee.

LEGAL

Investments in the private equity market requires solid legal expertise and experience. AP6 has many years of experience of private equity law as well as corporate law. The legal aspects are international and the Legal unit works both internally and with law firms engaged to provide specialist



expertise. Legal experts in the Legal unit are required to have a law degree and experience in corporate law. The Legal unit is headed by the General Counsel, who is also a member of the decision-making Fund Committee.

OTHER ROLES

Portfolio strategist is a role that requires experience in financial modelling and a financial or technical background. Investing in private equity requires a clearly defined investment process and also monitoring based on the very long-term and illiquid nature of the investments. The role as Chief Investment Governance requires private equity investment experience as well as experience in governance processes within this asset class.

ACCOUNTING/FINANCE

The Financial team has many years of experience of financial reporting based on a private equity investment portfolio. The various professional roles within this unit include accounting manager, financial assistant, back office, controller and risk controller. These roles require a background in business economics combined with various types of experience based on the nature of the role. The Risk unit is part of the Financial team and manages



Specialists in various aspects of the Fund work together across the investment process. The investment team works with European and US managers.

liquidity forecasts and currency hedging, and monitoring risks in the portfolio. This requires experience in the above-mentioned areas as well as in modelling portfolios using various portfolio management systems and programming. The Financial unit is headed by the CFO who is also a member of the Allocation Committee.

COMMUNICATION

As a public sector agency, AP6 is responsible for communicating information to stakeholders, the public and the media. The role as Head of Communications requires significant experience of working with the media and in communication. The Head of Communications is a member of AP6's decision-making Fund Committee.

HR

Workplace culture, values, attitudes and behaviour are all focus areas for the HR unit. The roll as Head of HR requires many years of experience of operational HR processes at the management level. HR administrators must have experience and skills in managing a number of aspects of the job.

RELEVANT COMPENSATION

AP6 is a government agency under the Ministry of Finance. Managing pension funds by investing in unlisted assets requires the employees to have a high level of expertise and experience. AP6's owner has established that employee compensation is to be competitive, but not at the highest level in the industry. AP6's approach is to offer employees a good salary and reasonable benefits within the framework of the remuneration and benefits guidelines established by the owner.

GENDER EQUALITY

Gender equality is a focus area for AP6. Within the organisation there is a strong emphasis on recruitment processes and employee development. Working systematically on gender equality has resulted in an organisation that has now achieved a gender balance – both on an overall level and within different departments, units and roles.

DIVERSITY

Diversity is also a focus area. AP6 is keen to embrace a diversity of perspectives and collective talent within the organisation. A small workforce in a homogeneous industry makes it important to have a long-term plan and to work actively on diversity – in recruitment processes as well as in day-to-day operations.

LEADERSHIP AND EMPLOYEESHIP

No matter which project or issue is in focus, the collective skills and expertise within the organisation are utilised through active leadership and employeeship. AP6 involves its managers and employees on an ongoing basis in both projects and decision forums.



New sustainability target for AP6

In mid 2022 the Riksdag (Swedish parliament) adopted a proposal to supplement the law that governs AP6's activities with a new sustainability goal. AP6 welcomed this decision as it means that the sustainability approach initiated a decade ago now has been established in the law.

On July 1 2022 a new law governing AP6 went into effect. The Sixth Swedish National Pension Fund Act (2000:193), which has governed AP6's operations for just over two decades was supplemented to include a target regarding exemplary asset management. For more than 10 years AP6 has worked systematically to invest responsibly and to integrate sustainability into its investment activities. AP6 welcomes the change in the law, which further clarifies and supports AP6's approach to sustainability and responsible investment.

AP6's mission is to manage funds entrusted to it for the benefit of the public pension system through investments in the private equity market. Fund assets are to be invested such that the requirements for a long-term high return with adequate risk diversification are met. The main change that the amended law involves is as follows: The Sixth Swedish National Pension Fund is to manage fund assets in an exemplary manner through responsible investment and ownership. In managing assets special attention is to be paid to promoting sustainable development without compromising the goal [for return and risk].

The lack of a specific goal regarding responsible investment and sustainability in the previous Sixth Swedish National Pension Fund Act was pinpointed in 2021 by the Swedish National Audit Office (NAO)

in its report on the AP-funds approach to sustainability in investments and active ownership (RiR 2021:18). The report stated that the national AP funds' approach to sustainability is appropriate based on their assignment, but that the funds should focus more on ensuring that the pension assets contribute to Sweden's goals regarding sustainable development. In this context the Government was urged to clarify the Sixth Swedish National Pension Fund's assignment with respect to exemplary asset management and responsible investment. The first to fourth AP funds were given a similar requirement in 2019.

The new legislation also requires AP6 to apply a set of values to its management of fund assets as well as guidelines stipulating what the Fund's assets should not be invested in. It also requires AP6 to work with

the other AP funds to report progress on the goal of exemplary asset management.

In 2022 a joint action group composed of representatives from all of the AP funds established a common approach to address the provisions in the respective acts. The first to fourth AP funds, for which the act had already been supplemented with the exemplary management goal, had already established a common approach. Based on this, new documents were produced jointly by all AP funds. The aim was to find a shared vision that took into account the different assignments of the AP funds, and also the changes that have taken place in the market regarding responsible investment, such as reporting frameworks and regulations. Cooperation and dialogue between the AP funds around sustainability and responsible investment will continue to be developed.

Although AP6 is formally only required to work in cooperation with the other funds on reporting, it took part in the dialogue on all three areas. Having a common view of what exemplary asset management means is essential in order to find consensus on how it should be reported. Based on this, AP6 has decided to support the AP funds' shared values for management of fund assets in addition to the common guidelines for reporting on the exemplary management goal. Regarding guidelines on which assets the fund assets should not be invested in, AP6 already has its own exclusion criteria for its investment activities and these are available to the public.

AP6 has had a Code of Conduct for its organisation for many years. The Code also emphasises responsible investment. To clarify AP6's ambitions with respect to sustainability and responsible investment, a separate Responsible Investment and Ownership Policy was produced in 2022. An extensive update of the Code of Conduct was also carried out during the year. One important aspect when updating the Code was to define and develop the organisation's values based on the core values of the Swedish state as well as the organisation's mission and goals.



In 2022 a joint action group composed of representatives from all of the AP funds established a common approach to address the provisions in the respective acts.

Sustainability in 2022

For several years AP6 has had a long-term focus on responsible investment and integrating sustainability into its investment activities. The following pages present an account of the development of the portfolio and the organisation in 2022. They also describe how the sustainability targets for the portfolio and the organisation set by AP6's Board of Directors have been monitored.

On 1 July 2022 the new law governing AP6 went into effect. A goal regarding exemplary management through responsible investment and ownership was added into the Sixth Swedish National Pension Fund Act (2000:193). Based on this change to the law, AP6's Code of Conduct was renewed during the year and a separate Responsible Investment and Ownership Policy was established. Also during the year AP6 collaborated with the other AP funds on the goal of exemplary management, please refer to p. 37.

Responsible investment

During 2022 there was a continued focus on the fund's goals and processes related to responsible investment after AP6's targets were revised in 2021. Reporting on the targets can be found on p. 39. The updated targets reflect AP6's role as an indirect investor and apply to the whole portfolio. The results indicate that the portfolio has a relatively good starting point but that more work is needed in order to reach the goals.

The 2022 ESG assessment shows that several fund managers have made progress in their efforts to integrate ESG into their processes. The area where most progress has been made is in the investment phase,



followed by the ownership phase. For more detailed information, refer to p. 27.

The fund managers' sustainability reporting rate has risen from 71 percent in 2021 to 78 percent in 2022. The increase is mainly due to new additions to the portfolio, but also due to changes in the individual fund managers' share of AP6's total portfolio.

In 2022 AP6 maintained its focus on increasing ESG integration in the Venture segment, including participation in a process to develop industry-wide methods for sustainability assessment of venture fund managers. Through active participation in industry associations and networks

AP6 also contributed to an exchange of knowledge and experience of sustainability within private equity.

FOCUS AREA: GENDER EQUALITY AND DIVERSITY

Gender equality and diversity is a focus area in AP6's sustainability approach – both in investment activities and within the AP6 organisation itself.

Since 2016 gender equality and diversity have been a mandatory part of reviewing and monitoring investments – both with fund managers and in companies.

Monitoring targets

An even gender balance in fund managers' partner teams and investment teams is defined as at least 40 percent representation of the underrepresented group (women or men). A review of gender equality in AP6's fund investments reveals that the percentage of women has increased by 17 percent (from a share of 12 percent to 14 percent) at the partner level, but is unchanged at 27 percent in investment teams compared to 2021.

Similar to assessments in previous years, US based funds show a more even gender balance than the European ones. Differences have also been noted between investment strategies, with more gender equality among investors in the Venture and Growth segment than in Buyout. Just over 80 percent of the fund managers state that they are actively supporting portfolio companies in improving gender equality and increasing diversity, and that they report on gender equality and diversity to investors. There is clear awareness among fund managers and portfolio companies that organisations with a good gender balance and with a diverse workforce attract the best talent, and that this contributes to better decisions and outcomes long term. However, effects of the progress in the partnership organisations typically characterising private equity and venture capital is not yet evident.

FOCUS AREA: CLIMATE

Making active efforts to address climate change has long been a focus area for AP6. With its long-term assignment to contribute to a system that will safeguard pensions for many generations to come, climate is a major priority. Climate change and the related transitions in society affect investments in almost all sectors. AP6's main climate impact comes from its investments and these are also where climate change affects the organisation the most. As a long-term pension fund AP6 needs to manage climate related aspects in investments to both reduce the risk of negative impacts on the portfolio as well as from the portfolio.

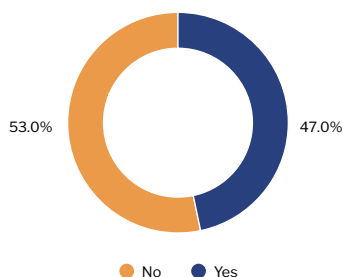
TARGET FOR AP6'S INVESTMENT ACTIVITIES (SELECTION)

Area	Target	YEAR	Status 2022 (2021)
ESG integration	Positive trend in ESG assessment (change in grading of fund managers)	Ongoing	84% (82)
	Fund managers representing 100 percent of invested capital to have an ESG policy/responsible investment policy	Ongoing	100% (100)
Transparency	Fund managers representing 100 percent of invested capital to report on sustainability (according to relevant reporting frameworks/standards, such as PRI or GRI)	2025	78% (71)
	Fund managers representing 65 percent of invested capital to report ESG KPIs at the portfolio company level according to relevant standards and reporting initiatives	2025	63% (-)
Climate	Fund managers representing 65 percent of invested capital to have set or committed to setting climate targets aligned with the Paris Agreement.	2025	47% (-)
	Holdings representing 65 percent of invested capital to report GHG emissions	2025	52% (-*)
Gender equality and diversity	Equal gender distribution in fund managers' partner groups and investment teams, measured proportionally and defined as corresponding to at least 40 percent representation of the underrepresented group (women or men)	Ongoing	Partner level: 14% (12) Investment team: 27% (27)
	10 percent annual increase of the under represented group (women or men) compared to previous year	Ongoing	Partner level: 17% (20) Investment team: 0% (8)
Human rights	Review of the current status and relevant targets produced in 2022	2022	The area was reviewed in 2022 and industry maturity assessed to be in early phase. AP6 plans to conduct a deeper analysis in 2023

*Previous year's target for reporting GHG emissions has been adjusted and is no longer comparable with new targets

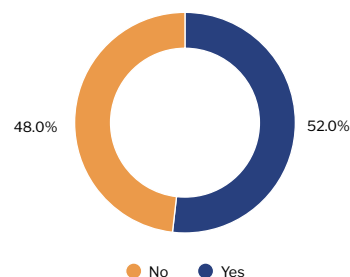
Climate and GHG emissions

Climate goals



Percentage of invested capital where climate targets aligned with the Paris Agreement have been set or where there is a commitment to set them

Reporting of GHG emissions



Percentage of invested capital where GHG emissions are reported

Monitoring targets

In 2021 AP6 developed a plan and set targets to reduce the portfolio's emissions in line with the Paris Agreement. These targets require fund managers and companies that AP6 invests in to take action to increase transparency and to define clear, science-based targets and strategies. In 2022 AP6 followed up on those targets for the first time. The results are positive, with 47 percent of the portfolio's value allocated to fund managers with defined climate targets aligned with the Paris Agreement. Through targeted dialogue and cooperation within the industry, AP6 will continue to focus increasing the percentage of fund managers with defined targets aligned with the Paris Agreement. In line with the transparency target, the equivalent of 52 percent of holdings have reported greenhouse gas emissions. The outcome is also considered positive and a starting point for further dialogue with fund managers and companies.

Influence through dialogue

Within the framework of investment activities AP6 is constantly evaluating how fund managers and companies can manage climate-related risks and opportunities, and which plans exist to integrate these into different phases of investments. In practical terms, when preparing for an investment this could involve assessing if there is dependence on specific raw mate-

rials and how climate will be managed in ownership plans, or if concrete targets will be set to reduce emissions from operations. During the ownership phase observations from these assessments are followed up and supplemented with any new, important aspects that may need to be managed. Raw material extraction is a rare occurrence in the types of investments that AP6 makes. Energy sector investments within the portfolio accounted for less than 1 percent of capital at 31 December 2022 and were primarily within the segment that provides services to extraction companies. AP6 does not have a positive view of investing in fossil fuels due to their assessed impact on the environment and the financial risks associated with such investments.

The climate focus area is monitored in AP6's annual ESG assessment of fund managers. Several fund managers made progress in their climate work in 2022 by defining targets aligned with the Paris Agreement and increasing transparency within their holdings. In 2022 AP6 continued to participate in the private equity-specific Initiative Climat International (iCI) network. The purpose of the network is to drive initiatives and knowledge exchange within the industry. Areas in focus include increased transparency and comparability, as well as defining strategies and targets to reduce emissions.

The portfolio's climate footprint

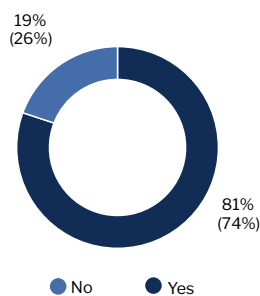
AP6 has measured and calculated the portfolio's carbon footprint for nine years. Total emissions increased by 47 percent compared with 2021 and represent 29 percent of emissions from investments of a similar size in a global index for listed companies, or 148 percent for an equivalent investment in a low carbon index. The increase in absolute numbers in 2022 is related to many additional companies being included in the reporting. The portfolio's weighted carbon intensity in relation to turnover increased by 15 percent in 2022 compared with 2021. For more detailed information, please refer to p. 68–72.

FOCUS AREA: HUMAN RIGHTS

In 2022 AP6 refined its approach within the human rights focus area. The fund managers' application of international human rights frameworks was analysed to assess how to develop appropriate targets. Based on the results of this analysis AP6 has developed a plan for an intensified dialogue with fund managers on human rights in 2023. The purpose is to encourage a systematic approach to evaluate human rights in unlisted investments in line with the UN Guiding Principles on Business and Human Rights (UNGP).

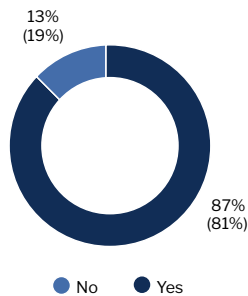
Gender equality and diversity focus area

Support portfolio companies



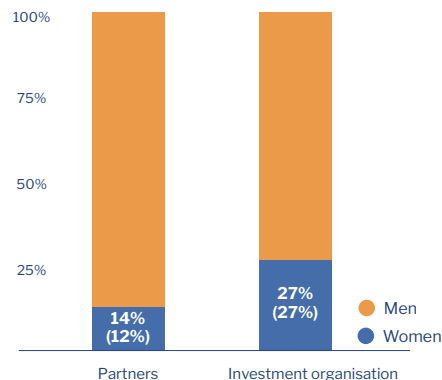
"Do you support your portfolio companies in increasing diversity and gender equality?"

Reporting to investors



"Do you report information on diversity to your investors?"

Fund managers' gender distribution



Sustainability in the organisation

Active efforts were made during the year on matters relating to the culture and values of the organisation. A new Code of Conduct was established, the purpose of which is to provide guidance and clearly define the direction of the organisation. AP6's approach to its partners, for example, is also defined.

There have been internal initiatives focusing on leveraging the organisation's various strengths and capacity to develop. One of the ways in which this was done was providing opportunities for dialogue within the organisation and offering deeper knowledge. This process included an external expert speaking about psychological safety to show how different aspects impact teams and workplaces.

Overall the focus has been on creating a desirable workplace climate and increasing collective intelligence by leveraging and building on all the talents and experience within the organisation.

During 2022 AP6 recruited three

analysts to support the organisation's development and long term growth. It is worth noting that the interest in working for AP6 remains high. An even gender distribution within the group showing an interest in AP6 as a workplace has also been noted. Thus the right conditions exist for an even gender distribution within the organisation's various departments. The same applies to creating teams with a wealth of experience and perspectives. In 2022 the organisation had 34 employees, 16 of which are women (47 percent) and 18 are men (53 percent). In 2022 the management team consisted of seven individuals, four of which are women (57 percent) and three are men (43 percent).

Sickness absence remains very low. In 2022 it was at 0.4 percent (0.9). AP6 is keen to create the right conditions for the employees to enjoy a balanced life, despite having a job that can be demanding at times. Opportunities to be able to prioritise recuperation and health are key to a sustainable work-life balance. In 2022, 97 percent (93.8) of the employees utilised their wellness allowance.

GENDER EQUALITY AND DIVERSITY

Gender equality and diversity are important considerations for the work environment. A professional organisation that wants to improve makes every effort to embrace the collective experience and talents of its employees. Different experiences and backgrounds bring new perspectives when analysing and assessing options – regardless of which area is in focus. Based on this approach, it is important for AP6's team composition to represent a diversity of perspectives.

AP6 has an organisational structure that has a relatively small workforce in a homogeneous industry. This underscores the importance of having an overall and long-term plan to promote diversity. Gender equality and diversity aspects are among the criteria applied when recruiting both temporary and permanent employees. It is also important for internal structures, tools and processes, such as professional development and salary setting, to be in line with established objectives and for the work environment to allow and embrace different perspectives.

AP6'S INTERNAL TARGETS

Area	Target	Status
Climate	At least 90 percent of domestic travel is to be by rail	92% (91)
Gender equality and diversity	In recruitment, the shortlist is to be evenly split between women and men (measured over three years)	Distribution 2020–2022, women 46%, men 54%
	A workplace that reflects society (e.g. gender, age, abilities, background, experience and perspectives)	See the section on gender equality and diversity

INTERNAL WORKING ENVIRONMENT KPIS

Wellness allowance	Training hours	Sickness absence	Employee turnover
has been utilised by the employees at a rate of 97% (93.8)	per employee around 50 (20)	0.4% (0.9)	Recruitment 9.1% (15.9) and departures 3.0% (12.7)

GENDER EQUALITY AT AP6 – SUMMARY/KPIS

The number of employees was 34 (32), broken down as 16 (15) women and 18 (17) men.

Age distribution:

< 30 years 3 individuals
30–49 years 17 individuals
50–70 years 14 individuals

The executive management team consists of seven individuals; four women and three men. The Managing Director is a woman.

Out of the 34 (32) employees, 27 (25) are employed at the head office in Gothenburg and 7 (7) in Stockholm.

The Board of Directors consists of 5 (5) individuals; 3 women (3) and 2 men (2). The Chair of the Board is a woman.

CLIMATE WORK

Direct climate impact from AP6's own operations are reviewed annually. AP6's environmental impact is low and stems almost exclusively from business travel and purchased energy. The return of travel after the Covid-19 pandemic has resulted in an increase in emissions from travel compared with the past two years. AP6's travel guidelines state that air travel is to be replaced by rail or video conferencing to the greatest extent possible. For more information on data about AP6's climate work see p. 70–71.

SOURCING AND SUPPLIERS

In 2022 AP6 carried out an analysis to identify risks in the supply chain as well as processes to handle them. Although the risks are in general considered low, there are individual suppliers in industries where heightened risks have been identified. Steps will be taken to renegotiate contracts in these cases.



Fund Governance Statement

The Fund Governance Statement is inspired by the Swedish Corporate Governance Code, which is based on a clear delegation of roles between owners, boards and managing directors. Although the Code is a set of guidelines for listed companies, it has also created norms for private and public sector organisations and companies. The statement is also to take into account the special status of AP6 as a government agency and national pension fund. There is a significant difference between AP6 and other government agencies. The AP national pension funds have a highly independent status as there are laws governing their activities. The Government has no regulatory authority over the funds in the same way as it does over other agencies.

PERFORMANCE IN 2022

2022 was characterised by a market heavily impacted by the geopolitical situation and changed monetary policy as a consequence of a persistently high inflation rate globally.

The long-term portfolio strategy adopted in 2020 was reviewed and this resulted in some minor amendments being made.

SUSTAINABILITY

The Sixth Swedish National Pension Fund Act (2000:193) was amended on 1 July 2022. The main amendments are as follows:

“The Sixth Swedish National Pension Fund is to manage fund assets in an exemplary manner through responsible investment and ownership. In managing assets special attention is to be paid to promoting sustainable development without compromising the goal [for return and risk].”


To clarify AP6’s ambitions with respect to sustainability and responsible investment, a new Responsible Investment and Ownership Policy was adopted during the year. A substantial update of the Code of Conduct was carried out at the same time. The established practice of integrating sustainability into investing activities has continued based on the organisation’s plans and goals.

The sustainability report, in accordance with Global Reporting Initiative (GRI), is integrated into the Annual Report.

COMPOSITION OF THE BOARD

The Board of Directors consists of five members who are appointed by the Government. Appointment to AP6’s board is based on an individual’s expertise and experience that are relevant to AP6’s operations rather than to represent various parties. The Ministry of Finance prepares nominations and the Government appoints members. The Government also appoints the Chair and Vice Chair of the Board. The Government appoints board members for a one-year term, which means that the current appointments apply until the Government has adopted AP6’s balance sheet and income statement for 2022.

To ensure objectivity and independence, other positions held by the board members are to be approved by the Chair of the Board and any other positions held by the Chair are to be approved by



the Ministry of Finance. Ahead of each board meeting the members are also asked if there is any reason for them to recuse themselves and not participate in discussions on a particular matter.

THE WORK OF THE BOARD

The Board has ultimate responsibility for AP6's operations and the Board's procedures are governed by the Sixth Swedish National Pension Fund Act (2000:193).

Within the framework of what is beneficial for the income-based pension system, AP6 is to manage funds entrusted to it by investing in the private equity market. The law prescribes that the Board is to establish targets for the Fund's investment activities. A set of values is to provide the basis for these activities, and guidelines are to be in place for assets that the Fund is not to invest in. Work procedures are established annually for the Board. The Board appoints the Managing Director who is responsible for the day-to-day management of AP6. The division of roles between the Board and the Managing Director are set out in the Board's work procedures and in instructions for the Managing Director. The Board's main duties are to establish the strategy for the AP6, and ensure that the Fund has effective leadership and that the

accounting procedures, administration and the Fund's financial situation in general are monitored and verified in a satisfactory manner. The Board establishes both return targets and sustainability targets for the organisation. It also monitors and evaluates the Fund's activities to ensure that they are aligned with the goals and policies established by the Board. The Board is responsible for overall risk management and compliance. Incident reports as well as reports on material ESG events are presented at each ordinary board meeting. The Annual Report is adopted by the Board and signed by the Board and the Managing Director. The Board also signs the Sustainability Report.

The Board has appointed three preparatory committees: the Risk and Audit Committee, the Sustainability Committee and the Remuneration Committee. During the year the Risk and Audit Committee held five committee meetings, the Sustainability Committee held three and the Remuneration Committee also held three. In 2022 the Board convened six ordinary meetings and seven extraordinary meetings.

In addition to board members, the board meetings are attended by the Managing Director of AP6, the Fund's General Counsel serving as the Board's secretary,

as well as managers and employees who report on various matters to the Board.

During the year the Board updated AP6's long-term portfolio strategy, adopted a new Code of Conduct, established a new Responsible Investment and Ownership Policy and updated some of the 2023 sustainability targets.

RISK AND AUDIT COMMITTEE

The Risk and Audit Committee (formerly the Audit Committee) is responsible for preparing for board discussion and decisions on audits, financial reporting and risk management. The Committee is tasked with overseeing AP6's financial reporting and the effectiveness of internal control, the internal audit (as needed) and risk management. The Committee is also to stay informed about the audit of the annual accounts. The Committee is also responsible for preparing proposals in connection with year-end accounts on valuation of the unlisted assets where no external basis for valuation exists (two holdings in 2022). It does so according to a pre-defined process. The Committee is also to meet with AP6's auditors to be informed about the audit and risk exposure. The Committee consists of three members of the Board, one of which is appointed as chair. The Managing

Director, CFO and a person to take the minutes serve as co-opted members.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for preparing for board discussions and decisions on remuneration principles, compensation and other employment terms for AP6's executive management. The Committee is to monitor and assess the application of the guidelines for the senior executives' employment terms adopted by the Board based on the Government's guidelines from 2009. The Committee is to prepare proposals within the framework of the annual pay review for AP6 employees. The Committee meets in connection with annual reviews and evaluations. It consists of three members of the Board, one of which is appointed as Chair. The Managing Director, Head of HR and a person to take the minutes serve as co-opted members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee is responsible for preparing for board discussions and decisions in matters relating to sustainability. The Committee is tasked with overseeing the processes for identifying and managing sustainability topics, including AP6's impact on the environment and society. It also processes proposals for AP6's sustainability targets, and monitors and evaluates AP6's approach to sustainability, including sustainability reporting. The Committee consists of two members of the Board, one of which is appointed as chair. The Managing Director, Head of Sustainability and a person to take the minutes serve as co-opted members.

FEES, SALARIES AND INCENTIVE SCHEMES

Fees and other remuneration for the board members are determined by the Government. The annual fees are SEK 200,000 for the Chair, SEK 150,000 for the Vice Chair and SEK 100,000 each for the other board members. According to a Government decision (2004), the Board's committees may also receive fees set at a maximum of SEK

100,000 and allocated by the Board. In 2022 the Board's committees received fees in the following amounts in SEK: Risk and Audit Committee Chair 35,000, member 30,000; Sustainability Committee Chair 12,500, member 10,000; Remuneration Committee Chair 7,500, member 5,000.

The Board decides on remuneration for the Managing Director and the salary framework for the other employees. Remuneration guidelines for AP6's senior executives were issued by the Government in 2009 and still apply. They state, among other things, that no variable remuneration will be paid. Read more in Note 6. AP6 does not provide variable remuneration or incentive schemes for management or other employees.

INTERNAL CONTROL

Internal control is a key aspect of a well-functioning and effective organisation. The Board of Directors is responsible for internal control. The Board is assisted by the Managing Director and, if needed, by an internal auditor as well, who examines any specific areas identified by the Board for additional scrutiny. As AP6 has relatively few employees and there is no separate internal audit unit, external consultants are engaged to provide this expertise. The risks identified in the internal audit or in ongoing internal control processes are managed by initiating necessary activities in the process flow. The activities that are initiated or changed mainly relate to decision structures, authority and division of responsibilities, processes, control functions/duality and documentation.

The Fund's governance is summarised in governing documents, including policies, which are established by the Board of Directors, as well as in guidelines and instructions decided on by the Managing Director. Process descriptions and system support are also in place to facilitate the practical management of ongoing operations. The Board conducted an internal audit review of decision processes for investments in 2022. The Board has decided that the 2023 internal audit review will assess the Fund's risk management.

Governing bodies supporting the Managing Director's day-to-day administration:

- **Executive management** – a decision-making body which prepares for decisions on overall strategic and organisational matters for AP6.
 - **The Allocation Committee** – a preparatory body within the investment department that prepares for decisions by the Fund Committee and Board. The Allocation Committee is tasked with allocating assets within the investment portfolio based on the long-term portfolio strategy.
 - **The Fund Committee** – a decision-making body that prepares for and in some cases makes decisions based on proposals approved by the Allocation Committee. The Fund Committee is tasked with assessing whether proposed decisions are in line with the long-term portfolio strategy and follow the sustainability guidelines (from the beginning of 2023 in line with the Responsible Investment and Ownership Policy), as well as verifying that important due diligence matters have been handled by the Allocation Committee. The Fund Committee thus has a controlling function and ensures duality in decision processes with the Allocation Committee. The Fund Committee approves investment decisions to be presented to the Board and makes final decisions as authorised by the Managing Director. The Fund Committee is also tasked with managing ethical issues relating to investment activities.
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Financial institutions are subject to rules issued by Finansinspektionen (FI – Sweden's financial supervisory authority) which include requirements with respect to compliance and risk. AP6's activities are not under the supervision of FI. Taking into account the nature of AP6's activities and that it is a relatively small organisation, its various functions are divided between different units within the organisation. Responsibility for compliance work is shared between AP6's General Counsel (regulatory frameworks) and the CFO (financial reporting). Risk management is carried out by a risk controller who reports on an ongoing basis to the Managing Director, CFO and the Risk and Audit Committee. If necessary, AP6 will seek assistance from external consultants on matters related to risk management. In 2022 AP6 engaged an external consultant to assist with man-



agement's risk analysis process. AP6 also has an external, anonymous whistleblower system that is available to all employees. Risk management is also integrated into ongoing investment activities.

AUDIT

The auditors for AP6 are appointed by the Government. Auditors appointed are Magnus Svensson Henryson (PwC) and Peter Nilsson (PwC). Their current term ends on 31 May 2023. The auditors' assignment includes examining operating activities, administration, the year-end accounts and the Annual Report. The auditors express their opinion on accounting documents and administration of the organisation based on their audit. Their assignment also includes reviewing whether AP6 follows generally accepted accounting and valuation principles and that the accounting documents prepared provide a true and fair representation of AP6's operations. An au-

dit of AP6's IT environment has also been performed. In addition to the auditors' audit assignment, the auditors also state whether or not a sustainability report has been prepared because AP6 has voluntarily chosen to produce a sustainability report according to the Swedish Annual Accounts Act. The auditors provide an audit report on their review and report directly to the Board at least once a year. They also provide a written report on the administration and accounting audit at which point the Board is given an opportunity to ask questions of the auditors without executive management being present. The auditors' also provide an oral report to the Ministry of Finance once a year.

THE BOARD'S SELF ASSESSMENT

The Sixth Swedish National Pension Fund Act (2000:193) prescribes that the Board is to carry out an annual assessment of how the Fund's assets are managed, i.e. a

performance assessment. This result of the assessment is provided to the Government at the same time as the Annual Report and Audit Report are submitted. The evaluation is compiled in a separate report and this is available on AP6's website.

THE GOVERNMENT'S ASSESSMENT

In addition to the Board's self assessment, the ministry of Finance, at the request of the Government, carries out an annual assessment of AP6's activities. This assessment reviews performance in relation to targets and also examines sustainability efforts.

An assessment is made of all the AP funds with assistance from external consultants. This assessment in the form of a written document is presented to Sweden's Riksdag (parliament) and the most recent assessment will be published when the Government adopts the AP funds' income statements and balance sheets for 2022.

Board of Directors



URBAN LINDSKOG

Vice Chair

Born: 1965

Elected: 2015

Other assignments:

CEO Dafo Vehicle Fire Protection AB, Excidor AB, Lindskog & Partners AB, Scharp & Lindskog AB.

No holding in unlisted companies.

Holding in own company: Lindskog & Partners AB, Scharp & Lindskog AB.

ÅSA KNUTSSON

Board member

Born: 1962

Elected: 2019

Other assignments:

CEO Fouriertransform AB, CIO Direct Investments Saminvest, board member Inland-sinnovation AB.

No holding in unlisted companies.

Holding in own company: T&Å Knutsson Konsult-er AB.

CATRINA INGELSTAM

Chair

Born: 1961:

Elected: 2016

Other assignments:

Board member; Spiltan Fonder AB, Swedfund International AB, Kommuninvest i Sverige AB, LÖF (the regions' mutual insurance company), SH Pension Tjänste-pensionsförening, Sparbanken Rekarne AB.

No holding in unlisted companies.

Holding in own company: Creatme AB.

KARIN REUTERSKIÖLD

Board member

Born: 1959

Elected: 2018

Other assignments:

Sustainable Business Strategist Danske Bank (concluded in 2022). Chair of MISTRA Electrification Programme Board.

No holding in unlisted companies.

ALEXANDER LJUNGQVIST

Board member

Born: 1971

Elected: 2018

Other assignments:

Stefan Persson Family Chair in Entrepreneurial Finance, Stockholm School of Economics. CEO Nordic Economics Consulting AB.

No holding in unlisted companies.

Holding in own company: Nordic Economics Consulting AB.

Board committees

Risk and Audit Committee

Alexander Ljungqvist (Chair)
Åsa Knutsson

Remuneration Committee

Urban Lindskog (Chair.)
Catrina Ingelstam

Sustainability Committee

Catrina Ingelstam (Chair)
Karin Reuterskiöld

Executive management



HENRIK DAHL CFO

Born: 1975
Employed: 2008
Board appointments:
 Centre for Finance (CFF),
 School of Business,
 Economics and Law,
 Gothenburg university.
 No holdings in
 unlisted companies.

ANNA FOLLÉR Head of Sustainability

Born: 1975
Employed: 2014
Board appointments: None
 No holdings in
 unlisted companies.

JONAS LIDHOLM Chief Legal Officer

Born: 1970
Employed: 2001
Board appointments: None
 No holdings in unlisted companies.

CHARLOTTE LARSSON Head of HR

Born: 1982
AP6 since: 2021:
Board appointments:
 HR by Charlotte AB
 No holdings in unlisted companies.
 Holding in own company:
 HR by Charlotte AB

KATARINA STAAF Managing Director

Born: 1967
Employed: 2019
Board appointments:
 Fondtorgsnämnden,
 Staaf & Partners AB,
 FastPartner AB.
 No holding in unlisted companies.
 Holding in own company:
 Staaf & Partners AB,
 K Staaf Konsult AB.

KARL FALK Head of Buyout

Born: 1972
Employed: 2012
Board appointments:
 Auvimo AB
 No holdings in unlisted companies.

CECILIA GROSS FRIBERGER
 Head of Venture, Growth and Secondary
Born: 1968:
Employed: 2000:
Board appointments:
 None
 No holdings in unlisted companies.

Decision forum structure

EXECUTIVE MANAGEMENT TEAM

Katarina Staaf (Chair)
 Henrik Dahl
 Karl Falk
 Anna Follér
 Cecilia Gross Friberger
 Charlotte Larsson
 Jonas Lidholm

FUND COMMITTEE:

Katarina Staaf (Chair)
 Karl Falk
 Anna Follér
 Andreas Hedengran
 Jonas Lidholm
 Ulf Lindqvist

ALLOCATION COMMITTEE:

Katarina Staaf (Chair)
 Vidar Andersch
 Frida Bergqvist (minutes)
 Henrik Dahl
 Karl Eidem

Karl Falk
 Yue Gong
 Cecilia Gross Friberger
 Mats Lindahl



Remuneration levels, benefits and expenses

In 2009 the Swedish Government adopted guidelines for remuneration of the AP funds' senior executives. The overall purpose was to safeguard public trust in the AP funds.

Below are remuneration guidelines as well as the outcome of the 2022 evaluation of remuneration levels for senior executives and other employees.

Government guidelines for the AP funds' senior executives

- The total remuneration package for the AP funds' senior executives is to be reasonable and balanced
- It is also to be competitive, capped and appropriate, while also promoting good ethics and a sound organisational culture
- Remuneration is to be moderate rather than at the highest level relative to comparable institutions
- There are no variable pay components, i.e. bonuses

- Other employees may receive variable pay capped at the equivalent of two monthly salaries

The Board of Directors of AP6 has decided the following:

- The Government's guidelines are to apply to all personnel, not just senior executives
- No variable pay, i.e. bonuses, will be paid out

To the extent possible, AP6 is to aim to ensure that the guidelines are applied within companies where AP6 has direct ownership, taking into account market conditions.

EVALUATION OF AP6's REMUNERATION LEVELS

The Board's guidelines state that AP6 is to periodically conduct an evaluation of remuneration levels with a focus on salaries.

An analysis was carried out in 2022 and no material changes have been made to the remuneration structure since then.

Evaluation results

The result of the 2022 evaluation showed that AP6's remuneration level for salary is in line with market norms but not at the highest level.

The Board concluded that employee remuneration is reasonable and aligned with the Government's guidelines.

EXPENSES AND TAXABLE BENEFITS

AP6 has restrictive guidelines regarding expenses and benefits. Representation is to be reasonable and appropriate. For example, alcohol is not permitted as part of internal expenses.

Directors' Report

The Board of Directors and the Managing Director of the Sixth Swedish National Pension Fund (AP6) hereby present the Annual Report for the Fund for the 2022 financial year. The Annual Report consists of the Directors' Report and accompanying income statement, balance sheet, specifications and comments on the year-end accounts.

GENERAL

The Sixth Swedish National Pension Fund (AP6) has the unique assignment, as a specialist fund within the Swedish pension system, to carry out investments in the market for unlisted assets (private equity market). The objective is to create long-term, high returns with adequate risk diversification to benefit the income-based pension system. There is a carefully prepared portfolio strategy for investment activities whereby a large portion of the assets is invested in the Buyout segment (mature companies) through fund investments and co-investments, which have provided a good return over a long period. AP6's active efforts over the years to select high-quality fund managers have resulted in many long-term relationships where fund commitments in combination with co-investments have generated a good return. Investments in Venture/Growth (early phase), which are associated with higher risk and also have higher return potential than in the Buyout segment, are only made via funds.

Investments are also made in the Secondary segment through commitments to secondary funds or acquisitions of secondary shares. The investment focus applied to this class of asset results in cost-effective asset management, where balanced risk and a carefully composed portfolio provide the right conditions to generate a high return.

SIGNIFICANT EVENTS DURING THE YEAR

Profit/loss

Net profit for 2022 amounted to SEK 1,310 million (22,175), equivalent to a return of 1.9 percent (49.1). The target return, which was heavily impacted in 2022 by currency effects, was 20.9 percent. Profit from investment activities, excluding the effect of currency hedges, was SEK 7,836 million, equivalent to a return of 15.0 percent. Of this profit, Buyout accounts for SEK 7,029 million, equivalent to a return of 16.3 percent, Venture/Growth SEK 303 million, equivalent to a return of 5.2 percent and Secondary SEK 504 million, a return of 25.9 percent.

Fund asset development

At inception at the end of 1996 AP6 started with fund assets of SEK 10.4 billion. By the end of 2022 this had grown to SEK 68.6 billion, which means the Fund has generated an accumulated profit of SEK 58.2 billion. This is equivalent to total value growth since the start of 560 percent and average annual growth of 7.5 percent.

Since 2003 the majority of the Fund's capital has been invested in private equity. Analysis shows that during the years 2013–2022, i.e. over the past decade, fund assets have grown by SEK 46.5 billion, from SEK 22.1 billion to SEK 68.6 billion, most of which was generated with the Fund's current strategic focus. The increase is equivalent to average annual growth of 13.0 percent.

AP6 is a closed-end buffer fund, which means it is not required to annually pay in or receive funds to balance the national pension system's payment flows. Profits are reinvested and any losses must be covered by the fund assets.

Commitment to future investments

Investing in private equity funds involves committing a pre-determined amount. The funds then issue capital calls when they invest in companies. The typical investment horizon is five years, after which the fund transitions to managing and subsequently exiting by divesting its holding, at which point the return can be realised. The remaining capital committed to the funds and co-investments totalled SEK 29.3 billion (22.7) as of the end of 2022.

Return target

The purpose of the chosen return target is to assess AP6's performance compared with other investors investing in unlisted assets over a longer period (five years). External return data to use for comparison is obtained from Burgiss, one of the leading suppliers of unlisted data on the market. The data is comprehensive and as of the end of 2022 included around 12,700 funds with a market value of around USD 10,000 billion. AP6's return is compared with the return of the median fund within the unlisted asset class. No geographical selection is made as AP6 has no such limitation in place. Furthermore, the data is based on the funds' reporting to their investors, which means that the return is calculated net of fees, making the data comparable for AP6's investors. Since AP6's profits are translated into Swedish kronor, the return target data is translated into the same currency. This means, however, that the target is impacted fully by the currency effects, while the law requires AP6's assets to be 90 percent currency hedged. For an individual year such as 2022 when the SEK was significantly weakened, particularly against the US dollar, the target will not be a fair comparison for AP6. The return for the asset class should therefore be assessed with a longer perspective. This is described in the overall return analysis below.

Unlike a traditional private equity fund, as a closed-end fund AP6 can neither request nor distribute capital. To manage this difference in liquidity management a liquidity buffer is needed for future investment commitments and also to manage the effects of currency hedging. In order to make a fair comparison with the net return, the target needs to be adjusted for these variations. In a situation where the Fund is fully invested, the amount of the liquidity needed is assessed at around 10 percent of fund assets. The target return set for this liquidity is OMRX T-Bill, which is the internal target for AP6's liquidity management. The target calculation is therefore weighted and is 90 percent of the target return for the unlisted portfolio (Burgiss) and 10 percent of the target return for liquidity management (OMRX T-Bill).

Changed reporting of currency effects

In 2022 the Fund's currency hedges were restructured to improve management efficiency and reduce costs. In the past the effects from currency hedges have been included in the return for investments in funds and for the Buyout and Venture segments. Also, within co-investments the effects were included in the return through currency hedging of each individual investment. Due to the portfolio's growth and number of investments, the process became ineffective and costly and for this reason, as of 2022, currency hedges are only made at the overall level taking into account the total currency exposure of AP6's investment activities. This means that the effects of currency hedges can only be included in return on capital employed and in AP6's net return. The comparison figures for the income statement and balance sheet presented in the text have been translated to be comparable with the outcome for the year.

Overall return analysis

AP6's net return during the year amounted to 1.9 percent, which can be compared with the target of a full 20.9 percent. The reason for the return not reaching the target is the weakened SEK during the year, with the target being heavily impacted by currency effects upon translation to SEK. Also, according to the law 90 percent of the assets must be currency hedged. If the target had instead been calculated in, for example, US dollars it would have reached 1.6 percent.

The return on investment activities, i.e. the capital employed, amounted to 5.0 percent (15.0 percent excluding the effects of currency hedges). The holding period in private equity is traditionally long and the return should be assessed over a period that includes multiple business cycles. AP6's net return (after costs) for the past 10 and five years amounted to 13.0 percent and 16.8 percent respectively, which is below the 10-year target of 16.2 percent, but slightly above the five-year target which is 15.9 percent.

The investment focus is mainly on mature companies where returns over time have been favourable. The returns over the past 10 and five years in the Buyout segment were 17.2 percent and 22.5 percent respectively. The corresponding development in the Venture segment including Growth is 21.0 and 40.1 percent respectively and for Secondary 18.1 percent and 19.3 percent respectively.

INVESTING ACTIVITIES

AP6's activities are divided into investment activities and liquidity management. The focus of investment activities is divided between Buyout, Venture/Growth and Secondary. As the Growth portfolio is relatively limited in size at this point, it is included as part of Venture. Liquidity management addresses payment liquidity and investing surplus liquidity in equity funds and fixed-interest funds.

Investments in Buyout

The market value assets within Buyout amounted to SEK 53.9 billion (49.4) at the end of 2022 and profit for the year before internal expenses amounted to SEK 7,029 million (18,779). Profit for the year represents a return of 16.3 percent (52.3).

The assets measured at market value within fund investments amounted to SEK 29.5 billion (26.1) and profit for the year before internal expenses amounted to SEK 4,570 million (9,076). The profit represents a return for the year of 19.7 percent (47.7). The profit was primarily positively impacted by realising assets at a higher value than the opening market value, and by currency effects. During the year SEK 7.3 billion was committed to eight buyout funds, most of which went to funds in which AP6 has invested in the past.

The assets measured at fair value within fund investments amounted to SEK 24.4 billion (23.4) and profit for the year before internal expenses amounted to SEK 2,459 million (9,703). The profit represents a return for the year of 12.6 percent (57.5). The result was primarily positively impacted by realised values and by currency effects. Investments were made in a total of 14 companies for an amount of SEK 3.0 billion, of which SEK 2.2 billion was disbursed during the year.

The total return within Buyout for the past 10 years was 17.2 percent and for the past five years, 22.5 percent.

Investments in Venture and Growth

The assets measured at market value that are invested through funds in the Venture and Growth segments amounted to SEK 9.9 billion (8.7) and profit for the year before internal expenses amounted to SEK 303 million (4,685). The profit in this segment represents a return for the year of 5.2 percent (118.9). During the year, SEK 2.1 billion was committed to around 10 new funds. The total return for Venture and Growth for the past 10 years was 21.0 percent and for the past five years 40.1 percent.

Investments in Secondary

Most of the investments are made in primary funds, but some are made in the secondary market through commitments to secondary funds or by AP6 buying and selling secondary shares.

The assets measured at fair value that are invested through funds within this segment amounted to SEK 2.7 billion (2.3) and profit for the year before internal expenses amounted to SEK 504 million (1,018). No new commitments were made during the year. The result in this segment represents a return for the year of 25.9 percent (49.7). The total return within Secondary for the past 10 years is 18.1 percent and the past five years, 19.3 percent.

LIQUIDITY MANAGEMENT

Liquidity at the end of 2022 was SEK 4.9 billion (8.6). This portion of AP6's assets is not invested within AP6's investment activities. Profit/loss from liquidity management as a whole amounted to SEK -533 million (362).

Part of the liquidity is intended as short-term payment liquidity and is in the form of bank balances. Alternatively, a certain portion can be managed with low risk and good risk diversification by investing in highly liquid, interest-bearing securities. Within AP6's investment activities the amount set aside for payment liquidity is typically equivalent to one to three months' net outflow. The outcome of liquidity management is carefully monitored and future cash flows are estimated in both short-term and long-term forecasts. It is particularly important to pay attention to the risks as AP6 is a closed-end fund and the lead times for investment in unlisted assets are long. There is also a legal requirement of a maximum currency exposure of 10 percent, which at times when SEK is weak results in significant negative liquidity effects.

To facilitate a good, risk-adjusted return, liquidity that is not allocated for payment liquidity is invested with a higher risk. This is done by investing 30 percent in five geographically diverse and passive share indexes. The remainder is invested in external fixed-interest funds with a good interest-rate and credit risk balance. With the current diversified exposure to shares and interest rates, asset management is considered well-diversified.

In addition to managing liquidity, there is also a responsibility to manage the financial risks that may arise within the organisation and to borrow capital if needed.

MANAGEMENT COSTS

The costs are divided into external and internal management costs as well as shared costs (Note 4 and 5).

Internal management costs include personnel expenses and other costs that are directly related to investment activities. AP6's costs in 2022 amounted to SEK 104 million (98), of which SEK 38 million (42) refers to investment activities and liquidity management, and SEK 66 million (56) to shared costs.

Shared costs include personnel expenses for the Managing Director, joint specialist functions as well as costs for premises, external services purchased, IT and general office expenses. As AP6's operations are not subject to VAT, the VAT included is also a cost item for the Fund.

External management costs relating to investment activities are expensed as incurred and recognised in unrealised gains/losses. These costs totalled SEK 881 million (677), of which SEK 851 million (655) can be attributed to fund management costs. Fund management costs represent 1.2 percent (1.1) of the total managed assets within funds, which at year-end amounted to SEK 69.9 billion (58.0). The amount includes present market value as well as remaining committed capital. The management costs in SEK normally increase in proportion to the amount of managed assets. In 2022 the fees, which are paid in foreign currencies, also increased as a consequence of a weakened SEK.

From the beginning of 2022 borrowing costs associated with credit facilities are included in external management costs. Previously these costs were recognised among other internal expenses. The purpose of the credit facilities is to ensure payment liquidity for commitments made and they need to be increased as the portfolio of illiquid investments grows. For 2022 these costs amounted to SEK 4.0 million.

ORGANISATIONAL STRUCTURE AND EMPLOYEES

AP6 is state-owned and reports to the Ministry of Finance. In terms of organisational structure, AP6 is divided into the strategic portfolio segments (Buyout, Venture/Growth and Secondary). There are also corporate departments and support units.

This structure provides benefits of scale and allows an integrated way of working together, as multiple skills are represented within the different teams. The Fund's capital and assets are managed on an ongoing basis through what in analysis contexts is called investment activities. This department also manages liquidity, ensuring liquidity is available to disburse, and manages long-term liquidity or borrowing needs.

Supporting the investment department are the legal, financial, business control, sustainability, HR and IT units. The head office is registered in Gothenburg. At the end of 2022 AP6 had 34 employees (32). Additional information on employees is presented in Note 6. For more information on AP6's organisational structure and employees, please refer to the website, www.ap6.se/en

PERFORMANCE ON GOALS AND TARGETS

The Sixth Swedish National Pension Fund Act (2000:193) prescribes that AP6's Board is to perform an annual assessment of how the Fund's assets are managed in the form of a performance assessment. This result of the assessment is provided to the Government at the same time as the Annual Report and Audit Report are submitted. The evaluation is compiled in a separate report and this is available on AP6's website.

THE GOVERNMENT'S ASSESSMENT

At the Government's request the Ministry of Finance carries out an annual assessment of AP6's activities. This is done for all of the AP funds with assistance from external consultants. This assessment in the form of a written report is presented to Sweden's Riksdag (parliament) and is published when the Government adopts the income statements and balance sheets for the year, which normally takes place in May of the following year.

The assessment mainly reviews the return targets set by the Board and to what extent the investment activities have reached these targets. It also includes a general analysis of the AP fund system's effectiveness. The most recent report is available on the websites of the Government and AP6.

RESPONSIBLE INVESTMENT

Integrating sustainability into investment activities is essential in order to generate a long-term, high return on the pension assets

that AP6 is assigned to manage. Sustainability is also in focus to meet the legal requirements set out in the Sixth Swedish National Pension Fund Act (2000:193) as well as in the Swedish Environmental Code, which includes applying a precautionary approach.

AP6 bases its efforts to ensure responsible investment on the international frameworks and agreements that define sustainability and that are expressed in the Swedish Government's core values on human rights, democracy and sustainable development. AP6 is a signatory of the UN Principles for Responsible Investment (PRI) and the 10 principles of the UN Global Compact on human rights, labour, the environment and anti-corruption. The Fund has committed to act according to these principles. There are processes in place for scrutinising and setting criteria for sustainability – both ahead of a potential investment and during the ownership phase. Regardless of the type of investment, there are to be models in place for establishing criteria and for monitoring and control processes, as well as for reporting deviations and acting to address them. The Board's Sustainability Committee reports on sustainability-related matters to the Board. The Board adopts sustainability targets annually. Sustainability reporting in accordance with the Global Reporting Initiative (GRI) is carried out annually. There is also annual reporting according to the PRI reporting and assessment framework.

A goal regarding exemplary asset management through responsible investment and ownership supplemented the Sixth Swedish National Pension Fund Act (2000:193) in 2022. To clearly define AP6's responsible investment ambitions, a new Responsible Investment and Ownership Policy was adopted. The established practice of integrating sustainability into investing activities has continued based on the organisation's plans and goals. The objectives for the human rights focus area have been developed further. Participation in global initiatives to increase ESG transparency in private equity investments has also facilitated the collection of more reported ESG data than in previous years.

AP6'S FINANCIAL INSTRUMENTS AND IMPACT ON PROFITS

The International Financial Reporting Standards (IFRS) form an internationally accepted regulatory framework. AP6 is constantly evaluating ways in which the Annual Report can be changed and improved to fairly and transparently represent AP6's operations and organisation.

Under IFRS, substantial disclosures regarding financial instruments are to be provided. Disclosures according to IFRS 7 are aimed at enabling readers to judge the financial instruments' significance to AP6's financial position and profits, as well as the nature and scope of the financial risks associated with the holdings and that AP6 is thus exposed to.

Below is a description of how the financial instruments affect profits and financial position, which risks are associated with current holdings and how these are managed.

Under the Sixth Swedish National Pension Fund Act

(2000:193) financial instruments are to be measured at fair value. For a financial instrument this is defined as the price that would be received to transfer an asset or paid to settle a liability in an orderly transaction between knowledgeable participants who are independent of each other and have an interest in the transaction being completed. AP6 measures its assets at fair value according to the following fair value hierarchy: The levels are based on the market data available at the time of measurement.

Fair value hierarchy				
SEK m	Level 1	Level 2	Level 3	Total fair value
Shares and participations	4,449	–	66,007	70,456
Interest-bearing securities	0	–2,491	322	–2,169
Cash	824	–	–	824
Closing balance				
31 December	5,273	–2,491	66,329	69,111

Level 1) Quoted prices are available for similar assets or liabilities in active markets.

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 listed prices (currency derivatives).

Level 3) In these cases there is no observable market data that can be used for the asset.

Change in level 3* in 2022				
SEK m	Buyout	Venture/ Growth	Secondary	Total
Opening balance, 1 January	49,231	8,624	2,297	60,152
Investments	7,126	989	420	8,535
Changes in value	4,276	–40	439	4,675
Sales	–10,011	–117	–572	–10,700
Exchange differences and other	3,126	454	87	3,667
Closing balance				
31 December	53,748	9,910	2,671	66,329

*Level 3 does not include derivatives for currency hedging and accordingly the balance may differ slightly from the figures stated in the text. In addition, co-investments are adjusted for listed holdings.

As the table above shows, most of AP6's invested assets are in level 3. This means that in many cases there is no market data available when measuring the assets. Measurement at fair value of externally managed assets, such as fund investments and co-investments, is ensured because European and US funds base their measurements on the International Private Equity and Venture Capital Valuation Guidelines (IPEV) or similar guidelines. The globally accepted IPEV provides valuation guidelines for investors who need to put a market value on their investments in accordance with accounting principles in IFRS or US-GAAP (IFRS 13 and ASC 820 respectively) To arrive at a value that is as reasonable as possible, the emphasis of the various measurement methods may differ somewhat, mainly depending on the maturity of the companies. The key measurement method within the Buyout segment is

the multiples approach for comparison with peer groups. The peer groups are a cluster of similar companies, often listed ones, that are similar to the entity to be valued. An upturn in the stock market is likely to result in higher multiples, which thereby also results in higher valuations in an unlisted portfolio. The reverse is true in the case of a downturn on the stock market. Another common measurement method consists of models linked to discounted future cash flows. In all cases, AP6 aims to obtain a value for the investments based on an account statement from the funds. Measurements are only made internally for a couple of investments within Buyout, and these are based on the methods described above.

Within Venture and Growth, measurement is based mainly on the most recent round of capital as there are often no listed companies to compare the companies with. For example, a substantial issuance of shares or a divestment outside of the existing group of owners provides a good indication of the market value. In times when there is less access to capital in the market, which often happens in connection with rapid changes in the economic environment, companies try to avoid raise new capital if possible. This leads to fewer occasions to determine market value and can therefore result in some remeasurement delays.

The funds report market value at the end of each quarter and AP6's year-end accounts are therefore based on amounts reported in the third quarter. The 2022 profits are therefore based on reports from the beginning of the third quarter of 2021 to the end of the third quarter of 2022, with means that the profits include four quarters but with a one-quarter lag.

For the few small listed holdings that are owned directly by AP6, current market data is obtained when the year-end accounts are prepared. There is thus no element of estimation when measuring this type of investment.

RISKS IN AP6'S OPERATIONS

Every year AP6 carries out a full risk assessment which involves identifying the risks associated with its operations. Each area of risk has its own risk drivers and these are analysed. This is followed by a discussion of the respective risks and the likelihood of them occurring, and of what impact they could have on the organisation. An assessment is then made of any mitigating factors that exist and if the net risk is acceptable. This process is managed by the risk unit which reports to executive management, and by the Audit Committee, or in the case of sustainability risk, the Sustainability Committee. As with all organisations there are many different types of risk to manage. Below are the six risks that are considered the most material for AP6 from a business perspective.

Market risk: Market risk is the risk that a fair value or future cash flow from an investment will fluctuate due to changes in the market. The main market risks affecting AP6 are share price, currency and interest rate risk.

Both investments in funds and co-investments are exposed to these risks and they are therefore constantly monitored. The maximum risk exposure permitted for AP6's market value assets is 10

percent. AP6 therefore uses derivatives to hedge currency risk. At the end of 2022 AP6's assets measured at market value in foreign currency amounted to SEK 62,868 million (53,720), of which assets in USD were the single largest category with a market value of SEK 23,621 million (18,963). Of the total market value SEK 63,030 (53,001) was currency-hedged, which represents currency exposure of 2.4 percent (1.2) in relation to fund assets. The Fund's target according to the adopted Investment Policy is currency exposure within the range of 0–7.5 percent.

Credit and counterparty risk: This arises as an effect of a company's or a fund's inability or unwillingness to fulfil its contractual obligations or other commitments, which can then lead to losses. In these cases AP6 works on diversifying the portfolio so that the exposure to individual holdings is never too high.

This risk is also managed when the Board of Directors every year determines the focus of future allocation plans.

Liquidity risk: This risk can best be described as the risk of a financing crisis. Liquidity risk can arise when assets, liabilities and commitments have different maturities. Since AP6 has no inflows to or outflows from the pension system, the Fund only needs to take into account its own investment activities. Unlike other buffer funds there is nothing in the law governing the amount of capital that is to be invested with low liquidity risk. AP6's liquidity reserve target should normally be 5–10 percent of the Fund's total managed assets. There is also a credit facility available for use if financing needs arise.

Performance risk: This is the risk of a holding not developing according to established target in, for example, an ownership or business plan. AP6 monitors its investments by being an active owner and aims to have representation on the funds' advisory boards. AP6 has board representation within individual companies but it is usually percentage of ownership that determines if this is possible. The financial development of the investments is monitored continually and reported in various forums internally.

Operational risk: This is the risk of economic losses due to human error, inadequate processes, external events or faulty systems. AP6 manages this risk by, among other things, keeping track of and documenting various process flows. Ongoing opportunities for individual professional development are also provided.

Sustainability risk: This risk exists in all types of operations, but for AP6 it mainly consists of exposure from investments in funds and companies. Sustainability risk can vary depending on the fund's or the company's operations and geographical location, and may include risk of human rights or labour violations, corruption risk, environmental risk or climate risk. AP6 manages sustainability risk by systematically reviewing and assessing exposure before entering into an investment and then continuing to monitor it throughout the ownership phase. The risks are also managed by the Board of Directors annually establishing and following up on targets for AP6's systematic sustainability work. More details about AP6's sustainability risk and how it is managed are available on p. 72.

DEVELOPMENT OF AP6 2013–2022 (10 YEARS)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return development, %	9.2	6.5	12.2	6.5	12.3	9.6	8.2	20.4	49.1	1.9
Target return ¹	30.0	19.5	15.4	10.5	16.2	–0.6	31.4	15.5	14.6	20.9
Unlisted benchmark ²	7.5	15.9	6.9	8.3	6.6	13.1	7.1	–3.8	–	–
Fund assets, SEK bn	22.1	23.6	26.4	28.1	31.6	34.7	37.5	45.2	67.3	68.6
Return summary, SEK m										
Return before costs	1,982	1,561	2,994	1,827	3,587	3,143	2,953	7,738	22,273	1,414
External management costs	–24	–22	–21	–13	–31	–8	0	0	0	0
Internal management costs and joint costs	–98	–98	–106	–92	–86	–93	–95	–89	–98	–104
Profit/loss for the year	1,860	1,441	2,867	1,722	3,470	3,042	2,858	7,649	22,175	1,310

1. Benchmark index:

2012–2020 Listed benchmark return target SIX Nordic 200 Cap GI +2.5%.

2021 Unlisted benchmark return target, median fund within all unlisted strategies and geographies, adjusted for liquidity requirement of 10 percent of fund assets.

2. Burgiss Europe, median all assets. Adjusted for normalised liquidity. New target replaces benchmark from start of 2021.

AP6'S PROFIT/LOSS AND FUND CAPITAL BY SEGMENT

	2018	2019	2020	2021	2022	Total	Return before costs,% 2018–2022	Assets measured at market value 31 Dec. 2022
SEK m								
Buyout	1,834	1,664	6,974	16,600	7,029	34,101	22.5	53,888
Venture/Growth	1,446	670	748	4,293	303	7,460	40.1	9,918
Secondary	157	191	–139	1,018	504	1,731	19.3	2,671
Liquidity management and risk management	–302	428	155	362	–533	110	–	4,905
Shared assets, net ¹	–	–	–	–	–5,889	–5,889	–	–2,739
Internal administration costs	–46	–44	–40	–42	–38	–210	–	–
Shared costs	–47	–51	–49	–56	–66	–269	–	–
Total	3,042	2,858	7,649	22,175	1,310	37,034	16.8	68,643

1. As of the beginning of 2022 the profits for Buyout, Venture/Growth and Secondary are reported excluding currency hedges. The result from currency hedging and the market value of currency futures are recognised with other assets on the line "Shared assets, net".

Income statement

SEK m	Note	2022	2021
Investment activities			
Net income from listed shares and participations		-617	450
Net income from unlisted shares and participations	2	1,835	21,604
Share dividends		151	185
Other financial income and expense	3	45	34
Management costs	4.6	-38	-42
Shared costs	5.6	-66	-56
Net result for the year		1,310	22,175

Balance sheet

SEK m	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Investment assets			
Shares and participations in listed companies and funds	7.8	4,449	8,073
Shares and participations in unlisted companies and funds	7.9	66,007	59,854
Interest-bearing securities	7.10	322	300
Total investment assets		70,778	68,227
Receivables and other assets			
Derivatives for currency hedging		400	68
Other current receivables	11	23	118
Prepaid expenses and accrued income	12	44	43
Cash and cash equivalents	7	824	875
Total receivables and other assets		1,291	1,104
TOTAL ASSETS		72,069	69,331
FUND ASSETS AND LIABILITIES			
Fund assets			
Initial capital		10,366	10,366
Retained earnings		56,966	34,791
Net result for the year		1,310	22,175
Total fund assets		68,642	67,332
Current liabilities			
Derivatives for currency hedging		2,891	1,637
Accrued expenses	14	295	145
Other current liabilities	15	241	217
Total current liabilities		3,427	1,999
TOTAL FUND ASSETS AND LIABILITIES		72,069	69,331

Notes

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

Note 1 Accounting principles

The Sixth Swedish National Pension Fund (AP6) complies with the provisions in the Sixth Swedish National Pension Fund Act (2000:193). This Act entered into force on 1 January 2001. The Annual Report has been prepared in accordance with generally accepted accounting practices. Pursuant to the Act that governs AP6, all investments are to be measured at fair value in AP6's accounts. No changes were made to AP6's accounting principles in 2022.

Accounting according to IFRS

IFRS constitutes a set of internationally accepted standards and AP6 therefore continually evaluates any changes taking place in this area. AP6 meets the criteria to be defined as an investment entity according to IFRS 10. For each individual standard, AP6 makes a determination of what is applicable and then assesses which disclosures to present so that an external reader can obtain a true and fair view, while also ensuring that the Annual Report is clear and comprehensible. It has been determined that profit for the year has been reported according to IFRS. Similar to other AP funds, no cash flow analysis is prepared and presented in the Annual Report. This is an exception from IFRS.

Accounting and measurement of unlisted securities

Pursuant to the law, AP6's investments are to be measured at fair value. These measurements – both internal and external – are carried out according to generally accepted practices for unlisted assets with guidance from the guidelines and recommendations of the International Private Equity and Venture Capital Valuation Board (IPEV), www.privateequityvaluation.com. Measurement at fair value of externally managed assets, such as fund investments and co-investments, is ensured because European and US funds base their measurements on the International Private Equity and Venture Capital Valuation Guidelines (IPEV) or similar guidelines, and their annual financial statements are consistent with the accounting principles in IFRS 13 or GAAP's ASC 820 standard. In a few cases AP6 measures value using its own assessments, which are made at the end of the year. The emphasis is on the companies whose value in relation to the total portfolio is significant. Measurement of unlisted holdings involves a significant degree of judgement, and any changes in the assumptions made can have a material effect on results. In its own measurements AP6 tries to determine which combination of measurement methods is the most appropriate to show the fair value of the investments and thus a fair and true outcome.

From a time perspective, the Annual Report is based on the most recently available and most reliable information. AP6 is required by law to present its Annual Report in February and at that time there are no year-end valuations of fund investments and co-investments available. It is not possible for AP6 to make its own assessment of the value of these holdings and, accordingly, the year-end accounts are based on reporting from the external fund managers as of the third quarter. In all instances the valua-

tions are subsequently adjusted to reflect the cash flows up to the end of the year. However, for the companies where AP6 establishes a value, the following valuation methods are applied:

Price based on the most recent round of investments

AP6 has investments that involve third-party transactions. If such transactions have taken place during the financial year, this constitutes a key component in the measurement process. Share issues in which only existing shareholders may participate (so-called internal rounds) are also taken into account. If, in connection with internal rounds, there is an indication that a writedown is needed, a more detailed analysis is carried out. If the company has attempted to involve an external party but has failed, this can indicate that there is very limited interest in the company. In such cases a writedown of the holding is considered. In all cases, events that take place between the date of the transaction and the reporting date are taken into account.

Discounted cash flow

This method involves a valuation of the company based on discounted future cash flows. A deduction is then made for interest-bearing net debt. The future flows are measured at their present value based on a risk-adjusted interest rate. The return requirement used in the model and thus also for the investment is to be equivalent to the average anticipated return in the market for a portfolio with an equivalent risk profile and investment horizon. In cases where, on the measurement date, the investment is not yet showing a positive cash flow and no alternative measurement to obtain a more accurate value has been performed, a more cautious assessment of the company's value is made. In this case, the market value of the investment usually corresponds to its value at acquisition or below.

Net asset value (NAV) method

This method is well suited for real estate or financial firms whose value mainly consists of net assets. The value of comparable listed companies is then also taken into account in terms of premium or discount NAV.

Multiples approach

This measurement method is the most common one used and is based on multiples such as EV/EBITDA and EV/sales. The multiples approach is traditionally easier to apply in the case of mature companies as there are often more listed peer groups to access. For individual, smaller companies it may be hard to find suitable peer groups to apply the multiples approach. This often leads to a more cautious valuation which is instead based on a discounted cash flow or the price in the most recent round of investments.

Other accounting principles

Revaluations of unlisted holdings are recognised under the heading "Net profit from unlisted shares and participations" in the income statement and are also described in detail in Note 2.

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

Convertible loans are included in the item “Shares and participations in unlisted companies and funds” and recognised at amortised cost.

Amortised cost of a fund refers to all payments made, excluding external management costs. External management costs are expensed and recognised as part of the unrealised change in value for the year described in Note 2. The total amount is also presented in the text in Note 4. Expenses relating to the external credit facilities are also recognised as external management fees. AP6 is entitled by law to obtain such credit facilities to meet temporary capital requirements.

Changes in value of unlisted securities – both realised and unrealised – are recognised through profit or loss and are included in profit for the year. The realised gains/losses represent the difference between the proceeds from the sale and the carrying amount on the divestment date. AP6 manages some individual investments through dedicated holding companies. When a holding company’s holding is sold, the entity is revalued to the transaction value. Once a dividend is disbursed and payment is received by AP6, the unrealised gain/loss is reversed. Usually a dividend can only be issued after a certain period of time once the holding in the holding company has been sold. Thus, AP6 may communicate the sale of an investment even though no dividend has been received.

Accounting and measurement of listed securities

Assets in which the Fund’s capital is invested are recognised in the Annual Report at fair value. The listed class of assets consists of shares, derivatives and fund units.

Fair value is based on quoted prices when the market closes on the last trading day of the year. Transactions involving spot rates, options, forward contracts and swaps are recognised when the material risks and rights associated with them are transferred from one party to another, i.e. on the transaction date. This principle applies to transactions on the money and bond markets as well as on the stock market.

The cost of acquiring shares and other securities includes brokerage fees and other direct costs in connection with the purchase. The average cost basis method is used to calculate realised gains and losses. The last price paid on the last trading day of the year is price primarily used for this measurement. If in special circumstances on a certain market, the closing price (price paid) is not considered representative, the price at a different point in time may be used to measure fair value.

Positions in derivatives are measured at fair value and recognised in a separate item.

Changes in value – both realised and unrealised – are recognised through profit or loss and are included in profit for the year. A capital gain or loss is the difference between proceeds from a sale and the cost of acquisition. This is the gain or loss arising upon the sale of investment assets.

Accounting and measurement of interest-bearing securities

The extent of investments in interest-bearing securities varies in line with changes in a fund’s liquidity reserve, the size of which depends on the purchase and sale of holdings. When interest-bearing securities are purchased, the asset is recognised in the balance sheet under the item “Other interest-bearing securities”. Any interest accrued as of the date of the acquisition is recognised as accrued income. Quoted prices are available for all interest-bearing securities in which AP6 invests, other than account deposits. All assets are to be measured at market value and any changes in value recognised in the income statement including any accrued interest, as described in Note 3 “Other financial income and expense”.

Management costs

AP6’s management costs are divided into external and internal management costs as well as shared costs. External management costs that refer to management fees for listed and unlisted holdings, as well as expenses relating to external credit facilities, are recognised through profit or loss and included in unrealised gains/losses. Neither management fees nor acquisition costs for investments are capitalised.

Internal management costs, which are mainly the cost for AP6’s own employees working on investments, are expensed on an ongoing basis together with shared costs, which are mainly personnel expenses relating to the Managing Director and those in joint specialist roles, as well as the cost of premises, IT systems and general office expenses.

Internal and external management costs are recognised separately as presented in Note 4 and 5.

Performance-based remuneration is not included in external management costs, but instead reduces the capital gain from assets under management. No such remuneration was paid out in 2022.

Other accounting principles

No consolidated accounts have been prepared as shares and participations in subsidiaries are to be measured at fair value.

AP6 is a public sector agency and as such is not a legal entity. It is therefore not a parent company either.

Receivables are recognised at the amounts that are expected to be received. Liabilities are measured at amortised cost. Equipment purchases are expensed as they occur.

Realised and unrealised gains or losses are recognised net in the income statement. The amounts presented in notes are gross.

AP6 is exempt from income tax and VAT. AP6 is, however, required to pay tax on purchases of foreign goods and services. Input VAT may not be deducted but is recognised as an operating cost.

The Fund’s assets consist of initial capital and retained earnings. The initial capital consists of transfers from the former Fondstyrelserna 1–3 national pension funds, as well as SEK 366 million from the phasing out of funds 92–94. AP6 is not required to pay into or receive payments from the pension system.

Related parties

Related parties are defined as the companies or funds where AP6 has a holding of at least 20 percent and/or over which it has a significant influence. Key individuals in senior positions are also defined as related parties.

Participating interests in companies and funds are presented in Note 9. Information on remuneration to senior executives is presented in Note 6. Remuneration has been evaluated by an external consultant who concluded that the remuneration levels are reasonable and follow government guidelines. All transactions between companies and funds are conducted on market terms as part of AP6’s investment activities.

Investment commitments

When investing in a private equity fund a contractual commitment is made to invest a certain amount of capital. The capital is invested over time and sums are disbursed as investments are made. The holdings are presented in Note 9 where funds have been disbursed and the cost of acquisition has been determined. The difference between committed capital and disbursed funds, known as contributed capital, plus any amounts for reinvestment, is recognised as a commitment and presented in Note 16.

Note 2 Net income from unlisted shares and participations

	2022	2021
Realised		
Income from divestments	10,980	13,981
Invested assets	-4,493	-5,626
Reversal of change in value on divested holdings	-6,206	-8,482
	281	-127
Unrealised		
Change in value for the year	3,775	22,703
Exchange rate difference	-2,221	-972
	1,554	21,731
Total	1,835	21,604

Note 3 Other financial income and expense

	2022	2021
Interest income	29	17
Interest expense	-1	-3
Exchange rate difference	17	20
Total	45	34

Note 4 Management costs

	2022	2021
Internal management costs		
Personnel expenses	34	36
Other external services	1	1
Travel expenses etc.	1	0
VAT charged	1	1
Other expenses	1	4
Total	38	42

No performance-based expenses in 2022 (-).

External management and acquisition costs attributable to holdings in unlisted funds and co-investments amount to SEK 851 million (655) and SEK 30 million (22) respectively. This item also includes expenses for external credit facilities which amounted to SEK 4 million during the year. At the end of the year all management costs had been expensed and recognised in the income statement. These are recognised in change value of unrealised holdings for the year as presented in Note 2.

Liquidity management includes listed funds where the fees paid to fund managers are deducted directly from the holding. These fees amount to around SEK 3.0 million (3.4) and are charged against the market value of the respective fund.

Note 5 Shared costs

	2022	2021
Personnel expenses	42	37
Cost of premises	6	6
IT costs	6	5
External services	2	1
Management costs	2	1
Travel expenses etc.	1	0
VAT charged	3	2
Other expenses	4	4
Total	66	56

Shared pension costs include costs for the Managing Director and the support units.

Management costs include remuneration to audit firms as follows:

	2022	2021
Audit assignment		
Statutory audit (PwC)	0.7	0.7
Other audit assignments (PwC)	-	-
Total	0.7	0.7

Note 6 Employees

Government guidelines for employment terms for senior executives

In 2009 the Government issued new guidelines containing employment terms for senior executives of the AP funds. The guidelines cover areas such as removal of variable remuneration, limitations on pension benefits and rules on the retirement age. The guidelines also cover other employees with the exception that it is permitted to pay variable remuneration to employees who are not senior executives. AP6 does not, however, apply this exception and does not pay variable remuneration. Senior executives are defined as executives included in AP6's management team. The Board of Directors' guidelines for employment terms for senior executives and other employees of AP6 are published at www.ap6.se (Swedish only).

Rules applied for remuneration and benefits in 2022

The Board of Directors decides on overall annual salary adjustments and any variable remuneration. Remuneration levels are compared with market levels on a regular basis. The Board has determined that remuneration and benefits for AP6's senior executives and other employees are reasonable, moderate and competitive.

All employees are covered by collective bargaining agreements between Bankinstitutens Arbetsgivareorganisation (BAO, an association of employers in the financial sector) and various unions who are members of the Swedish Confederation of Professional Associations (SACO).

Salaries and benefits

Salaries, fees and benefits paid to the Board of Directors, Managing Director, other senior executives and other employees are presented in the table on p. 61. Remuneration to senior executives is presented separately under another heading.

Pensions

Both the Managing Director and other senior executives have the right to retire at age 65. The Managing Director has individual pension insurance at a cost equivalent to 30 percent of fixed monthly salary. Other senior executives have either a defined contribution pension plan, at a cost equivalent to 30 percent of fixed monthly salary, or a defined benefit plan under a collective bargaining agreement. AP6 does not have any commitments with respect to future pensions and pension terms.

Senior executives may receive pension contributions exceeding 30 percent of salary if the relevant collective agreement permits this.

Severance pay

Employment terms are negotiated on an individual basis. If employment is terminated by AP6 a period of notice not exceeding six months applies, with salary and benefits remaining unchanged during that period. According to the Board's guidelines, an executive may receive severance pay equivalent to a maximum of 18 monthly salaries, but AP6's policy is severance pay equivalent to no more than six monthly salaries. Exceptions from this policy may apply in the case of older employment contracts. Severance pay is paid out monthly and consists of the fixed monthly salary without additional benefits.

Deductions are made for remuneration received from other sources during the period when the severance pay is paid out.

Incentive schemes

AP6 does not have any incentives schemes for senior executives or other employees.

Decisions on fees and remuneration

Board fees are determined by the Government. These fees amount to SEK 200,000 annually for the Chair, SEK 150,000 for the Vice Chair and 100,000 each for other board members. According to a Government decision, a separate fee totalling SEK 100,000 is paid for committee work.

Other than board fees and separate fees for committee work, no other remuneration is payable to AP6's Board.

On an annual basis the Board establishes the Managing Director's salary and the employees' general pay development as well as any incentive schemes. AP6 does not, however, have any such schemes.

Remuneration to the Board of Directors

In 2022 fees were paid to the board members. These fees break down as follows: Catrina Ingelstam SEK 217,500, Karin Reuterskiöld SEK 110,000, Åsa Knutsson SEK 130,000, Alexander Ljungqvist SEK 135,000 and Urban Lindskog SEK 157,500.

Remuneration to senior executives

According to government guidelines, salaries and other remuneration, pension expenses and other benefits for senior executives other than the Managing Director are also to be accounted for separately.

At the end of 2022, the Managing Director and senior executives whose remuneration was accounted for separately were Katarina Staaf, Cecilia Gross Friberger, Jonas Lidholm, Karl Falk, Henrik Dahl and Anna Follér.

Total salaries and remuneration accounted for separately based on the order named above are as follows: SEK 3.6 million, SEK 1.9 million, SEK 2.1 million, SEK 2.4 million, SEK 2.0 million and SEK 1.5 million.

Pensions excluding payroll tax are accounted for separately as follows: SEK 1.0 million, SEK 1.0 million, SEK 0.6 million, SEK 0.7 million, SEK 0.6 million and SEK 0.5 million.

In addition to salaries, other remuneration and pensions, the following benefits were received: SEK 16,000, SEK 24,000, SEK 16,000, SEK 16,000, SEK 28,000 and SEK 17,000.

		2022	2021
Average number of employees	Men	18	15
	Women	16	16
		34	31
Average number of employees*	Men	18	17
	Women	16	15
		34	32
Board of Directors	Men	2	2
	Women	3	3
		5	5
Executive management	Men	3	5
	Women	4	3
		7	8

* The full-time/part-time categories are not reported due to the exemption rule in the law, which states that this information is not to be disclosed if it can be linked to a specific individual.

	2022	2021
Salaries and fees		
Chair of the Board	0.2	0.2
Board excluding Chair	0.5	0.5
Managing Director	3.6	3.4
Executive management excluding Managing Director	9.8	12.5
Other employees	30.1	25.4
Total	44.2	42.0
Other benefits		
Managing Director	0.0	–
Executive management excluding Managing Director	0.1	0.1
Other employees	0.5	0.4
Total	0.6	0.5
Pension costs		
Chair of the Board	–	–
Board excluding Chair	–	–
Managing Director	1.0	1.0
Executive management excl. Managing Director	3.4	4.1
Other employees	8.2	7.5
	12.6	12.6
Social security costs including payroll tax excluding pension expenses	16.7	16.0
Personnel expenses – Total	74.1	71.1

Note 7 Financial assets and liabilities by category

	Measured at fair value through profit or loss	Derivatives at fair value through profit or loss	Loans and other receivables/liabilities	Total carrying amount	Fair value
2022					
Financial assets at fair value	70,456	400	322	71,178	71,178
Other current assets	–	–	67	67	67
Short-term investments	–	–	–	–	–
Cash and bank balances	824	–	–	824	824
Total financial assets	71,280	400	389	72,069	72,069
Accounts payable	–	–	2	2	2
Other liabilities	–	2,891	534	3,425	3,425
Total financial liabilities	–	2,891	536	3,427	3,427

	Measured at fair value through profit or loss	Derivatives at fair value through profit or loss	Loans and other receivables/liabilities	Total carrying amount	Fair value
2021					
Financial assets at fair value	67,927	68	298	68,293	68,293
Other current assets	–	–	161	161	161
Short-term investments	2	–	–	2	2
Cash and bank balances	875	–	–	875	875
Total financial assets	68,804	68	459	69,331	69,331
Accounts payable	–	–	2	2	2
Other liabilities	–	1,637	360	1,997	1,997
Total financial liabilities	–	1,637	362	1,999	1,999

Note 8 Shares and participations in listed companies and funds

Holdings	No. of shares	Percentage of capital, %	Percentage of votes, %	Market value, SEK m
Shares				
Orexo	390,931	1.1	1.1	7
Pagero	10,609,920	6.9	6.9	138
Tobii	129,811	0.1	0.1	2
Asset class and manager in liquidity management				
Share index funds				
SEB				466
Swedbank Robur				453
Fixed-interest funds				
SEB				1,081
Swedbank Robur				1,088
Mixed funds				
Amundi				1,214
Total				4,449

Brokerage fees paid in 2022 amounted to around SEK 0 million (0.7 million).

Note 9 Shares and participations in unlisted companies and funds

	31 Dec 2022	31 Dec 2021
Funds	42,058	36,936
Co-investments	23,949	22,918
Total	66,007	59,854

Ten largest holdings of unlisted shares and participations within each category

Funds	Percentage of capital, %*
AlpInvest Co-Investment Fund (Lux Feeder) VII, SCSp	23.6
BE VI "D", L.P.	22.2
Creandum IV L.P.	13.7
EQT IX (No.1) EUR SCSp	1.2
EQT VIII (No.1) SCSp	1.8
Nordic Capital IX Alpha, L.P.	4.7
Northzone VIII L.P.	7.1
Permira VI L.P.	1.4
Permira VII L.P.2 SCSp	0.9
Platinum Equity Capital Partners V, L.P.	0.8

AP6 has around 140 active fund investments. The ten largest are presented above and make up around 19 percent of the total market value.

Co-investments	Percentage of capital, %*
Asker Healthcare Group AB	18.5
BC European Capital X – Navigator Co-Investment (2) LP	25.2
EQT All-Star Co-Investment (C) SCSp	17.7
EQT MMEU Co-Investment Kelvin SCSp	33.3
IVC New TopHolding S.A.	1.7
Kite Co-Investment Limited Partnership	32.3
NC Ocala Co-Invest Alpha, L.P.	5.2
NC Vinland Co-invest Beta, L.P.	16.4
Platinum Equity Luna Co-Investors Offshore (Cayman), L.P.	8.3
Zeus Co-Investment L.P.	19.5

AP6 has around 70 active co-investments. The ten largest are presented above and make up around 16 percent of the total market value.

Total cost	41,018
Change in value	24,989
TOTAL	66,007

*Refers to share of equity in the investment.

A full list of all unlisted shares and participations is available at <https://www.ap6.se/en> under Annual Report/Document.

Note 10 Interest-bearing securities

	2022	2021
Short-term interest-bearing securities	–	2
Loans to unlisted companies	322	298
Total	322	300

Note 11 Other current receivables

	2022	2021
Transactions not yet liquidated as of the balance sheet date	18	113
Other	5	5
Total	23	118

Note 12 Prepaid expenses and accrued income

	2022	2021
Prepaid management fee	40	38
Other prepaid expenses and income	4	5
Total	44	43

Note 13 Liabilities to credit institutions

	2022	2021
Committed credit limit	3,000	1,500
Uncommitted credit limit	1,500	1,500
Undrawn credits	–4,500	–3,000
Utilised credit	0	0

Utilised credit facilities are considered as short-term and temporary financing with an estimated maturity of less than one year. Of the credit limits listed above, SEK 3 billion is included in the existing Group account structure.

Note 14 Accrued expenses

	2022	2021
Accrued management fee	288	138
Other	7	7
Total	295	145

Note 15 Other current liabilities

	2022	2021
Transactions not yet liquidated as of the balance sheet date	236	213
Accounts payable	2	2
Other	3	2
Total	241	217

Note 16 Contingent liabilities and commitments

	2022	2021
Contingent liabilities	–	74
Remaining capital committed	29,274	22,703
Total	29,274	22,777

Note 17 Post balance sheet date events

There have been no significant events outside of regular operations since the end of the financial year.

The 2022 Annual Report has been adopted by the Board of Directors

Gothenburg, 23 February 2023

Catrina Ingelstam
Chair of the Board

Urban Lindskog
Vice Chair of the Board

Åsa Knutsson
Board member

Alexander Ljungqvist
Board member

Karin Reuterskiöld
Board member

Katarina Staaf
Managing Director

Our audit report was submitted on 24 February 2023

Magnus Svensson Henryson
Authorised Public Accountant
Appointed by the Swedish Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Swedish Government

Auditor's Report

Sixth Swedish National Pension Fund, CIN 855104-0721

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of the Sixth Swedish National Pension Fund (AP6) for the year 2022. The annual accounts and consolidated accounts of the company are included on p. 50–65 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 AP6 as of 31 December 2022 and its financial performance for the year then ended in accordance with the Sixth Swedish National Pension Fund Act.

The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the income statement and balance sheet be adopted.

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 AP6 Fund in accordance with 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 the 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. AP6 invests directly or indirectly in unlisted holdings to obtain return on investment, primarily through increases in value. Our audit has focused on the investments in unlisted holdings and related matters to ensure a fair presentation of the holdings when they are acquired, when they are divested and during the holding period.

OTHER INFORMATION THAN THE ANNUAL FINANCIAL STATEMENTS

This document also contains other information than the annual financial statements and this is found on p. 1–49. The board of directors and the managing director are responsible for this other information. Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual financial statements. 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, based on the work performed concerning this information, we 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 MANAGING DIRECTOR

The board of directors and 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 deem 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 intend to liquidate the fund, to cease operations, or have 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 professional judgment 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 fund'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 related to events or conditions that may cast significant doubt on the fund'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 opinion about the annual accounts and consolidated 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 a 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 identified.

REPORT ON OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have audited the inventory of assets managed by the AP6 Fund. We have also examined whether there are any remarks against the board of directors' and the managing directors' administration of the AP6 Fund for 2022.

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 AP6 Fund in accordance with 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 management of the AP6 Fund's assets in accordance with the Sixth Swedish National Pension Fund Act.

The board of directors is responsible for the AP6 Fund's organisation and the administration of its affairs. This includes continuous assessment of the AP6 Fund's financial situation and ensuring that the Fund's organisation is designed so that the accounting, management of assets and the Fund's financial affairs otherwise are controlled in a reassuring manner. The managing director is to manage the ongoing administration according to the board of directors' guidelines and instructions and, among other things, take measures that are necessary to carry out the AP6 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, and thereby our opinion on 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 AP6 Fund for the 2022 financial year.

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 Fund, or that the proposed appropriations of the Fund'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 judgment and maintain professional scepticism throughout the audit. Our examination is based primarily on the audit of the financial statements. Additional audit procedures performed are based on our professional judgment with risk and materiality as the starting point. 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 particular importance for the fund's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability.

Stockholm, 24 February 2023

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

Peter Nilsson
*Authorised Public Accountant
Appointed by the Swedish
Government*

Sustainability Appendix

Although the Swedish National Pension Fund Act (2000:193) ultimately governs AP6's activities, as a national pension fund it is important to constantly pay attention to the expectations of our external environment with respect to a variety of issues. In addition to ongoing dialogue with stakeholders such as owners, employees, investment representatives and other professional or industry associations, AP6 performs structured and in-depth materiality assessments at regular intervals, one component of which is stakeholder dialogue. In 2020 AP6 conducted a widespread process to take stock of all stakeholders from a perspective based on which stakeholders are impacted the most by AP6's activities and which ones impact AP6 the most (see image). This analysis was conducted internally and was adopted by management and by the Board. Stakeholders assessed to have the most impact on AP6 were asked to complete an online survey designed in cooperation with an external party.

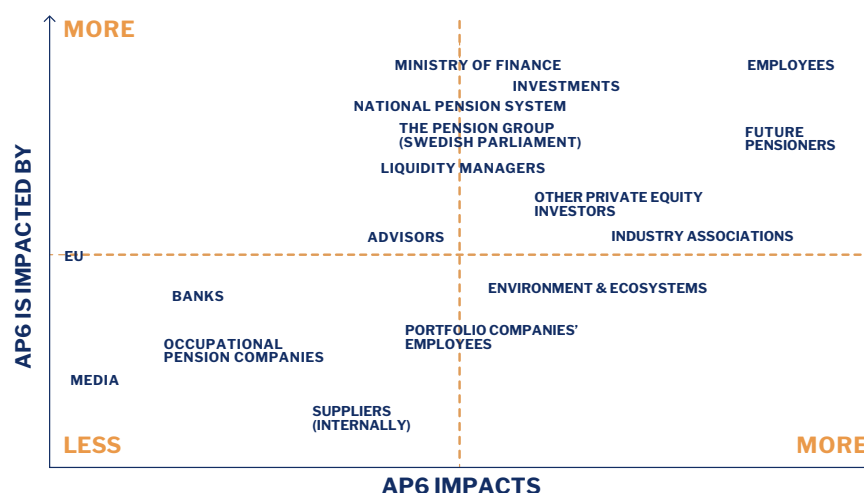
Stakeholder dialogue revealed that the stakeholders' expectations of AP6 largely remain unchanged. A long-term, high return on managed pension assets was the most important aspect for participating stakeholders. There was also a clear expectation that AP6's employees should act in a way that maintains public trust in the Fund. Responsible investments, an efficient organisation, skilled employees, openness, transparency and good governance were considered fundamental factors in generating long-term value for the pension system.

Other topics identified as important were the importance of integrating sustainability into investment activities, climate being the issue with the highest priority among the sustainability considerations regarded as relevant for a broad, unlisted investment portfolio. There was also broad consensus around AP6's sustainability

initiatives and areas that are important to develop going forward. For all stakeholder categories a long-term and high return was of the most fundamental importance for AP6 as a pension fund. Peers in the financial industry, as well as trade unions and industry associations, clearly emphasised the importance of linking climate issues and the UN Sustainable Development Goals to AP6's investment activities. The climate has been in focus for several years in AP6's approach to sustainability and responsible investment. In interactions with stakeholders, AP6 has also identified gender equality, diversity and human rights as areas of high priority. Results from the stakeholder dialogue also showed that there is a high level of confidence in AP6 as an organisation – both in its work leading up to investments and during ownership. There is also considerable confidence in AP6's sustainability work and sustainabili-

ty reporting.

The stakeholder dialogue was also integrated into AP6's materiality assessment, which is comprehensive and performed at regular intervals, most recently in 2020. The purpose of a materiality assessment is to ensure that AP6 is focusing on the most material sustainability topics that it impacts or is impacted by, and that stakeholders have access to the information they need. AP6 also conducts an annual review of the materiality assessment process to ensure that it is relevant. In 2022 the materiality assessment was analysed internally to ensure that it continues to provide a good basis for AP6's actions on sustainability. Minor adjustments were made to the stakeholder model during the year. The choice and prioritisation of material sustainability topics and their results were communicated to the entire organisation and to the Board, which has adopted the assessment.



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

The stakeholder groups that, according to the stakeholder analysis, are both affected by most by AP6's activities and that in turn have the most impact on AP6 are shown in the upper right section of the matrix. This was the category included in stakeholder engagement in 2020. Future pensioners were represented by students and trade unions. Some professional and industry associations were included as representatives for the "Portfolio company employees" as well as "Nature and ecosystems".

RESULTS FROM AP6'S STAKEHOLDER ENGAGEMENT

Stakeholder group	Constituents	Engagement format	Topics and focus areas	AP6's response
Employees	Current and future employees	Employee survey, internal and external surveys	Return, equality and diversity, employment terms and conditions, professional development	Work Environment Policy, Gender Equality and Diversity Policy, training
Investments	Funds, co-investments, other investment partners, liquidity managers	Investment processes, meetings, business relationships, networks, evaluations	Return, responsible investment, consistent processes, transparency	Governing documents*, ESG assessment
Owner	Ministry of Finance, The Pension Group	Annual reporting and evaluation, targeted meetings	Return, responsible investment, transparency, anti-corruption	Governing documents*, Annual Report
Beneficiaries	Current and future pensioners	Meetings with organisations, media, surveys	Return, responsible investment, transparency, ethics	Governing documents*
Nature and ecosystems	Professional and industry associations	Meetings with representative organisations, media, surveys	Climate, return, transparency, responsible investment	Governing documents*, sustainability targets, ESG assessment
Financial market	Industry associations, other LPs, AP funds, banks	Investment processes, meetings, business relationships, networks, evaluations	Return, responsible investment, transparency, ethics, consistent processes	Annual Report, governing documents*, cooperation with other AP funds
General public	Portfolio company employees, Swedish tax payers and citizens, media	Evaluation and review of media, interviews	Return, responsible investment, confidence and transparency	Annual Report, governing documents*

*Code of Conduct, Responsible Investment and Ownership Policy, Investment Policy, exclusion criteria

RESULT OF AP6'S MATERIALITY ASSESSMENT

Topic	Materiality and boundaries	Governance	Monitoring
Financial performance	AP6's mission is to generate returns for the pension system through investments	Law, goals, strategy, internal committees evaluate and monitor all investments	Analysis of financial reporting from investments, regular follow-up and feedback
Anti-corruption	Inconsistent with AP6's values and ethical principles	Code of Conduct for employees and as an appendix in procurement, whistleblower programme	Deviation reporting (incl. whistleblower function), annual ESG assessment, analysis of reported cases and incidents in the portfolio
Climate	Climate change affects both risks and opportunities for investment, e.g. through market forces and legislation	Targets, evaluation of all investments, exclusion criteria, internal travel guidelines	Evaluation and measurement of the investments' strategies and emissions, regular feedback, annual review of AP6's emissions, annual ESG assessment
Employees, skills and development	AP6's employees are the most important asset to ensure exemplary management and that targets are met	Training package for employees, management development, employee development, work environment	Annual monitoring of targets and performance, employee survey, whistleblower system
Gender equality and diversity	Diversity makes organisations more attractive and provides better results	Gender Equality and Diversity Policy, goals for AP6 and the portfolio, evaluation of all investments	Annual review of KPIs for AP6, evaluation and measurement of investments' strategies and KPIs, regular feedback, annual ESG assessment
Human rights	The risk of entities violating human rights needs to be identified and managed	Code of Conduct, evaluation of all investments, portfolio goals, evaluation of suppliers	Deviation reporting (incl. whistleblower system), evaluation and measurement of the investments' strategies, regular feedback, annual ESG assessment
Responsible investment and ownership	AP6 has a goal of exemplary management that is prescribed by law. Responsible investment and integration of sustainability help to reduce risk and create value in investments.	Evaluation of all investments, exclusion criteria, annual ESG assessment, ongoing dialogue, participation in LPAC (and in some cases on boards)	Evaluation and measurement of investments' sustainability initiatives, regular feedback, webinars, annual ESG assessment

ABOUT THIS REPORT

This is the 10th sustainability report prepared by AP6 and covers activities for the 2022 calendar year. Sustainability reporting according to the Swedish Annual Accounts Act can be found on p. 4–5, 13–14, 18–27, 31, 34–35, 37–44, 52–53, 54 and 68–72. The Sustainability Report is published annually. The last report was published on 21 February 2022. AP6 has elected to report in accordance with GRI Standards. The GRI report is part of AP6's Annual Report, which is adopted and published by the Board of Directors.

The contents are established based on an analysis of AP6's impacts. This analysis

includes establishing the importance of each area and also identifying where the impact occurs, internally or externally. The analysis is based on GRI's principles for selection of content. No material changes have taken place since the previous year. The report covers all of AP6's operations.

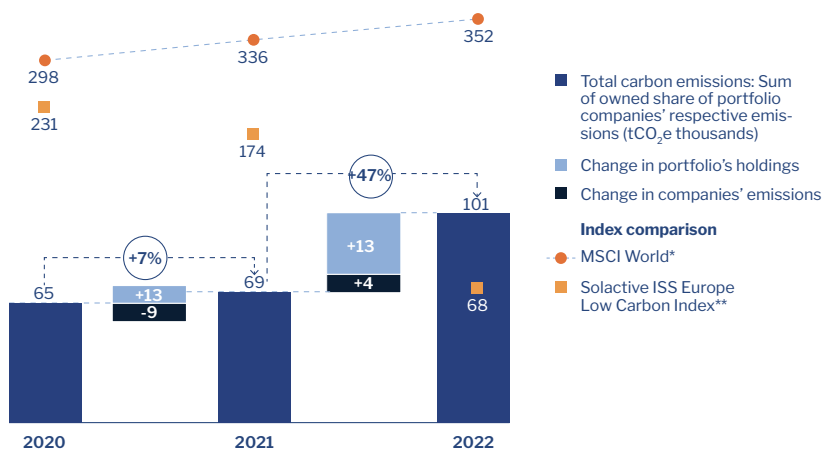
CLIMATE

AP6 measures climate impact of the portfolio and operations annually according to the Greenhouse Gas Protocol's guidelines. Emissions for 2022 were calculated for just over 270 portfolio companies that together represent 81 percent (64) of the total value of capital employed within Scope 1 and

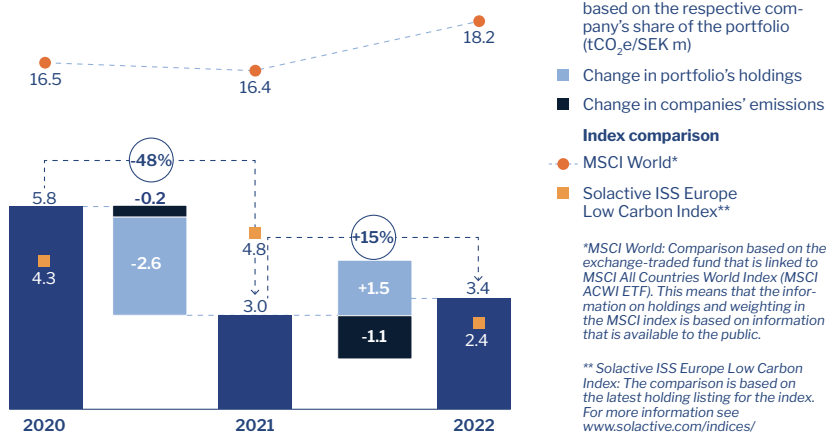
2. Of these more than 270 companies, 64 percent (47) have reported their CO₂ emissions and emissions for the remaining 36 percent have been estimated. The portfolio's scope 1 and 2 emissions are presented in the chart on p. 70. Total emissions increased by 47 percent compared to 2021. The increase is mainly due to an increased number of companies included in the footprint. Comparing companies for which emissions have been estimated and an investment of a similar size in a global index, the portfolio's emissions are equivalent to 29 percent, or 148 percent in a low carbon index. These conditions are assumed to be representative of the whole AP6 portfolio and have therefore been extrapolated in order to compare the whole portfolio with the index. 2022 data contains large increases in both number of companies and percentage of portfolio value. The increase is largely due to availability of more measured data from efforts within the ESG Data Convergence Initiative. Absolute emissions figures therefore need to be analysed with this in mind. Weighted carbon intensity in relation to revenue was higher in 2022 as a result of new companies in the sample with substantial emissions. The portfolio's relative emissions per invested Swedish krona fell to 2.49 (2.57) tCO₂/SEK million. The average intensity relative to revenue fell to 3.58 (4.21) tCO₂/SEK million.

A calculation has also been made of the

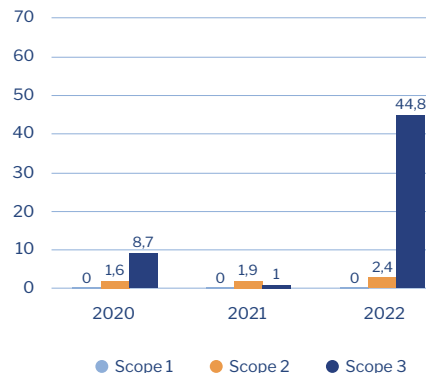
Total carbon emissions (Scope 1&2) (tCO₂e thousands)



Portfolio-weighted carbon intensity (tCO₂e/SEK m)



Carbon footprint (excl. investments) (tCO₂e)



portfolio companies' indirect emissions (Scope 3). For 2022 this was equivalent to 1,720,000 (464.000) metric tons of CO₂. Scope 3 emissions stem from just over 200 companies, equivalent to 70 percent of the portfolio's value.

Emissions from AP6's operations largely stem from business travel and purchased energy. The footprint includes direct emissions (Scope 1), indirect emissions from purchased energy (Scope 2, market-based method), and indirect emissions from business travel (Scope 3). Effects of high altitude emissions are not included. In 2022 emissions were higher than in 2021 due to a return to travelling after the Covid-19 pandemic. AP6 constantly strive to reduce emissions from its activities.

ANTI-CORRUPTION

In AP6's role as a manager of pension assets, corruptions is unacceptable within the organisation and investments. A number of measures are in place to manage risks of corruption. Internally AP6 has a Code of Conduct which all employees are trained on. AP6 also has a zero tolerance policy regarding gifts and clear guidelines for representation, sidelines and related parties to reduce risks when interacting with external parties. It is in these interactions that AP6 has identified the greatest risk of corruption. AP6 evaluates potential investments and constantly monitors holdings using external tools to identify any incidents of corruption at an early stage. No incidents of corruption were identified in 2022.

INCIDENTS AND EVENTS

Suspected incidents can be reported to AP6 anonymously through the whistleblower system. Employees can also report incidents to their manager or manager's manager. Reports can also stem from reporting from fund managers. No reports were submitted through the whistleblower system in 2022. In ongoing monitoring of incidents and events of a more serious nature among AP6's investments, a few events warranted dialogue with fund managers. The Board receives incident reports and information on significant ESG events at each meeting.

UN SUSTAINABLE DEVELOPMENT GOALS (SDGS).

AP6 has analysed impacts on the UN SDGs. AP6 believes the organisation's largest impact is on five of the goals. Based on the composition of the portfolio in terms of industry, country and strategy, the most relevant goals for a majority of holdings are Goal 8 (Decent Work and Economic Growth), Goal 9 (Industry, Innovation and Infrastructure) and Goal 12 (Responsible Consumption and Production).

Within these goals AP6 has identified relevant subtargets for all types of companies. AP6 also considers it possible to contribute to Goal 5 (Gender Equality) and Goal 13 (Climate Action) by focusing on these areas in investments across the portfolio.

PRI ANNUAL ASSESSMENT

AP6 reports annually according to the PRI (Principles for Responsible Investment) reporting framework. PRI launched a substantial update of the framework, including assessment methods for reporting in 2021. As a result, outcomes are not comparable with previous years. Reporting was paused in 2022 for further adjustments to be made. The most recent report issued by AP6 is therefore from 2021 and refers to the 2020 calendar year. For the three assessment modules that AP6 reported on the scores were: 89/100 (median 60) for policy and governance; 76/100 (median 63) for indirect investments in private equity; and 51/100 (median 66) for direct investments in private equity.

The lower score for the last category can be explained by AP6 having an indirect investment model whereas the PRI reporting framework in this module captures processes relating to direct ownership through majority investments.

OTHER

AP6 is not subject to the sustainability reporting requirements in the Annual Accounts Act, but reports voluntarily according to the law.

This also means that the auditors have performed the review of the reports as



Signatory of:



GLOBAL COMPACT AND PRI

AP6 is a signatory of the UN Global Compact and remains committed to implementing and integrating the principles on human rights, labour, environment and anti-corruption into its operations, and influencing other entities to align with Global Compact's principles.

AP6 is a signatory of the UN Principles for Responsible Investment (PRI). It is thus committed to considering, among other things, the environment, social aspects and business ethics in its investment process and during the ownership phase. AP6 works actively to help spread the PRIs in the industry.

AP6 participates regularly in relevant PRI working groups to share knowledge and experience around sustainability in unlisted investments and to help spread the PRI principles within private equity. For more information on AP6's efforts to promote responsible investment, see AP6's annual report submitted to PRI, www.unpri.org

MEMBERSHIP

Invest Europe, www.investeurope.eu

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

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

Sweden's Sustainable Investment Forum (Swesif) www.swesif.org

Initiative Climat International (iCI)

COMMITMENTS, AFFILIATIONS

UN Global Compact, UNGC, www.unglobalcompact.org

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

ESG Data Convergence Initiative, www.esgdc.org

prescribed by law, but no further assurance procedures have been performed. For information or comments on the Sustainability Report, please contact:

Anna Follér, Head of Sustainability
anna.foller@ap6.se

SUSTAINABILITY RISK

Disclosure	Environment	Social conditions and employees	Respect for human rights	Anti-corruption
Risks	Environmental impact may involve risks for companies whose value chains are affected by changes in the environment and climate that could cause changes in the supply of raw materials and resources, disruptions due to weather events, changed market conditions due to customer behaviour or legislation, and technology shifts that make existing assets outdated. AP6's own operations generate low emissions that are not considered a high risk.	Human resources are an important consideration within AP6's own operations and among the GPs engaged. This is also an important aspect in investments as any skills deficiencies could jeopardise the organisations' performance. An inadequate focus on the work environment and conditions, gender equality, diversity and inclusion could also make it difficult to attract and retain talent, and cause sickness and absence.	A lack of respect and consideration for human rights in AP6's own operations and in the value chain could lead to the rights of rightsholders being violated. AP6 considers the Fund's direct impact to be minor, but the activities of its investments could involve risks, especially among the companies with complex upstream and downstream value chains (e.g. a high level of opacity or length).	In AP6's role as a manager of pension assets there must never be any corrupt activity as this would undermine public confidence in the AP system and AP6. Corruption also involves clear legal risks and a risk of decisions not being made on objective grounds, leading to inferior outcomes. This applies to AP6's organisation and its investments. The risks are assessed to exist mainly in AP6's interactions with fund managers and suppliers.
Management of identified risks	Ahead of each investment, AP6 identifies material sustainability risks. Climate and environment are always part of the assessment. Climate is one of AP6's focus areas. If potential investments have an elevated environmental and climate risk level, fund managers are asked additional questions to gain an understanding of the measures planned during the ownership phase to mitigate and manage risks. Measures are also monitored by AP6 during the ownership phase.	AP6 has a structured approach to the internal working environment and focuses on promoting gender equality and inclusion, including continuous monitoring. For each investment AP6 assesses GPs' approach in areas such as professional development, gender equality, inclusion, work environment and key individual succession planning – both within their own organisations and in their investments. This is also monitored on a regular basis.	The processes the GPs and companies use to identify, mitigate and manage human rights risks in their investment processes are evaluated ahead of each investment to determine if their efforts and any planned measures are appropriate. Human rights are also part of AP6's monitoring processes, taking place on a regular basis and as needed if incidents or events should occur.	AP6 has a Code of Conduct that describes the values and approaches that apply for employees and partners. AP6 has a zero tolerance policy regarding gifts and has clear guidelines for representation, sidelines and related parties to reduce both actual and perceived risks. There are several channels where suspected incidents can be reported internally. AP6 uses tools to evaluate and monitor risks and incidents relating to its investments.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Governance	Strategy	Risk management	Goals and key performance indicators
AP6's Board of Directors is ultimate responsibility for operations and their work is governed by law. The Board is responsible for establishing strategies as well as return and sustainability targets for AP6. The Board also monitors and evaluates Fund activities to ensure that they are aligned with goals and policies. Policies include the Code of Conduct and the Responsible Investment and Ownership Policy. The Board's Sustainability Committee prepares discussions and decisions on sustainability matters. At least once a year the Board reviews performance and assesses to what extent targets are being met. The Board appoints the Managing Director who is responsible for the day-to-day management of AP6. This includes assessing and managing sustainability risks and opportunities. The Managing Director delegates certain tasks to the Head of Sustainability, who is in charge of integrating sustainability into investment activities. The Head of Sustainability coordinates this with the relevant departments, teams and units within the organisations, such as the investment department, the sustainability team and the financial and legal units to ensure sustainability is integrated.	Investment activities are where AP6's climate risks and opportunities are considered material. This can manifest in several ways given the breadth of AP6's portfolio, but examples include raw material dependencies, changed customer behaviour, legislation, acute physical risks and a high level of digitalisation, all of which can create risks as well as opportunities. Risks and opportunities are largely assessed based on investment horizons that are relevant in private equity – from around two years to a decade. Longer investment horizons are also taken into account if necessary. Climate is a sustainability topic that can be taken into account when considering whether, for example, growth plans are credible. Given AP6's role as an indirect investor, the operational work is performed by the private equity firms it engages, but the approach and processes of fund managers and entities to integrate climate issues are also evaluated within the framework of each investment that AP6 makes. Exclusion criteria also exist to exclude sectors where the risk is determined to be the highest.	AP6 does not yet quantify climate risks and opportunities in exact metrics or monetary units as access to relevant data is considered limited. However, ahead of each investment a qualitative assessment is made of the fund's or entity's climate integration plans for risk management and value creation. This is done through dialogue, analysis of documentation and available data, objectives and consultation with external experts if needed. Relevant laws in the investment's geography are included in the evaluation of the investment's positioning within the climate issue. The evaluation results form part of the materials used for decisions on each investment. The results also form the basis for AP6 to monitor progress during the ownership phase to ensure that plans made in the evaluation phase are implemented by fund managers appropriately for the investments they make. Climate is a specific focus area for AP6's efforts to ensure that investments are responsible. By urging private equity fund managers to integrate climate into their management processes, AP6 can lower climate risks in the portfolio in the long term.	Climate targets have been defined for AP6's activities to align the portfolio with the Paris Agreement. The targets require the fund managers and entities that AP6 invests in to take an active approach and define clear goals and strategies to reduce their climate-impacting emissions in line with scientific recommendations, and to increase transparency around climate data. In addition to this, AP6 measures and monitors GHG emissions from its own activities and from its investments annually. These indicators are presented on p. 39–40 and 70–71.

BOARD SIGNATURES

The Sixth Swedish National Pension Fund has prepared a Sustainability Report taking inspiration from Chapter 6, Sections 11–12 of the Annual Accounts Act. The Sustainability Report is included in this document which also includes the Fund's statutory annual financial statements for 2022. Sustainability reporting content can be found on p. 4–5, 13–14, 18–27, 31, 34–35, 37–44, 52–53, 54 and 68–72.

The Sixth Swedish National Pension Fund's Sustainability Report follows the financial year and is published annually. The previous report was published in February 2022.

Gothenburg, 23 February 2023

Catrina Ingelstam
Chair

Urban Lindskog
Vice Chair

Åsa Knutsson
Board member

Alexander Ljungqvist
Board member

Karin Reuterskiöld
Board member

AUDITOR'S STATEMENT ON THE SIXTH SWEDISH NATIONAL PENSION FUND'S SUSTAINABILITY REPORT

For the Sixth Swedish National Pension Fund, AP6, CIN 855104-0721

Assignment and division of responsibilities

The board of directors is responsible for the sustainability report for 2022.

The board is also responsible for ensuring that it is prepared in accordance with the AP6 Fund's principles for sustainability reporting.

Focus and scope of review

Our review was conducted in accordance with FAR's recommendation RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our review of the sustainability report has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with a sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 24 February 2023

PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant

GRI Index for the Sixth Swedish National Pension Fund 2022

Indicator	GRI Standard	Disclosure	Page in the annual report	Comment
2-1	GRI 2: 2021	Organizational details	50-52	
2-2		Entities included in the organization's sustainability reporting	50, 70	
2-3		Reporting period, frequency and contact point	68-71	
2-4		Restatements of information	70	No significant changes
2-5		External assurance	71, 73	
2-6		Activities and services, value chain and business relationships	4-5	
2-7		Employees	41	
2-8		Other workers	-	No external workforce is used
2-9		Governance structure and composition	41-46	
2-10		Nomination of highest governance body	42-45	
2-11		Chair of highest governance body	42-46	
2-12		Role of the highest governance body in overseeing the management of impacts	42-45	
2-13		Delegation of responsibility for managing impacts	42-45	
2-14		Role of the highest governance body in sustainability reporting	42-45, 70, 73	
2-15		Conflicts of interest	42-45	
2-16		Communication of critical concerns	43, 71	AP6 does not report the number or types of events for reasons of confidentiality
2-17		Collective knowledge of highest governance body	42-46	
2-18		Evaluation of highest governance body	44-45	
2-19		Remuneration policies	49, 60-61	
2-20		Process for determining remuneration	49, 60-61	
2-21		Annual total compensation ratio	61	The remuneration ratio is presented in the table in Note 6
2-22		Statement from the managing director	8-9	
2-23		Policy commitments	42-44	
2-24		Embedding policy commitments	13-27, 42-44	
2-25		Process for remedying negative impacts	24-25, 38-40	
2-26		Mechanisms for seeking advice and raising concerns	41, 71	
2-27		Compliance with laws and regulations	-	AP6 has not identified or been informed about any instances of non-compliance in 2022
2-28		Membership associations	71	
2-29		Approach to stakeholder engagement	68-69	
2-30		Collective bargaining agreements	60-61	

GRI Index for the Sixth Swedish National Pension Fund 2022

Sustainability topic	GRI Standard	Disclosure	Page in annual report	Comment	
ECONOMIC PERFORMANCE					
3-1	GRI 3: 2021	Process to determine material topics	68-69	Corruption risks are evaluated in 100 percent of AP6's investments	
3-2		List of material topics	16-30		
3-3		Management of material topics	16-30		
201-1	201: 2016	Profit and return	5		
ANTI-CORRUPTION					
103-1	GRI 3: 2021	Process to determine material topics	68-69		
103-2		List of material topics	41, 69, 71		
103-3		Management of material topics	41, 69, 71		
205-1	205: 2016	Number and percentage of operations assessed for risks related to corruption and the significant risks identified	71		
205-3		Corruption incidents during the year and action taken	71		
EMISSIONS					
3-1	GRI 3: 2021	Process to determine material topics	68-69		
3-2		List of material topics	39-41		
3-3		Management of material topics	39-41		
305-3	305:2016	Indirect CO ₂ emissions from business travel	70-71		
305-3		Indirect CO ₂ emissions from investments	70-71		
EMPLOYMENT					
3-1	GRI 3: 2021	Process to determine material topics	68-69		
3-2		List of material topics	34-35, 41		
3-3		Management of material topics	41		
401-1	401: 2016	Employee turnover	41	*	
TRAINING AND EDUCATION					
3-1	GRI 3: 2021	Process to determine material topics	68-69		
3-2		List of material topics	34-35, 41		
3-3		Management of material topics	41		
404-1	404: 2016	Training hours per employee	41	**	
DIVERSITY AND EQUAL OPPORTUNITY					
3-1	GRI 3: 2021	Process to determine material topics	68-69		
3-2		List of material topics	35, 41		
3-3		Management of material topics	35, 41		
405-1	405: 2016	Breakdown women/men	41		
HUMAN RIGHTS					
3-1	GRI 3: 2021	Process to determine material topics	68-69		
3-2		List of material topics	39-40, 52-53, 54		
3-3		Management of material topics	39-40, 52-53, 54		
412-3	412: 2016	Significant investments that underwent human rights screening	18-21	100 percent of the risks in AP6's investments are assessed	
ACTIVE OWNERSHIP					
3-1	GRI 3: 2021	Process to determine material topics	68-69		
3-2		List of material topics	24-26		
3-3		Management of material topics	24-26		
FS10***	GRI G4 Sector Disclosures – Financial Services	Percentage and number of companies owned where AP6 has integrated a sustainability approach	27		
FS11***		Percentage of the assets analysed regarding sustainability	18-27	Sustainability assessments are made for 100 percent of AP6's investments	

* The gender/age and full-time/part-time categories are not reported due to the exemption rule in the law, which states that this information is not to be disclosed if it can be linked to a specific individual

** The division into the gender/age categories is limited in size of the staff and is therefore not reported.

*** GRI Financial Services Sector Supplement is not a formal part of the GRI Standards, but is considered to be a relevant supplement for AP6

Definitions and explanations

Buffer funds – the AP funds are general pension funds that have existed in Sweden since the 1960s. Over the years they have changed in nature, numbering and focus. The five AP funds (AP1–4 and AP6) are so-called buffer funds and are included as a minor portion of the income-based pension system's assets (around 10–15 percent). AP7 manages the funded assets in the Swedish premium pension system. From the beginning of 2009 and around 25 years into the future, pension disbursements will exceed contributions paid in. The AP funds are tasked with evening out the fluctuations between pension contributions and disbursements and are also to contribute returns to the pension system in the longer term.

Buyout – Unlisted mature companies with an established business model that have created a market position and have positive cash flows. The name originates from transactions where an investor buys out the existing owners of 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 an entity together with the fund.

Compliance – Regulatory adherence and compliance.

Corporate governance – A collective term for matters relating to how a company is governed. A key aspect of corporate governance is the relationship between the various corporate bodies (shareholders meeting, board of directors, managing director).

Direct investment – In a direct investment the investor receives a holding in the form of shares in the unlisted company, giving the investor direct ownership in it.

Due diligence – A process and method for gathering and analysing information about a company or a fund before investing in it.

ESG – The abbreviation for environment, social, governance.

EV/EBITDA – Calculated by dividing an entity's enterprise value by its operating earnings (before interest, taxes, depreciation and amortisation).

EV/sales – Calculated by dividing an entity's enterprise value by its sales.

Fund investment (unlisted assets) – The fund investment market is made up of many different private equity firms with varying focuses and profiles. A private equity firm that intends to establish a new fund and is seeking investors engages in fund raising. The new fund will have a certain size based on the amount invested. Potential investors (e.g. pension funds, insurance companies etc.) who register their interest are allocated a share of the new fund. The investors make a commitment, i.e. commit to pay out a specific amount corresponding to their share of the fund. If there is significant interest from potential investors, some of them may not have the opportunity to invest the full amount they originally wished to commit. Some investors may not have the opportunity to invest at all. In this situation the fund is oversubscribed and there are not enough allotments for all investors who want to participate. Once the shares in the new fund have been allotted, this round of fund raising is concluded. The amounts that the various investors have committed are not paid out in a lump sum on one occasion. Instead disbursements are made from the investors to the fund as and when the fund acquires companies. A fund normally has a life of around 10–15 years. During this time the fund invests in a number of companies which are then developed for the purpose of generating higher value. The fund is closed once all of the companies have been divested and the invested capital, including any gains, have been shared between the investors.

AP6's fund assets – The initial capital allocated to the Sixth Swedish National Pension Fund at inception combined with retained earnings. AP6 covers its own expenses. Profits from investments are reinvested on an ongoing basis.

General partner (GP) – The private equity firm that manages the fund. A GP typically manages multiple funds.

Global Reporting Initiative (GRI) – An international reporting framework for organisations to report their economic, environmental and social impact.

Governance – See "Corporate governance".

Sustainability report – A report describing how companies, private equity firms, pension funds and other investors approach economic, environmental and social issues.

ILPA – Institutional Limited Partners Association. An international industry association for investors in funds.

Indirect investment in an unlisted company – When investing in a fund investors receive an indirect ownership interest. This occurs when the investor obtains a holding in the fund, which in turn invests in unlisted companies. The fund is the formal owner of these companies, while the investor in the fund gains an indirect ownership interest in them. See also "Fund investment".

Invest Europe – European association of private equity providers. Includes buyout, venture and infrastructure investment firms.

IPEV – International Private Equity and Venture Capital Valuation Board.

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

Carbon footprint – A measure of an investment portfolio's carbon emissions; consists of the owned share of the portfolio companies' combined emissions.

Limited partner (LP) – An investor in a fund, such as AP6.

Management fee – The fees paid for managing a fund.

Assets measured at market value – Listed securities measured at market value on the closing day and unlisted securities measured according to IPEV principles. Read more in Note 1.

Unlisted assets – Primarily unlisted companies, i.e. companies that do not have shares traded on a stock exchange.

Share of operations % – Refers to the ownership interest in a private equity fund regardless of the legal structure. Legal ownership is described in Note 9.

**Principles for Responsible Investment (PRI)**

– Six principles that investors can adopt to incorporate environmental, social and corporate governance into investment analysis, decision processes, guidelines and routines. The principles were initiated by the UN and launched in 2006.

Risk capital or private equity (PE) – Collective terms for unlisted assets. This usually refers to unlisted companies (i.e. not traded on a stock exchange) – both individual unlisted companies and funds that invest in unlisted companies.

Private equity fund – See “Fund investment”.

Profit/loss – The total change in value, realised or unrealised, and return 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, for example, shares instead of investing in risk-free assets.

Scope 1, 2, 3 – When measuring carbon emissions, direct and indirect emissions are divided into three categories: Scope 1, 2 and 3. Scope 1 consists of direct emissions from sources owned or controlled by the reporting entity. Scope 2 consists of indirect emissions generated from purchased electricity, heating or cooling. Scope 3 consists of other indirect emissions that are a consequence of the reporting entity’s activities, but that come from sources owned or controlled by another entity, e.g. extraction of materials and fuel, transport in the supply/customer chain, waste management etc.

Secondary – When an investor in a fund wants to sell its holding before the fund is closed. This is usually a transaction involving several investors together.

Structural capital – A company’s or an organisation’s intellectual capital, collected and documented in the company’s/organisation’s systems.

SVCA – Swedish Private Equity & Venture Capital Association.

UN Global Compact – Ten principles for companies and human rights, labour, environment and anti-corruption. This was launched by the UN in 1999 and companies can become signatories to it.

Code of Conduct – The Board of Directors of AP6 has established and adopted the Code of Conduct that describes the values that apply for the Fund and that is aimed at the employees, partners and investments. The Code of Conduct is actively communicated to these groups.

Core areas covered by the Code include:

- Employee and stakeholder training and knowledge
- 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/control

Committed capital – When an investor decides to invest in a fund, the investment is for a pre-determined amount – a commitment. The committed amount is not disbursed in a lump sum on one occasion. Instead amounts are disbursed when the fund in question invests in companies. See also “Fund investment”.

Venture – Start-up company whose business concept typically requires capital over a long period of time before the company succeeds in establishing itself on the market and can generate profits.

Fair value – Fair value is defined as the amount at which an asset could be transferred or a liability settled between parties independent of each other and who have an interest in the transaction being executed. Normally this means that listed assets are measured at the purchase price (market value) and that the fair value of unlisted assets is estimated using generally accepted measurement models.

Visit our website for more information

AP6's website has more information about the Fund's organisational structure, investment activities, holdings, sustainability etc. Our website also has reports and documents available for download.
www.ap6.se



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