



AP6

SIXTH SWEDISH NATIONAL PENSION FUND

ANNUAL REPORT 2023

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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.



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THE YEAR OF CONSOLIDATION

Despite a challenging 12 months AP6 is presenting another year of positive net profits.



10

AP6 TALKS IN 2023

A series of talks focusing on pressing issues such as unconscious bias and institutional ownership.



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INVESTMENT STRATEGY

Investments in unlisted assets require a very long-term strategy. AP6 identifies and selects fund managers considered to have met the return and sustainability criteria.



34

AN ATTRACTIVE WORKPLACE

It is of strategic importance for AP6 to provide an attractive workplace in order to recruit and retain talent.



36

SUSTAINABILITY IN 2023

Sustainability continued to be integrated in all parts of the organisation with a specific focus on Human Rights.

ABOUT AP6

Since its inception in 1996 AP6 has contributed SEK 60.3 billion to the pension assets of the Swedish public. AP6's fund assets have grown from SEK 10.4 billion to reach SEK 70.7 billion at the end of 2023. The Fund has generated positive net earnings every year for the past decade.

INVESTMENT IN UNLISTED ASSETS

AP6 is part of the Swedish state pension system

and all the AP funds combined are referred to as the 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. There are significant differences between investing in unlisted shares/unlisted companies, often called private equity, compared with listed shares/companies. An unlisted company is not listed on a marketplace (stock market) where the company's shares can be publicly 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. The majority of private equity investments are in large private equity firms. If the owner/owners wish to sell the company or their shares in it, the various parties involved must reach an agreement between them directly, or the company must be listed on a stock exchange.

LONG INVESTMENT HORIZON

Since 2012 AP6 has pursued a successful investment strategy that has generated a high return for the AP fund system. The strategy, which is based on an international private equity portfolio of indirect

70.7

billion SEK
is managed by
AP6

2.1

billion SEK
– profit for the year

3.0

percent
– net return
for 2023

investments in high-quality funds and co-investments, has been built over many years and has developed in different stages. The transformation of the portfolio was completed in 2019 and its current composition reflects the long-term strategy. It thus takes a long time – often several years – to transform a strategy within private equity where the portfolio consists of privately owned, unlisted companies. Since its inception in 1996 AP6 has generated a return of SEK 60.3 billion, the majority of which was created within the framework of the current strategy.

To manage the illiquidity associated with investing in privately owned companies, a private equity fund needs to have 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 the full distribution based on the capital they provided. The corresponding period for a co-investment – where AP6 invests together with a private equity fund in one of the fund's companies – is in general three to eight years. A co-investment is normally structured in the same way as an investment in a fund, i.e. as an indirect investment. In other words, the principal owner (the PE 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 in 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.

Requiring extensive currency hedging has a major impact on liquidity in times of volatile exchange rates as the closed-end fund structure can instead become a burden. A long-term perspective and stable conditions are essential for investment in unlisted assets.



The conditions for private equity investments are entirely different from those for asset management involving listed equities.

SUSTAINABILITY

AP6 has a long-term focus and a systematic approach to responsible investment and integration of sustainability into all parts of its investment 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. Paying attention to sustainability factors is also essential in order to maintain public trust in AP6 as an asset owner in the national pension system.



AP6 bases its efforts 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 work is characterised by clear processes to integrate sustainability in the investment and ownership phases, by setting standards, evaluating, monitoring and through dialogue.

THE YEAR IN BRIEF

AP6 increased its managed capital to SEK 70.7 billion to deliver a positive net profit of SEK 2.1 billion. The average five-year return amounted to 15.3 percent, exceeding the target return of 11.4 percent.

PROFIT FOR THE YEAR

Despite a second consecutive challenging year the portfolio delivered positive net profits of SEK 2.1 billion, representing a return of 3.0 percent. AP6 exceeded its target by close to four percentage points as the average five-year return was 15.3 percent compared with the target return of 11.4 percent. AP6 has delivered positive net profits each year for the past decade and has generated a return for the pension system of SEK 60.3 billion since the start. For the individual year of 2023 there are variations in the portfolio returns, with the Buyout segment providing a return of 5.9 percent. The highest return

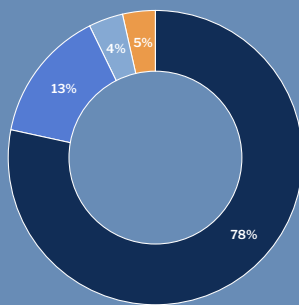


came from co-investments, at 10.2 percent. As expected, Venture had a weak return of -13.9 percent following two very strong years, 2020-2021. Private equity is a long-term asset class and therefore less significance should be attached to individual years. Capital employed for the Venture segment is delivering an average five-year return of 21.6 percent. The corresponding five-year figure for Buyout is 20.5 percent (of which co-investments 22.2 percent) and for Secondary 16.6 percent. The five-year return on the portfolio's total capital employed was 20.4 percent. Capital employed amounted to SEK 67.7 billion, of which SEK 25.7 billion represents co-investments.

RETURN

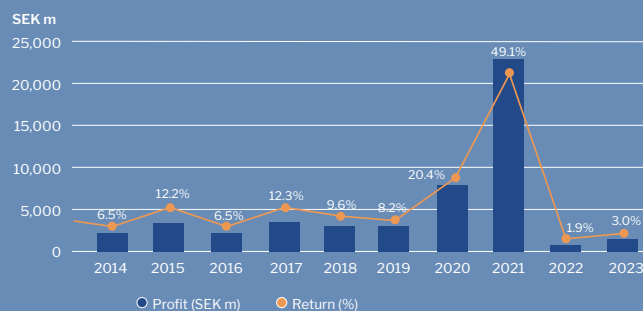
Sixth Swedish National Pension fund manages SEK 70,7 billion

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 2014-2023



Return over 10 and 5 years 2023

YEAR	2014-2023	2019-2023	2023
BUYOUT	17.1%	20.5%	5.9%
VENTURE/GROWTH	20.1%	21.6%	-13.9%
SECONDARY	15.9%	16.6%	1.4%
FUND TOTAL	12.3%	15.3%	3.0%
RETURN TARGET / BENCHMARK	14.0%	11.4%	-1.9%

INVESTMENTS

The private equity market was characterised by a low rate of investment throughout 2023. There were fewer transactions than in a normal year. The impact on the private equity market was fewer distributions, fewer new investments and thus also longer fund raising cycles. Turnover in the co-investment portfolio was lower than normal.

The currency hedging requirement remained a heavy burden on AP6's liquidity and, accordingly, the portfolio has a much lower co-investment rate than desired.

During the year the portfolio was actively consolidated into fewer fund relationships, particularly within the Buyout segment to maintain the commitment rate rather than have a larger spread of fund managers.

Consolidation is considered a key factor in continuing to build up the portfolio under the combined fund investment and co-investment strategy.

AP6 was active in the secondary market during the year, completing two larger, carefully selected transactions at a good price. Divestment of a large co-investment and the sale of a listed company also contributed to both profit and liquidity.



AP6 has delivered positive net profits each year for the past decade and has generated a return for the pension system of SEK 60.3 billion since the start."

SUSTAINABILITY

During the year AP6 organised a round table to discuss ways in which the private equity market can approach the complex sustainability topic of human rights. The round table was presented in the industry media as a good example of cooperation around difficult issues.

INVESTIGATION OF AP FUNDS

At the end of October 2023 an investigator was appointed to review the operations of the AP funds with a view to modernising and streamlining management of the funds, and to ensure that their boards have the requisite expertise. This process included analysis of how to best integrate AP6 into the buffer fund system.

AP6 is not expressing an opinion on how the owner chooses to organise the pension system, but assumes that the successful strategy, expertise and structural capital that AP6 has built up within private equity will be taken into consideration. From the beginning of 2024 the investigator's assignment has been expanded to include the First, Third and Fourth Swedish National Pension Funds.

3.0 %

Net return for the year after costs

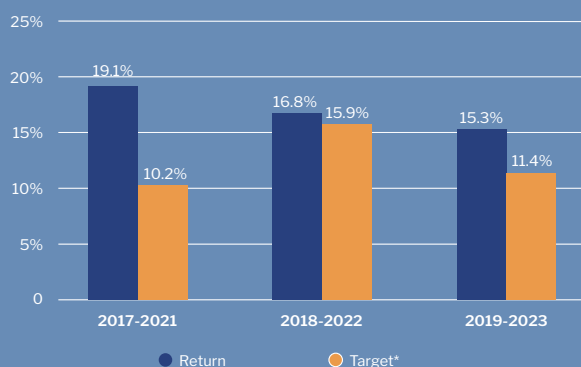
15.3 %

The average net return over the past five years

2.8 %

The return for the investment portfolio in 2023 excluding currency hedges

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.

Profit by segment, 2019-2023

SEK m	2019	2020	2021	2022*	2023*	Average return %
BUYOUT (MATURE COMPANIES)	1,664	6,974	16,600	7,029	3,242	20.5
VENTURE/GROWTH	670	748	4,293	303	-1,422	21.6
SECONDARY	191	-139	1,018	504	34	16.6
Liquidity management, risk management and internal expenses*	333	66	264	-6,526	223	-
PROFIT	2,858	7,649	22,175	1,310	2,077	15.3

*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.

THE YEAR OF CONSOLIDATION

In a year like 2023, full of all kinds of challenges, AP6 is still reporting a positive net profit of SEK 2.1 billion, further increasing our managed assets to SEK 70.7 billion. AP6's five-year return is 15.3 percent, exceeding the target of 11.4 percent. AP6 has generated a positive net profit every year for the past decade.

As if the tragic Russian invasion of Ukraine were not enough, there is a magnitude of turbulence around the globe today. There are plenty of risks to consider and they have escalated in 2023. Add to that cyber risks and unregulated AI, to the climate crisis. Capital markets have difficulties to price geopolitical risks and therefore the focus is on the effects of the risks instead in terms on global trade, economic development, inflation and monetary policies. 2023 was a year when listed and unlisted markets were uncorrelated, even though there is essentially only one capital market with liquidity and cash flows as communicating vessels. The large stock markets trended differently during the year, before entering a broad market rise from November, which enabled the year to end in a positive sentiment. What happened in November was that the world's central

MANAGING DIRECTOR'S STATEMENT



banks communicated more and more clearly that the interest rates had peaked and that the next step would be a decrease, regardless of when. The risk appetite quickly increased which was also reflected in our Swedish krona which rapidly appreciated supported by a stronger sentiment but also with a little help from the Riksbank's currency hedging measures. Currency trading in SEK has little to do with underlying foreign trade. However, the krona has been a popular instrument for trend-following hedge fund strategies, which are focused specifically on trends rather than fundamental values. As the private equity investor that AP6 is, it may seem odd that I am discussing the Swedish krona, especially as the private equity market do not care about national borders; but the weak SEK development over the past two years has had a major impact on our investment activity. The not relevant statutory requirement of currency hedging has forced us to be very restrictive with new co-investments in 2023 since the liquidity were used for currency hedges.

In 2023 we consolidated the portfolio by reducing the number of fund relations. We have a close relation with the private equity managers with whom we invest, with an ambition to invest in new fund generations and to have a tight dialogue around co-investment opportunities. The key word from 2023 is the low transaction pace. Fewer deals than in a normal year, which impacted the private equity market in the form of fewer distributions, fewer new investments and accordingly longer fundraising cycles, compared to the unusually short fund cycles in 2021. The low transaction pace also resulted in institutional investors allocating less to private equity. The reason could be the passive overexposure when the listed market valuations are decreasing in relation to private equity's more long-term value adjust-





UNCONSCIOUS BIAS

One of the AP6 Talks in 2023 focused on unconscious bias. Research shows that it is not enough to merely recognise that unconscious bias exists in order to prevent its negative impacts. Tools adapted for each organisation are needed to prevent and manage the effects. Jina Zachrisson, invited speaker and active in investment banking, discussed examples from her book which addresses unconscious bias in the industry.

The aim of Jina Zachrisson's book "Maktskifte? – Jämställdhet enligt kvinnliga näringslivseliten" ("Change of power? - Equality according to female business elite") is to explore the Swedish gender equality debate in concrete terms. The book is based on a series of interviews with women in leading positions in industry, politics, sports and the military. The so-called gut feeling is presented as a classic example of unconscious bias – where managers

AP6 Talks

Conversation series in which the AP6 employees discuss current and urgent topics in deep dives.

Examples from 2023:
- The private equity market – Global trends
- Institutional ownership

recruit employees with similar backgrounds and interests to themselves. Zachrisson points out that this happens even though many managers see themselves as equal compared with so-called traditional leaders. According to Zachrisson, if a management team has preconceived notions about women, for example, this spreads through the organisation and ultimately develops into unconscious gatekeeping. In other words, it becomes an unconscious obstacle that prevents or slows attempts and efforts to bring about change. This

behaviour becomes a barrier for all those who deviate from a traditional male leader norm. This affects not only women but also young men with a different approach to leadership.

INHERITED FROM EVOLUTION

APG's knowledge-building around unconscious bias is based, among other things, on the fact that research has shown that unconscious bias are social stereotypes which humans create unintentionally. From an evolutionary perspective, unconscious bias has functioned as a means of adapting, necessary for much of human history when understanding the notion of "either, or" was the key to survival – for example friend or foe, harmful or harmless, edible or inedible.

Today people carry with them the legacy of that history, as Daniel Kahneman, an Israeli-American psychologist, shows in his book "Thinking, Fast and Slow". The book is about psychological economics and its author received the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 2002. Without awareness of or insights into unconscious bias, stereotypes can get reinforced, prejudice can occur and the work environment can suffer. Research shows that it is not enough merely



Without awareness of or insights into unconscious bias, stereotypes can get reinforced, prejudice can occur and the work environment can suffer."



Jina Zachrisson has written the book "Makt-skifte? - Jämställdhet enligt kvinnliga näringslivseliten" ("Change of power? - Equality according to female business elite")

to recognise that unconscious bias exists. Tools are needed to prevent it and manage its effects. Different contexts and different organisations need to develop different tools. One method is based on accepting that unconscious bias occurs by naming it with words such as similarity, appropriateness, experience. Exercises and routines can reduce the risk of unconscious bias being allowed to dominate recruitment processes and internal teamwork.

APG EMPLOYEES HAVE PERFORMED EXERCISES THAT CONTAIN A NUMBER OF SCENARIOS CONSIDERED OF RELEVANCE TO APG'S ACTIVITIES:

- **Investment decisions** – The investment department has to take a stance on attractive investment opportunities when they are under time pressure. This requires tough priority decisions about future investments, which impacts APG's established strategy. How do we manage the risk of only the most recent information being taken into account (attractive investment that requires a fast decision), while past history is not valued to the same extent?
- **Senior and junior employees** – Potential benefits and complications of either separating or mixing senior and junior employees when complicated investment proposals are to be presented. How do we manage the risk of those involved being influenced by unconscious bias when an older or younger colleague is presenting the proposal?
- **Messaging in recruitment** – Identifying and suggesting key words and descriptions in potential recruitment announcements. Paying attention to risks and opportunities associated with different types of wording. How do we create the conditions needed to attract the right niche talent without repelling applicants with a background that is not considered the norm but who are equally up to the task?



AP6'S STRATEGY

The long-term strategic focus is on investing internationally in private equity funds within the areas of buyout, venture/growth and secondary, and to make co-investments in buyout in a well-balanced portfolio.

The investment philosophy is to build a well-diversified portfolio of high-quality fund managers within buyout, venture/growth, secondary, and to make qualitative co-investments jointly with the buyout funds.

Both fund investments and co-investments are in the form of indirect investment.

INVESTMENT STRATEGY

Private equity investments require a very long-term approach and strategy. The illiquid nature of this asset class requires a long investment horizon. These are companies that will be transformed and developed, often in industries where there are opportunities to reinforce or achieve economies of scale.

This requires knowledge, time and resources. The investment strategy pursued by AP6 has proved to be successful and has contributed good returns to the national pension fund system. A fundamental component of the strategy is to identify and select the best fund managers within each segment.

The aim is to establish long-term investment relationships. Investment with the selected fund managers will continue provided that the yield requirements are met, AP6 is able to co-invest with them, and they share AP6's values and approach to sustainability. AP6's approach is for fund manager relationships to be characterised by a long-term investment perspective and cooperation – for the benefit of both parties.

Strategy changes initiated in 2012 indicated a



The combination of the different segments in AP6's portfolio creates a solid and long-term return with a good risk balance, which is consistent with AP6's mission."

clear focus on combining investments in funds with co-investments. Since the start in 1996, AP6 has contributed a total of SEK 60.3 billion to the pension system, the majority of which was generated within the framework of the current strategy.

In autumn 2020 AP6 carried out an evaluation of the investment portfolio and the Fund's strategic focus. This review confirmed the strategy is being applied within the existing investment portfolio and this was verified by a third party. It also concluded that AP6's portfolio development is strong and that the current investment focus should continue with a few minor adjustments.

Based on this, AP6's Board of Directors established a strategic direction up to 2030 focused clearly on allocation within the Fund's 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 only takes place through fund commitments. The combination of the different segments in AP6's portfolio creates a solid



and long-term return with a good risk balance, which is consistent with AP6's mission.

Reviewing and evaluation take place on a regular basis as AP6's portfolio matures and grows. Requirements and priorities in fund manager selection change over time.

Long-term relationships and well-developed co-operation that can be intensified over time are among the important factors identified by AP6 in fund manager selection. Other important components of the evaluation process are co-investment opportunities for AP6 and that the fund managers share AP6's approach to sustainability.

AP6's focus when setting priorities for fund manager selection involves a comprehensive approach where sub-portfolios contribute to creating the highest possible, risk-adjusted net return for the overall portfolio.

A long-term approach is key – both for fulfilling the investment focus in the strategy and for portfolio development. The extensive strategy modification process that began in 2012 continued for several



years and was not concluded until 2019. This clearly illustrates the time it takes to transform a portfolio within private equity.

Integrating sustainability into investment activities has been a conscious approach for many years. Sustainability is a central and natural aspect of the strategy. It is also essential for long-term value creation. Based on the long-term and illiquid nature

STRATEGIC FOCUS

BUYOUT

VENTURE
GROWTH
SECONDARY

FUNDS and CO-INVEST

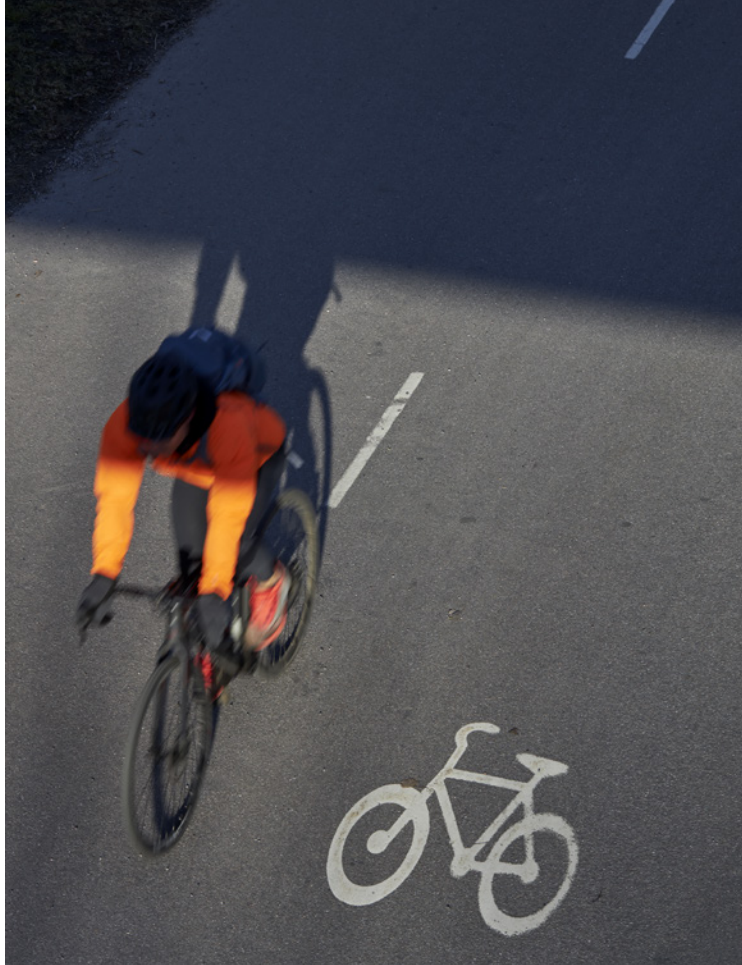
FUNDS

AP6's strategy

of the private equity asset class, focusing on sustainability is particularly important because there are limited opportunities to divest investments that are not meeting AP6's sustainability criteria. Evaluation of potential investments includes assessment of a number of sustainability topics.

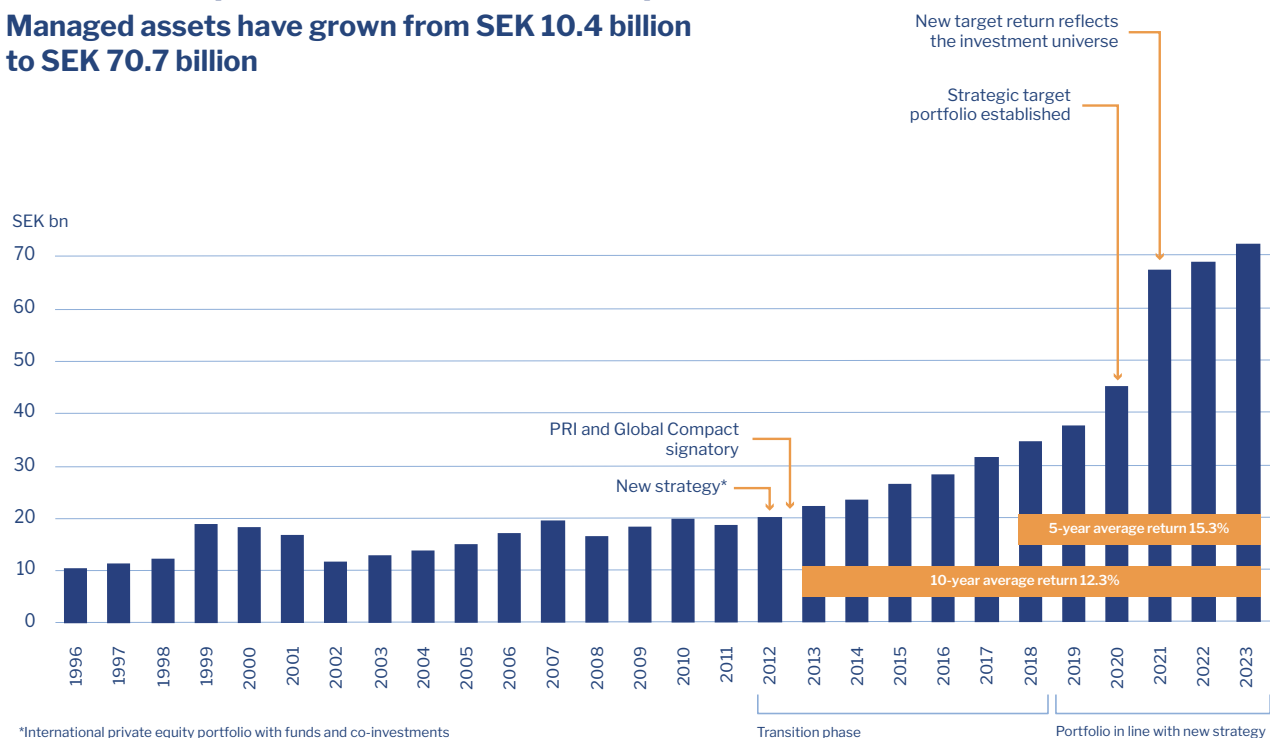
The sustainability approach is based on international frameworks for sustainability and covers human rights, labour, the environment and anti-corruption. The process is based on AP6's approach that combines setting standards, evaluating, monitoring and dialogue. It is particularly important to perform a sustainability assessment before making an investment, but during the ownership phase there are also many opportunities to promote sustainability in an industry where the business model involves active ownership.

The selective choice of fund relationships allows AP6 to focus on prioritised issues and thereby indirectly impact the one thousand or so underlying companies in the portfolio. The investment strategy pursued by AP6 has proved to be successful and has contributed good returns to the national pension fund system.



Fund asset performance since inception

Managed assets have grown from SEK 10.4 billion to SEK 70.7 billion



WHAT DOES UNLISTED/PRIVATE EQUITY MEAN?

Investing in unlisted shares also called private equity, is significantly different from investing in and managing listed shares. As private equity firms are not listed on a marketplace (stock exchange), their shares cannot be traded in the same way. This means that an investment in private equity is considered an illiquid investment. Private equity is by definition different from public equity which is aimed at a broader public. A company that is listed on a stock exchange becomes a public company as its ownership becomes diversified when both institutional investors and the public are able to acquire shares in the company. A privately owned company has instead a smaller number of owners (or sometimes just one) who run and develop the company. If the owner/owners wish to sell the company or their shares in it, an agreement between the parties involved is signed directly as there is no marketplace (exchange) for the company's shares. The majority of private equity investments are aimed at large privately owned companies, above all when institutional investors such as AP6 are involved. To manage the illiquidity associated with investing in privately owned companies, a private equity fund has a very long investment horizon. An investment in a private equity fund is called a fund commitment. The investors commit to a predetermined amount that is provided to the fund as and when the fund acquires companies. Distributions are made to the investors when the fund divests companies. It may take 10–15 years before the companies in a fund are fully divested and the investors receive dividends on the capital they provided. In addition to a private equity fund individually acquiring companies, it may also make acquisitions in partnership with other investors through a co-investment. In general AP6 co-invests with private equity funds with which AP6 is already an investor. There are also instances where AP6 co-invests with a private equity fund to which AP6 has not committed capital. The conditions for private equity investments through private equity funds 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 in extreme cases can jeopardise the entire remaining investment. Consequently, private equity investments are normally best suited for large institutional investors with a long investment horizon. This is the reason why AP6 is a so-called closed-end fund, where the legislator has taken into account that it is not possible to extract liquidity on an ongoing basis in the same way as from other AP funds. Long-term and stable conditions are essential for investing in private equity.

Private equity investments enable a company to evolve from one position to the next. This can involve transforming a business model, streamlining processes or improving market position by acquiring a competitor or supplier. The majority of the value creation in private equity takes place in mature companies (buyout) with an es-

tablished market position. A smaller portion of private equity value creation involves developing and scaling up young companies (venture). These companies have often developed new services or products that are about to be launched on the market. The venture segment can be divided into seed, early or later stage. Later stage venture is the largest segment within venture. There is an additional segment called growth capital. This segment is smaller and involves companies that have left the venture stage and are focusing on growth. Seed investment in brand new startups is a small category within venture.

In this description the term private equity is used as a collective term for unlisted companies at different stages – buyout, venture and growth. Sometimes unlisted companies are divided into two categories – private equity and venture. In this case the term private equity refers to the buyout segment.



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 (where AP6 invests together with a private equity fund in one of the fund's companies) deal sourcing is 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 applied to ensure that the evaluation includes a sufficiently large cohort of candidates. The selection process then narrows 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 expertise in evaluation and analysis.

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 co-operation, dialogue and feedback. AP6 has many years of experience in 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 private equity 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 amount invested. 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. AP6's 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 have significant expertise in the management of liquidity reserves to be able to achieve a balance between future fund commitments and ongoing inflows and outflows in investment activity.

• Liquidity forecast

As the portfolio gradually matures, a good balance is achieved between disbursements/divestments from the portfolio and capital drawdowns/new investments, even if the gross flows can 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, own models and processes, and a strategy based on AP6's structural capital



Investment

- Unique specialist competence that has been built up over more than two decades through investments in unlisted assets.
- Broad network of contacts and long-term relationships with partners.
- Own models and methods for evaluating potential investments.



Sustainability

- Sustainability is integrated into the investment activities.
- Well-developed models and tools are used for evaluation prior to an investment and during the ownership phase.
- Resources are continuously allocated based on identified issues and needs.



Financial

- As a closed-end fund, AP6 has developed detailed models to forecast and manage liquidity.
- Resources from the Financial unit participate in the investment process, among other things to ensure transaction security.



Legal

- The Legal unit works together with the investment team throughout the evaluation phase.
- Early in the process, prioritized issues are identified for upcoming 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 within buyout (large and mid cap). This involves both funds and co-investments (AP6 invests together with a private equity fund in one of the fund's companies). The buyout segment consists of mature companies with an established business model and market position.

A smaller portion of fund 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. AP6 is not involved in co-investment in this segment. Transactions in the secondary segment 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.



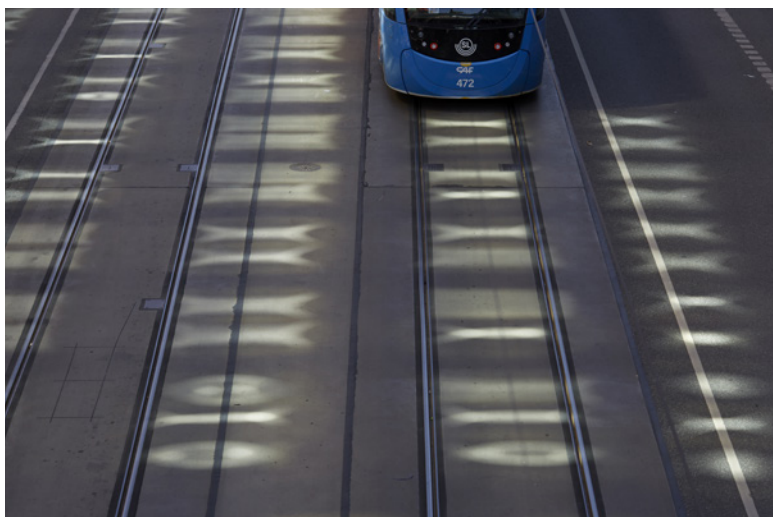
AP6 performs its own calculation and analysis of holding periods, portfolio returns and deviations. This creates a picture of the respective fund's value-creation and sustainability approach."

AP6'S STRUCTURAL CAPITAL

The organisation's collective expertise is brought to bear in each evaluation of a potential investment. Integrated cooperation is based on common objectives where each unit 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 to set the framework for AP6's investment volume. A decision to commit capital to a fund involves 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 expertise in and many years of experience of negotiating with fund managers 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 10–15 years. 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 evaluate. Market mapping is a process of obtaining extensive information based on AP6's own analysis in combination with 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.

SELECTION

Market mapping is followed by a structured selection process. As a pension fund manager and investor in unlisted assets for more than two decades, AP6 has built up specialist expertise that it continues to deepen. This expertise has enabled AP6 to develop its 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. Funds are excluded from the selection process if AP6 determines that the approach to value creation and sustainability differs from that of AP6.



The further along the structured selection process progresses, the smaller the number of funds remaining. The funds that advance to the evaluation phase meet all of the basic requirements. The selection process is followed by a detailed evaluation phase.

EVALUATION PHASE

Fundamental to an evaluation of funds is a uniform report based on a uniform template, allowing comparisons to be made. Some customisation takes place depending on differences between the buyout, venture/growth and secondary market segments. A fund's strategy and market position are assessed through, for example, an evaluation of which industries and geographies the fund invests in and how well it has performed. An evaluation of investment processes and ownership involves examining structural capital, value creation and models for monitoring deviations. One important area is return. An examination takes place of the resources each fund has to develop its portfolio companies, how well the investments align with the fund's strategy, the length of the holding period and the fund's approach to diversification.

One very important aspect is whether AP6 will have opportunities to co-invest. A fund's strategy and market position are analysed paying attention to leadership, staffing and dependence on key individuals. AP6 performs its own calculation and analysis of holding periods, portfolio returns and deviations. This creates a picture of the respective fund's value-creation and sustainability approach. Sustainability efforts are reviewed based on factors such as processes, resources, level of ambition, alignment with international standards and frameworks, and reporting of sustainability information according to industry standards.

AP6, as an investor in various businesses, industries and geographies, 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 evaluation are climate, gender equality and diversity.

AP6 has developed its own evaluation template for the purpose of summarising its assessment of a potential investment. In a joint review with representatives from the organisation's specialist units, key areas are scored. Finally, a balanced assessment is made of the scoring for each fund. Although significant weight is attached to the overall assessment, a score that is too low in any individual category may exclude the fund from further consideration.

Once an investment recommendation is made, a decision process begins involving the Allocation Committee and the Fund Committee.



CO-INVESTMENT

AP6 carries out co-investments, i.e. investing indirectly in companies in cooperation with fund managers to which AP6 has committed capital. AP6 is a minority investor and the fund manager has ownership and management responsibility for the company.

AP6 has a co-investment strategy aimed at large and mid-cap buyout, where the majority of co-investments are made within existing fund relationships. A smaller share of investments are with other co-investors. No co-investments are made within the venture, growth and secondary segments. AP6's co-investments are distinguished by long-term fund relationships and a shared vision regarding value-creation, with sustainability being an integrated aspect.

An evaluation of a co-investment is different from a fund evaluation in a number of ways. The timeframe is one. Evaluating funds can take several months; in some cases even longer. The process of evaluating a co-investment has a shorter timeframe that is measured in weeks. It therefore requires the right type of expertise to evaluate individual companies, understand which type of market the company



operates in and make a professional assessment of the risks and opportunities that increased exposure to an individual company brings.

The process involves expertise in different units being engaged early on. This is necessary to ensure resource-efficient management of complex issues. AP6 has many years of experience of evaluating and investing in unlisted companies within buyout in cooperation with fund partners in the Nordics, Europe and North America. This expertise and experience allows AP6 to efficiently allocate internal resources in order to meet the requirements and expectations of fund partners operating in different industries and geographies.

Unlike a fund commitment where capital is provided as and when a fund invests in a company, a co-investment involves a lump-sum payment of the entire committed amount. AP6's Financial unit has many years of co-investment experience, where the standards are high for quality-assured processes and routines. Transaction security depends on all actors involved in a co-investment meeting the requirements of each fund partner. A delayed or stalled process increases costs and negatively impacts future co-investment opportunities. The legal negotiations in connection with a potential co-investment generally

involve reviewing and negotiating contracts in a process that is significantly faster than the process for a fund commitment. Most co-investments take place with funds to which AP6 has committed capital. This enables the parties to apply existing contract terms.

The Legal unit works with the investment team throughout the evaluation phase. Early on in the process areas are identified where clarification and negotiation will be 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

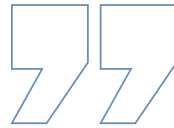
Deal sourcing from a partner perspective is prioritised in co-investments. Most partners are funds to which AP6 has committed capital. AP6 has relationships with several such partners that go back many years; in some cases up to two decades. The partners are very familiar with AP6's strategy, interests 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 offers AP6 interesting opportunities to generate business from a partner perspective. The expertise and capacity of AP6's investment department to identify potential investments is considered crucial to carry out co-investments. Long-term relationships and frequent dialogue make it possible to identify early on the co-investment needs and interests of partners.

Deal sourcing also takes place from a company perspective. Dedicated resources within the organisation, in the form of very experienced specialists, monitor and analyse the market to identify attractive companies. In a parallel process AP6 checks in with potential fund partners on an ongoing basis.

Finding the right fit is based on AP6's strategy and the focus and interests of potential partners. All on all this is a complex process that requires being very familiar with the portfolio structure, strategy and priorities of the candidate. Long-term relationships and mutual trust are very important. Co-investments – regardless of deal sourcing approach – take place in a competitive environment that has multiple actors active in unlisted assets.

EVALUATION

Various factors provide a framework for a co-investment. The structure varies depending on the type of investment, market and partner. Partners familiar with AP6's interests and expertise generally involve AP6 early on in the process. There may also be contact in the final phase and in certain cases after



Access to dedicated internal resources for a thorough evaluation of potential co-investments is an important factor.”

completion. The path to completion of a co-investment is, as mentioned above, characterised by a narrow timeframe. Critical matters are discussed between partners and participants on an ongoing basis. The transaction security requirements are high for a number of reasons. There is a risk of delays and increased costs if an actor or actors pull out towards the end of the process. Early on in the process, investors are expected to identify factors and circumstances of significance for continued participation.

Based on many years of experience AP6 has highly efficient routines and decision processes adapted to the specific criteria that apply for co-investments. Access to dedicated internal resources for a thorough evaluation of potential co-investments is an important factor. Each investment is analysed and assessed based on a number of established criteria. This ensures continuity and a uniform process to assess investments over time.

Assessing the investment fit involves using a variety of parameters 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 a 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 of the market in which the company operates is performed, as well as a review of the company's offering, customer base, competitors, business model and financial development.

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. A sustainability assessment includes analysing the company's impact on sustainability based on a materiality assessment.

An assessment is also made of how sustainability aspects and topics impact the company and its value-creation plan, and what plans and measures the company and the partner have for the ownership phase.

The investment team summarizes each examined area and makes an overall assessment. Once an investment recommendation is made, a process begins involving the Allocation Committee and the Fund Committee.

DECISION STRUCTURE

A homogeneous portfolio is constructed through AP6's investment process and is managed according to a clear portfolio strategy that includes targets and risk limits. Based on a structured and professional approach, the full range of expertise within the organisation is utilised. 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 market mapping, assessment and analysis. The focus is on partnering with actors who share the vision of a long-term approach to value-creation and sustainability. AP6 is 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.

ALLOCATION COMMITTEE

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



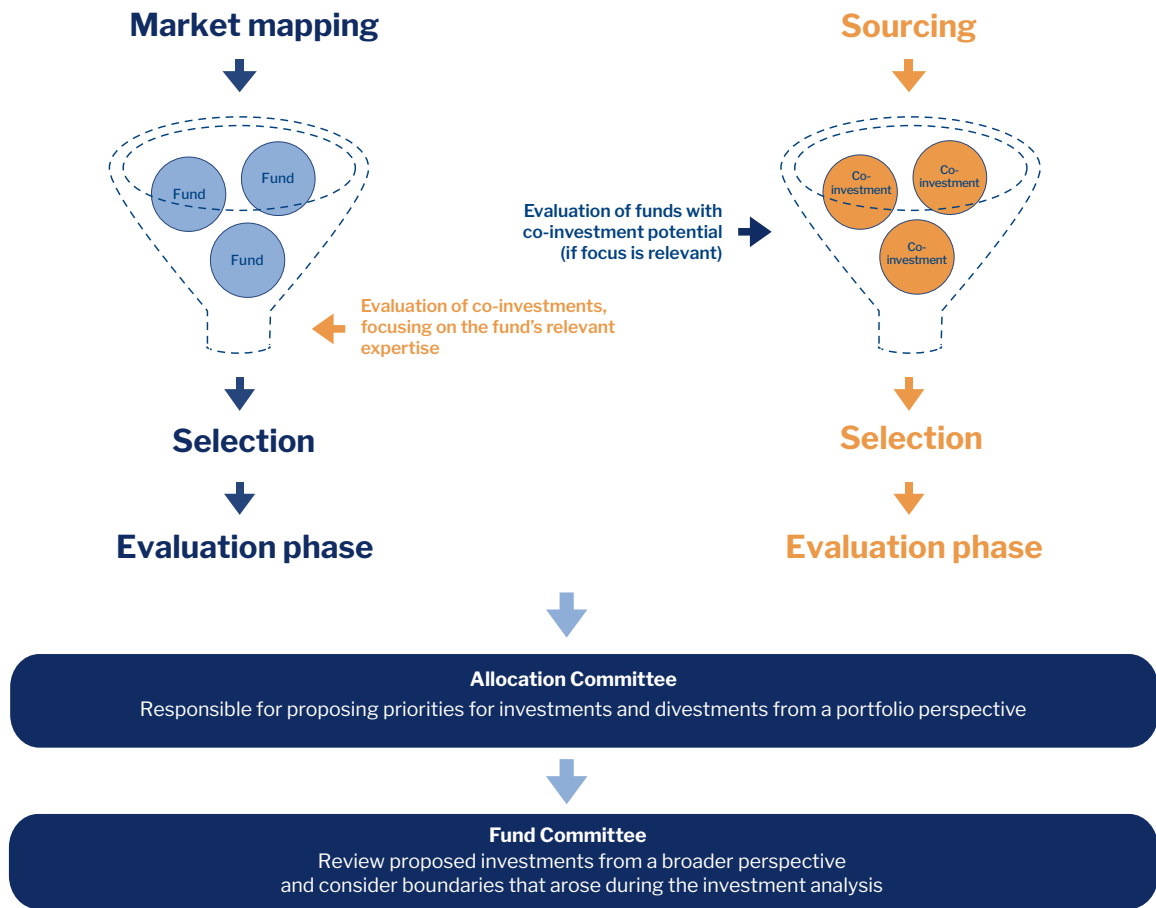
The portfolio is gradually built up through selective investment commitments and co-investments, where selection is the result of a process of market mapping, assessment."

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 high long-term returns with a balanced risk. 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.

FUND COMMITTEE

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







2. OWNERSHIP PHASE

AP6 sees the ownership phase as an opportunity to build knowledge and understanding, and to exercise influence. The holding's value-creation is monitored closely by the respective investment manager. Investments are monitored to ensure they are progressing according to plan in terms of return, strategy and sustainability. Continual dialogue and relationship-building add additional knowledge over and above the normal information-sharing in quarterly reports and at annual meetings. AP6's aim is to be an active partner with expertise in managing complex transactions from various perspectives – commercial, financial, legal and sustainability. In connections with an investment, AP6 communicates



its desires and expectations in a number of areas, such as transparency, fees, profit-sharing, key individuals' holdings, organisational structure, reporting and sustainability. Reporting is required on any incidents or material changes in a holding or among senior executives.

In the area of sustainability there may be an expectation of a higher level of ambition in reporting, as well as improved and more detailed reporting linked to various key performance indicators. AP6 exercises its influence in the area of sustainability through cooperation, evaluation and feedback. AP6 has many years' of experience in measuring, analysing and evaluating the sustainability approach of funds. During the ownership phase the model for evaluation



Investor meetings and financial reporting

Owner representatives participate in investor meetings that address return and sustainability. Also covered are financial reporting and the 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.

Ownership phase

and dialogue described on page 27 is applied. For co-investments, sustainability topics 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. In addition to reports from fund managers, AP6 also uses external tools to identify sustainability related events in the portfolio.

The LPAC (Limited Partner Advisory Committee) is an important forum when investing in funds. This committee has 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 committed amount. AP6 is represented on the LPAC in a number of funds in the portfolio, making it possible to follow fund development more closely. Representation on the LPAC gives AP6's investment managers the ability 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 provides the knowledge needed for future decisions when the same fund team is ready to invest in a new fund. AP6 has many years of experience of investments in unlisted assets and uses well-established systems that have been 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 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



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



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 boards allow AP6 to exercise an 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 sustainability approach.

EXAMPLES OF EVENTS IN THE PORTFOLIO THAT LED TO DIALOGUE IN 2023

AP6 sets high standards for its partners. One important area 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 fund managers or companies in question regarding any such events.

Investment	Event	Action taken by AP6	Status
Indirect holding in fund	The company is accused of shortcomings in providing its services which had a negative effect on the company's stakeholders	Evaluation of the fund manager's ongoing communication on actions to manage the situation	The company has initiated several measures to address the situation
Indirect holding in fund	Reports on failure to comply with adequate working conditions at one or more production facilities	Dialogue with fund manager about the situation and what actions and measures are being put in place to address it	The company has carried out an external investigation and taken action to address its shortcomings. The fund manager is informing investors on updates regarding the situation
Indirect holding in fund	The company is accused of shortcomings in working conditions in its value chain	Dialogue with fund manager about the situation and actions to address it	The company has completed an investigation which determined that the company's products are not produced at the facilities in question. The company still decided to terminate the contract with the supplier and is continuing to strengthen control and processes to manage value chain risks

ANNUAL ESG ASSESSMENT

In 2023 positive development was noted in the area of sustainability among the fund managers in AP6's portfolio. For a number of years AP6 has evaluated the portfolio's ESG work, and provided feedback and examples of good practices. Evaluating and monitoring

the fund managers' sustainability work is an important aspect of AP6'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. Further development

of ESG processes among fund managers in turn generates positive development for the underlying portfolio companies.

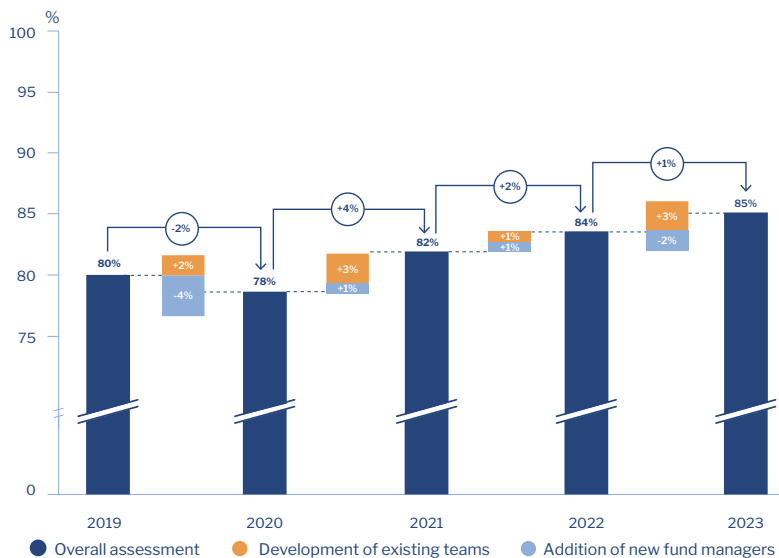
AP6's evaluation involves assessing the fund manager's ESG integration processes rather than the portfolio companies' actual impact on society and environment. AP6 have developed its model for assessment based on industry established assessment frameworks. It also involves examining efforts related specifically to AP6's sustainability focus areas, read more on pages 36–40. The process of evaluation is refined regularly in line with industry development.

AP6 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 2023 assessment demonstrated positive development in sustainability among AP6's fund managers investing in buyout, venture and growth. The largest improvement was derived from fund managers' development of processes and tools for evaluation during the investment phase. The largest contribution to the increase being from existing fund managers. ESG integration in the ownership phase was also a factor in the improved outcomes, mainly from existing fund managers' development during the year. Net results in the reporting module remained flat due to lower ESG integration in reporting among newly added managers decreasing the positive contributions from existing fund managers.

The overall conclusion of the assessment is that there is a positive development in all three areas of the assessment. Furthermore, fund managers with whom AP6 invests have an ambition to work actively on ESG. The progress is partly accelerated by sustainability efforts in private equity-specific industry organisations that continue to develop frameworks for standardisation and enable collaboration.

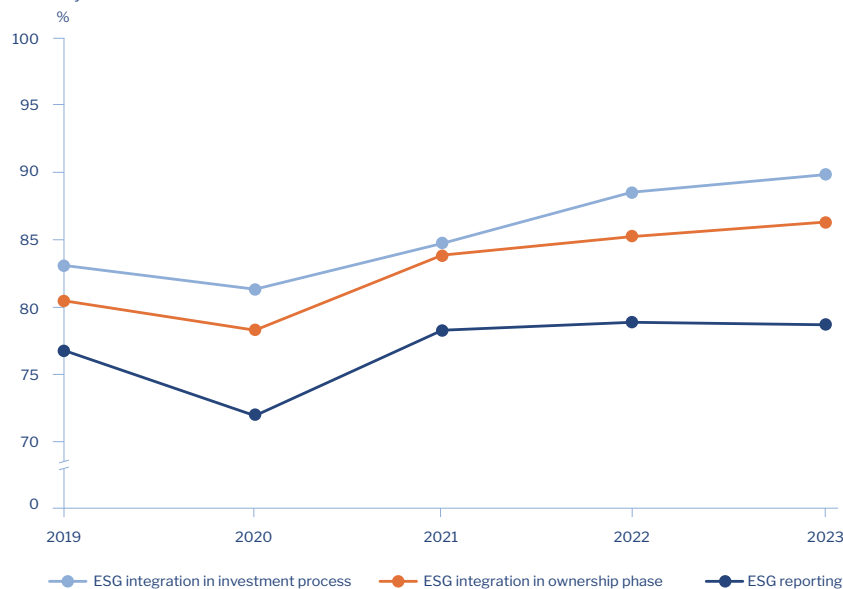
ESG assessment 2023

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 can be divided into 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, and 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 co-invests – invests in companies indirectly together with fund managers to which AP6 has committed capital. AP6 is a minority investor and the fund manager has owner-

ship and management responsibility for the company.

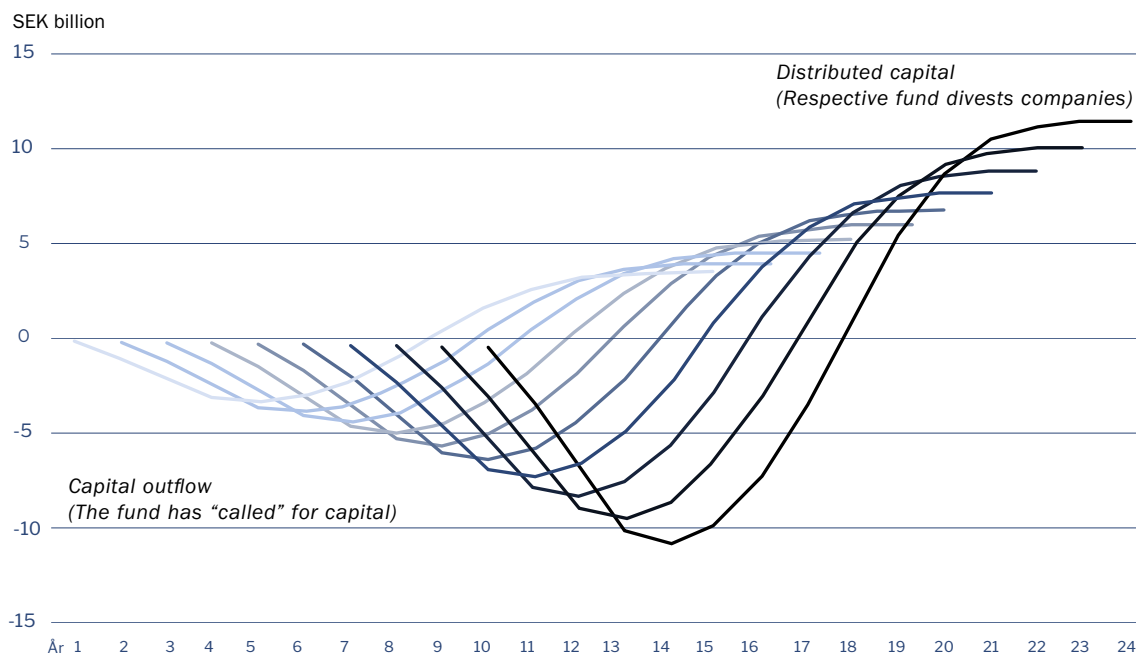
The life of a co-investment is shorter than the life of a fund, but also generally varies (3–8 years). In the same way as with a fund commitment, the principal owner/fund is responsible for running, developing and divesting companies. This means that a co-investment generally has a similar structure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

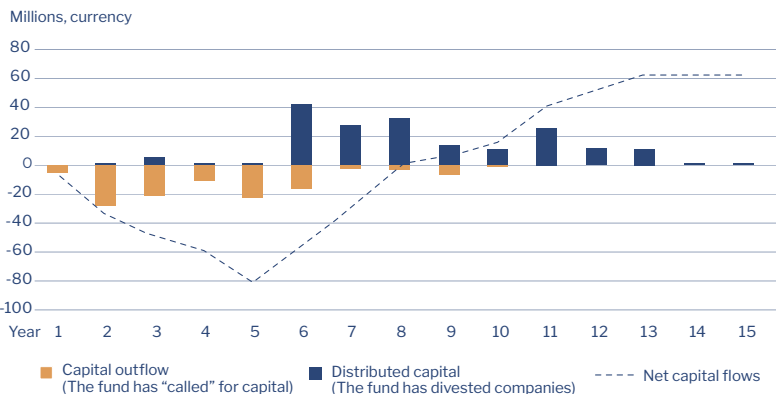
A fund commitment involves obligations that must be fulfilled by investors. Not fulfilling an obligation can be very costly and in extreme cases may put the remaining investment at risk. Together these are factors that make larger institutional investors with a long-term perspective the best suited to invest 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

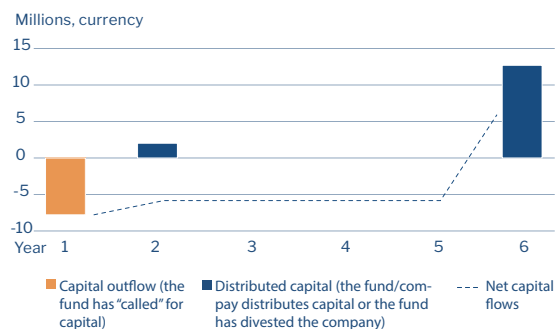


Each curve represents around 20 co-investments for the year in question. The curves show net cash flow of capital. In general the amounts in the size of co-investments grow for the purpose of employing distributed capital.

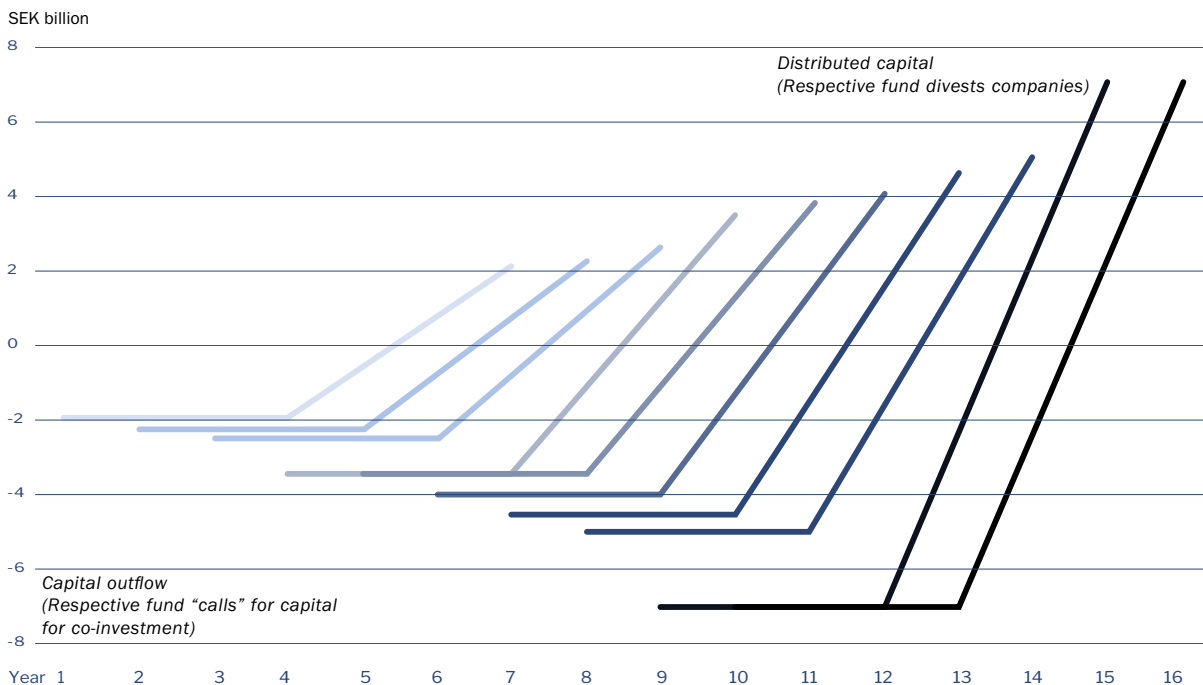
Outflows and inflows linked to an actual fund in the portfolio over a period of 15 years



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



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



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 TARGET

AP6's return target makes it possible to evaluate strategies and returns, and to break down the return and evaluation of various segments for the purpose of performing a full analysis of what the different parts of the portfolio are contributing when overall results are evaluated.

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 2023 around 13,500 unlisted funds with around USD 11,000 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 reporting involves calculating returns net of fees, making them comparable with AP6's returns.

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



AP6's net returns are adjusted based on the liquidity buffer requirement to obtain a fair comparison."

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 based on the liquidity buffer requirement 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 as follows:

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

SPECIFICATION OF AP6'S TOTAL RETURN (IRR)

Period	Year	Total	Buyout	Venture/ Growth	Secondary	Fund total*	Return target**
1 year	2023	2.8%	5.9%	- 13.9%	1.4%	3.0%	- 1.9%
5 years	2019–2023	20.4%	20.5%	21.6%	16.6%	15.3%	11.4%
10 years	2014–2023	17.5%	17.1%	20.1%	15.9%	12.3%	14.0%
Since inception (27 years)	1997–2023	10.5%	16.0%	1.6%	N/A	7.3%	N/A

The return over the past decade is in part based on older strategies and the return since the start is not comparable with AP6's current activities.

* The effect of currency hedging is only included in the return for the item "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 are identified and assessed annually at an overall level. Results of the assessment are compiled to create a risk profile. Essentially all types of investment activity involve risk-taking. AP6 believes that risks associated with investment decisions must be carefully considered, manageable and possible to monitor. It is important for AP6's 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 a risk materialises. Operational risk is managed by having a professional organisation, an effective decision structure and adequate support for measurement and control systems. Private equity assets are illiquid in nature. This is managed through,

for example, a combination of investments in funds and co-investments which have different time horizons that affect distributions to investors. The qualitative structure of the portfolio is built based on a systematic model to evaluate potential, risk and sustainability. 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 when selecting funds and co-investments. This active risk is evaluated on an ongoing basis based on guidelines that define exposure to individual investments. Commitments to funds involve an obligation to disburse funds in the future. If these commitments cannot be met, significant value may be lost. Sufficient resilience is required to wait for the point at which the expected price is reached and assets are realised. Liquidity requirements are monitored using various simulations in the forecast models produced. The possibility of implementing liquidity-creating measures is considered according to a contingency plan. 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. Exposure and hedging of a particular currency is monitored based on 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.

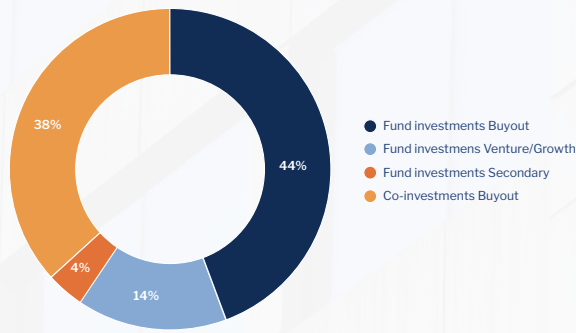
Currency exposure

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.

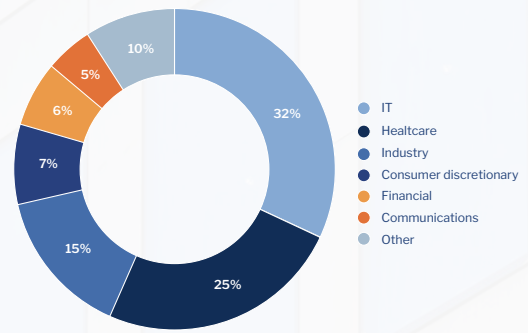


PORTFOLIO

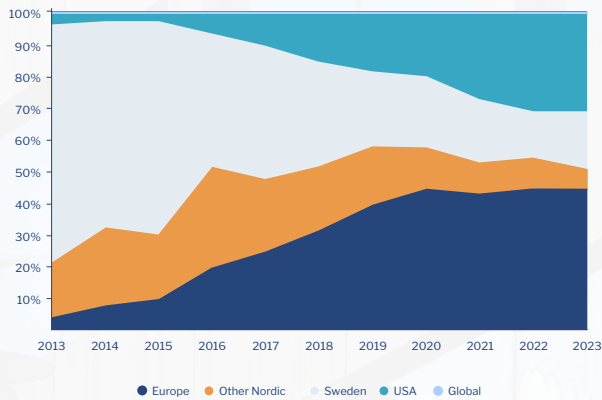
Capital employed of SEK 67.7 billion by market segment



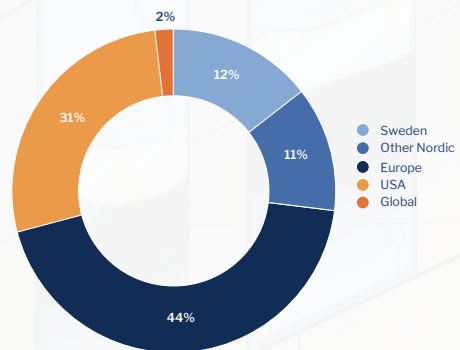
Industry distribution



Gradual internationalisation of the portfolio

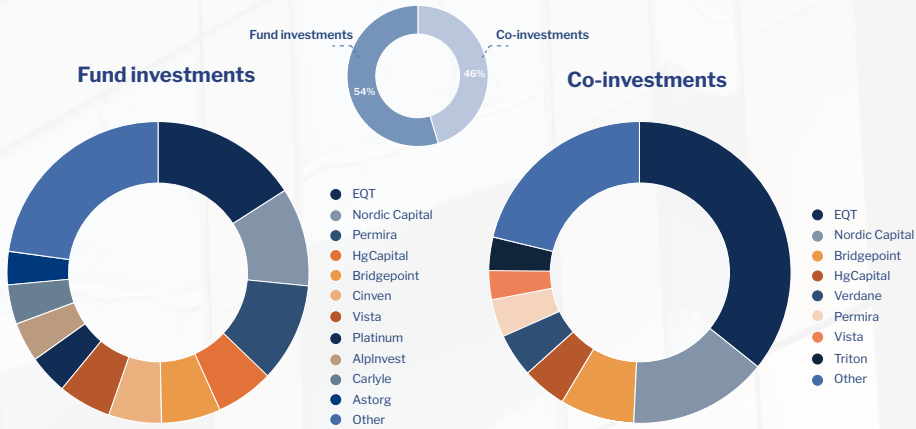


Geographic spread in investment activities

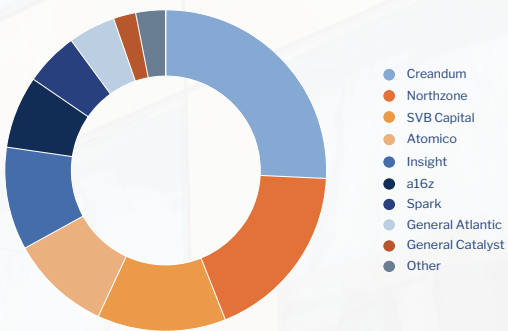


Industry distribution and geographical spread are based on the funds' underlying investments.

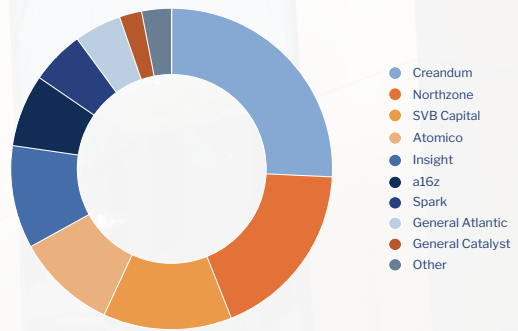
The main fund managers of funds and co-investments in the Buyout segment



The main fund investments in the Venture/Growth segment



The main fund investments in the Venture/Growth segment



AN ATTRACTIVE WORKPLACE

Managing public pension assets 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 workplace in order to recruit and develop skilled employees.

SAFETY, OPENNESS AND WELLBEING

AP6 is to be an attractive workplace that recruits, develops and retains talented employees. The aim is to create a work environment where everyone experiences openness, wellbeing and a feeling of safety. AP6 believes in the skills, commitment and drive of all its employees and wants to allow them to use these to flourish within the organisation. AP6 involves its managers and employees in both the projects and the decision forums, thus injecting energy and drive. The overall aim is to leverage the broad range of expertise and talent within the organisation while embracing different perspectives.

ATTRACTIVE ROLES

AP6 is a significant institutional investor in the private equity market. Partners include several high-ranking European and US private equity firms. Specialists in various aspects of the organisation work together across the investment process. The investment, sustainability, finance and legal departments provide collective expertise where each department contributes based on common objectives.

INVESTMENT DEPARTMENT

The investment department is the largest part of the organisation. As a pension fund manager and investor in unlisted assets for more than two decades, AP6 has built up unique specialist expertise. All of this 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. The investment department is divided into two units



Specialists in various aspects of the Fund work together across the investment process.”

where one is Buyout and the other is Venture/Growth and Secondary. These units are managed by the Head of Buyout and the Head of Venture/Growth and Secondary. The unit heads have overall responsibility for the respective portfolios, including ownership responsibility for strategic fund relationships.

Based on their respective management roles within the investment departments they are both members of executive management, the Allocation Committee and the Fund Committee. The Head of Investment Origination has overall responsibility for sourcing and coordinating investment opportunities relating to co-investments. Within the investment department there are also investment directors who have ownership responsibility for the largest holdings and for frequent dialogue to maintain strategic fund relationships. Investment managers are responsible for certain investments. Analysis constitute a group that works closely with the investment department focusing primarily on advanced analysis to evaluate fund commitments and co-investments.

SUSTAINABILITY

Sustainability is integrated into investment activities and is a theme throughout the investment and ownership phases. A dedicated sustainability team supports the investment department by providing specialist expertise. This includes support in subject matters relating to climate and environment, labour standards, human rights and anti-corruption. The sustainability team also develops methods and tools to assess and monitor sustainability within the investment portfolio, and reports and communicates sustainability outcomes internally and externally. The department is managed by the Head of Sustainability who is a

member of the decision-making Fund Committee and AP6's executive management.

BUSINESS SUPPORT

Development, workplace culture, leadership and employeeship are at the heart of the HR team. This unit works at the operational level and is integrated into the day-to-day affairs of AP6. It handles various matters, all with the aim of strengthening collective intelligence within AP6. The team is led by the Head of HR who is a member of executive management.

Investing in private equity requires solid legal expertise and experience. AP6 has many years of experience of private equity law as well as corporate law. A legal team works on negotiations, writing contracts and supporting the investment department with legal expertise. The department is headed by the Chief Legal Officer who is a member of the decision-making Fund Committee and AP6's executive management. 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 Portfolio strategist work on financial modelling and are represented on the decision-making Fund Committee. As a public sector agency, AP6 is responsible for communicating information to the owner, the public and the media. The communication unit



works on both external and internal communication. Head of Communications is a member of the decision-making Fund Committee.

FINANCIAL

The Financial unit has individuals with many years of experience of managing and reporting on the portfolio which mainly consists of private equity investments. The team's tasks are linked to accounting, ongoing bookkeeping and other processes relating to financial transactions. Creating forecasts and performing analysis as well as managing currency hedging are also part of the team's responsibilities. Heading the team is the CFO who is a member of executive management and the Allocation Committee.

RELEVANT COMPENSATION

AP6 is a government agency under the Ministry of Finance. Managing pension assets by investing in unlisted assets requires the employees to have a high level of expertise and considerable 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.



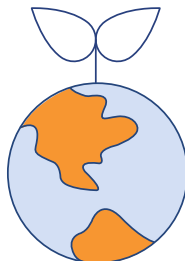


SUSTAINABILITY IN 2023

Since several years AP6 has a long-term approach to responsible investment and sustainability. The following pages describe the development in the portfolio and organisation in 2023. Monitoring of sustainability targets is also described.

Implementation of the updated Code of Conduct established the previous year continued in 2023. The basic themes and key terms set for the organisation and culture of AP6 have permeated this work which was, for example, manifested in dialogue, practical dilemma exercises and updating of selected governing documents.

A double materiality assessment was also carried out, inspired by the guidance provided by the EU in the ESRS (European Sustainability Reporting Standards). Building on previous analysis, this assessment highlighted the difference between the impact of AP6's activities on the external environment (societal impact) and the external environment's impact on AP6 (financial impact), including with respect to AP6's value chain as an indirect investor. For more information see pages 68–70.



AP6 has also worked in cooperation with the other AP funds in the areas of responsible investment, sustainability and HR.

RESPONSIBLE INVESTMENT

In 2023 work on responsible investment continued based on AP6's goals and processes. A focus area in 2023 was human rights, as described on pages 38–40.

AP6's responsible investment targets are based on the organisation's role as an indirect investor in private equity and applies to the entire portfolio. Although the results indicate steady progress, more work is needed to reach the targets. The 2023 ESG assessment shows that several fund managers have made progress in integrating ESG. For more detailed information, see page 27.

The percentage of fund managers' reporting on



ESG KPIs at the portfolio company level rose from 63 percent to 75 percent from 2022 to 2023. The increase is partly due to a growing trend to report in line with EDCI (ESG Data Convergence Initiative), but is also due to the fact that individual fund managers' share of AP6's total portfolio has changed.

Through active participation in industry associations and networks, AP6 has also contributed to an exchange of knowledge and experience of sustainability and responsible investment in private equity.

FOCUS AREA GENDER EQUALITY AND DIVERSITY

Gender equality and diversity was established as a sustainability focus area for AP6's in 2015 – both in investment activities and within the AP6 organisation itself. Since 2016 gender equality and diversity, is a mandatory element in assessing and monitoring investments. Before making an investment and during the ownership phase, AP6 asks how gender equality and diversity among fund managers and companies is promoted.

Monitoring targets

An even gender distribution in fund managers' partner groups and investment teams is defined as at least 40 percent representation of the underrepresented group (women or men). The 2023 assessment noted continued commitment to gender equality and diversity among fund managers and their portfolios, which contributed to clear results in the 2023 follow-up. At the partner level, the percentage of women went up



AP6's responsible investment targets are based on the organisation's role as an indirect investor in private equity and applies to the entire portfolio"

to 17 percent from 14 percent in the previous year. The level in the investment teams increased to 29 percent from 27 percent in the previous year.

The 2023 assessment showed that European investment teams as a whole surpassed US teams for the first time in AP6's assessment. Fund managers within venture and growth have historically shown more gender equality in their organisations than investors in buyout. Venture and growth firms reached close to 40 percent gender equality the previous year, although this fell to 35 percent in 2023 due to the addition of new managers in the assessment selection.

Around 90 percent of assessed fund managers state that they actively support 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 companies that organisations with a good gender balance and a diverse workforce attract the best talent, and that this contributes to better decisions and outcomes in the long term. However, the impact is not yet evident in the partner structure characterising many private equity firms.

FOCUS AREA CLIMATE

Climate change and the societal transition affects investments in almost all sectors. With the long-term assignment to contribute to a system that will safeguard pensions for many generations to come, climate is a major priority. Climate has been a focus area since 2015 and is a mandatory element when reviewing and monitoring investments. AP6's main

climate impact comes from the investment portfolio. The portfolio is also most affected by climate change.

Monitoring targets

In 2021 AP6 set a plan and targets to align portfolio emissions with the Paris Agreement. These targets require fund managers and companies AP6 invests in to take action to increase transparency and to define clear, science-based targets and strategies. Efforts in the portfolio to address climate issues are monitored by AP6 in the annual ESG assessment. The positive development seen in 2022 continued in 2023. The majority of the portfolio's value is now invested with fund managers that have defined climate targets aligned with the Paris Agreement. Through dialogue and collaboration within the industry, AP6 will continue to focus on increasing the percentage of managers aligned with the Paris Agreement. Holdings representing 70% (52) of the portfolio's value reported greenhouse gas emissions during the year. This too resulted in an improvement compared with 2022 and means that AP6 has reached its target for transparency ahead of schedule.

Influence through dialogue

AP6 continuously evaluates how fund managers and companies manages climate-related risks and opportunities, and how these are integrated into the investment process. In practical terms, this could involve assessing if investments are dependent on specific raw materials and how climate will be managed during ownership, or if targets will be set to reduce emissions. During ownership observations from these assessments are followed up and supplemented with any new, important aspects that may need to be managed.



The majority of the portfolio's value is now invested with fund managers that have defined climate targets aligned with the Paris Agreement."

AP6 does not actively seek investments in fossil fuels. Energy sector investments within the portfolio accounted for less than 1% of capital as of 31 December 2023 and were primarily within services to extraction companies. AP6 does not have a positive view on investing in fossil fuels due to its environmental impact and the associated financial risks.

In 2023 AP6 participated in efforts of the ILPA (Institutional Limited Partners Association) regarding integrating climate into investment processes. AP6 also continued to participate in the private equity-specific Initiative Climat International (iCI) network. The purpose of the network is to drive continued development and knowledge exchange within the industry. Areas in focus include increasing transparency and comparability, as well as strategies and targets to reduce emissions.

The portfolio's climate footprint

AP6 has measured and calculated the portfolio's carbon footprint for ten years. Total emissions from portfolio companies, adjusted for AP6's ownership share, decreased by 37% compared with 2022. When comparing emissions from AP6's portfolio and a global portfolio of unlisted companies in comparable sectors, AP6's portfolio emissions represent 92%. In the same comparison with a listed portfolio, AP6's emissions are equivalent to 58%. The decrease is both attributable to changes in the composition of reporting companies and the fact that companies' emissions have decreased. For details, see pages 71–72.

FOCUS AREA HUMAN RIGHTS

The human rights focus area was established in 2021 to develop AP6's social sustainability efforts with a vision that international human rights frameworks will be applied as a standard practice in the investment process and ownership phase in private equity.

Monitoring targets

In 2023 several activities were carried out in line with established targets to create a greater understanding of the current status, and to increase knowledge of international human rights frameworks – both within the organisation and the portfolio.

Fund managers' approach to human rights

An assessment was carried out of fund managers' efforts to identify, prevent, remedy, and report on negative impacts on human rights. The assessment analysed the fund managers' investment processes including deal sourcing, evaluation and investment decisions, as well as the ownership phase and divest-



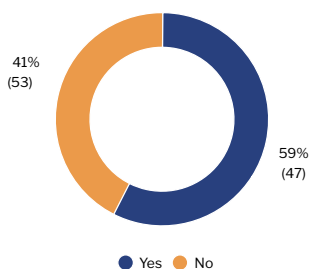
TARGETS FOR AP6'S INVESTMENT ACTIVITIES (SELECTED)

Area	Target	YEAR	Status 2023 (2022)
ESG integration	Positive trend in ESG assessment (change in grading of fund managers)	Ongoing	85% (84%)
	Fund managers representing 100% of invested capital to have an ESG policy/responsible investment policy	Ongoing	100% (100%)
Transparency	Fund managers representing 100% of invested capital to carry out sustainability reporting (according to relevant reporting frameworks/standards, such as PRI or GRI)	2025	84% (78%)
	Fund managers representing 65% of invested capital to report ESG KPIs at the portfolio company level according to relevant standards and reporting initiatives	2025	75% (63%)
Climate	Fund managers representing 65% of invested capital to have set or committed to setting climate targets aligned with the Paris Agreement	2025	59% (47%)
	Holdings representing 65% of invested capital to report GHG emissions	2025	70% (52%)
Gender equality and diversity	Even gender distribution in fund managers' partner groups and investment teams, measured based on percentages and defined as corresponding to at least 40% representation of the underrepresented group (women or men)	2030 (partner level)	Partner level: 17% (14%)
		2025 (investment team)	Investment team: 29% (27%)
	10% annual increase compared to previous year of representing the underrepresented group (women or men)	Ongoing	Partner level: 10% (17%) Investment team: 7% (0%)
Human rights	Process targets: Increased understanding of the status of the portfolio as well as increased knowledge and awareness of the area. Method: Continued information gathering, improvement as well as internal and external dialogue.	2023	Activities implemented: Information gathering, training, round table discussion, industry cooperation. For 2024 and onwards AP6 has developed quantitative targets.

For definitions, distinctions and methods for targets and metrics, see Sustainability KPIs on page 73.

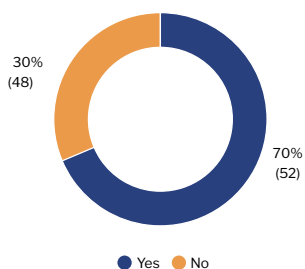
Focus area climate

Climate goals in line with the Paris Agreement

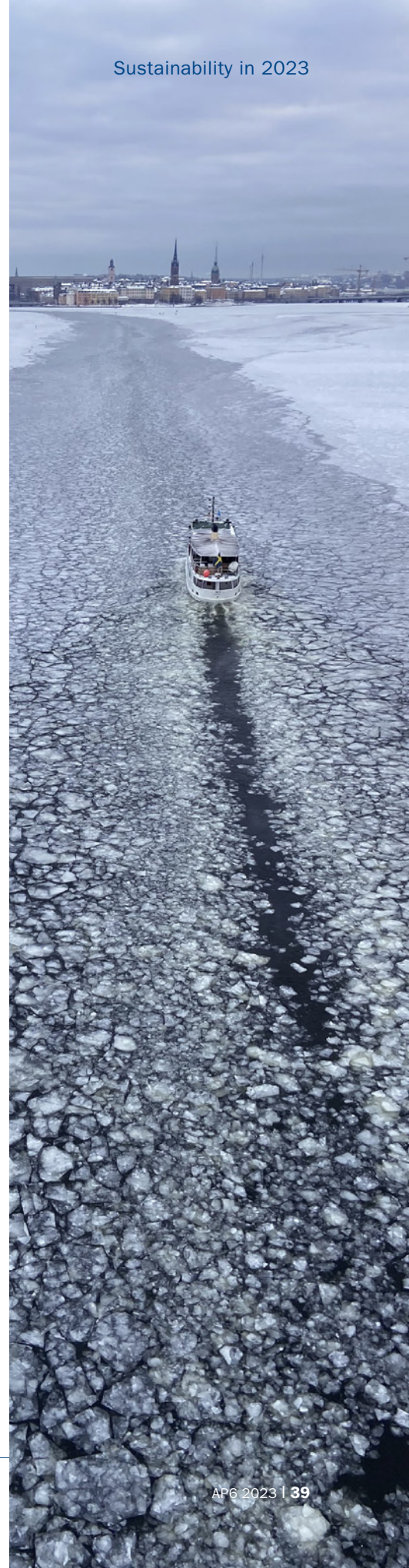


Percentage of invested capital where climate targets aligned with the Paris Agreement have been set or where there is a commitment to set them

Reporting of GHG emissions



Percentage of invested capital where GHG emissions are reported



ment. The focus of the project was the potential and actual risk of negative impacts on human rights in the portfolio companies' value chains.

A human rights assessment model was developed for indirect private equity investments based on the UN Guiding Principles on Business and Human Rights (UNGP). The principles describe expectations on investors and companies to respect human rights. They also provide guidance on how to act in complex situations with risks of negative impacts. Information was gathered from documentation and interviews.

The analysis showed several examples of managers addressing the issues in a structured way in investment processes, but few seemed to be working systematically post-investment with portfolio companies. Many managers have human rights policies and processes to identify risks during evaluation. Turning this into concrete action plans for the ownership phase has not progressed as far. The same applies to support for companies to implement processes in line with the UNGPs. In conclusion, it was noted that human rights is an area where fund managers have an opportunity to further develop processes in line with international frameworks. A total of 21 fund managers were evaluated. All participants were offered feedback with examples of good practices.

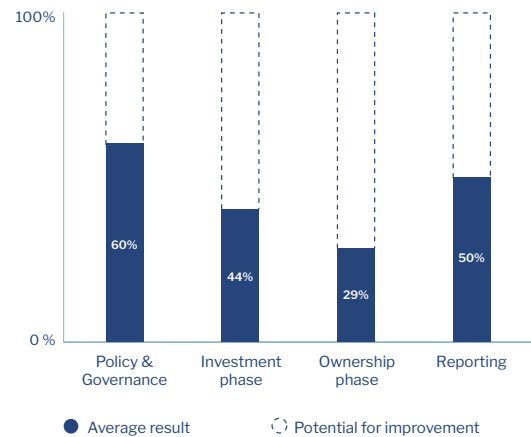
Influence through dialogue and cooperation

In September 2023 AP6 organised a round table to discuss human rights in private equity. Fund managers to which AP6 has committed capital were invited to an interactive, in-person meeting with speakers from AP6 and selected fund managers, and



Human rights is an area where fund managers have an opportunity to further develop processes in line with international frameworks.”

Human rights assessment

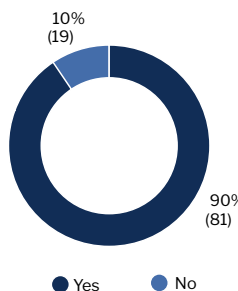


discussions in smaller groups. 25 representatives from 20 private equity firms in buyout, growth and venture took part. The round table provided AP6 and the invited participants an opportunity to exchange knowledge and ideas on a theme where more information and practical assessment of risks are sought after.

In addition to information gathering and dialogue with fund managers in AP6's portfolio, AP6 also took part in industry-wide cooperation activities during the year. This was aimed at promoting development within private equity and also gaining new knowledge and learning from other actors about new methods and tools. Exchange took place with experts, industry organisations and other investors within the asset class. Among other things, AP6 has contributed to the PRI (Principles for Responsible Investment) guidance for private equity regarding human rights.

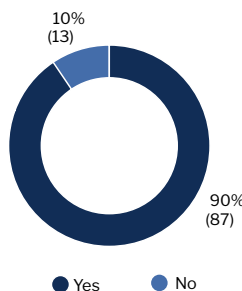
Focus area gender equality and diversity

Support portfolio companies



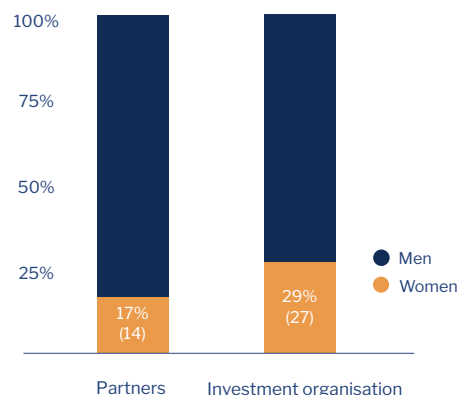
“Do you support your portfolio companies in increasing diversity and gender equality?”

Reporting to investors



“Do you report information on diversity to your investors?”

Fund managers' gender distribution



SUSTAINABILITY IN THE ORGANISATION

During the year the organisation worked actively on values and matters relating to the organisation's culture. The recently updated Code of Conduct was applied in various contexts. A number of exercises were carried out where the participants were given the task of managing various dilemmas relating to the values described in the Code of Conduct. Employees worked together to explore what the common values mean for AP6 as an organisation and for its people.

One focus area for AP6's joint development in 2023 was psychological safety. Joint and individual targets were established. The purpose of focusing on this area was to reinforce a tolerant and constructive workplace climate where safety and inclusion increase the collective intelligence, while at the same time creating an attractive working environment.

The area of unconscious bias was addressed within the framework of the AP6 Talks discussion series. Discussions explored issues relating to unconscious bias in order to understand, identify and break stereotypical attitudes.

Governing documents for the work environment were revised and developed during the year.

The purpose was to clarify AP6's position and to harmonise the documents with the Code of Conduct in general. Altogether the activities involved more clearly defining the direction of the organisation and translating this together into everyday behaviour to develop and promote the desired workplace climate.

There is a 50/50 gender distribution within the AP6 organisation. In 2023 there were 32 employees; 16 are women (50%) and 16 are men (50%). In 2023 the executive management consisted of seven individuals of whom four are women (57%) and three are men (43%). Sickness absence remained flat at a low level in 2023 at 0.4%.

AP6's ambition is 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 working life. In 2023, 96.9% of the employees utilised their wellness allowance compared to 97.0% in 2022.

GENDER EQUALITY AND DIVERSITY

Issues relating to gender equality and diversity are integrated into day-to-day work. This is an area that is always important and that is ever-present in approaches, processes and routines, and therefore also in the workplace environment.

A professional organisation that aims for constant development makes every effort to embrace the combined talents and experience of its employees. Different backgrounds and experiences bring new perspectives when analysing and assessing different approaches, regardless of which issue is being addressed.

AP6 has an organisational structure with a relatively small workforce in a homogeneous industry. This underscores the importance of having an overall and long-term focus on gender equality and 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.

In 2023 AP6 worked actively on translating the organisation's vision for gender equality and diversity into everyday actions.

TARGETS FOR AP6'S ORGANISATION AND INTERNAL OPERATIONS

Area	Target	Status
Gender equality and diversity	In recruitment, the shortlist is to be evenly split between women and men (measured over three years)	Distribution 2021–2023, women 50%, men 50%
	Aim for a gender balance among AP6's employees as well as a diversity of perspectives in the organisation and teams	See the section on gender equality and diversity

METRICS FOR WORK ENVIRONMENT AND ORGANISATION

Wellness allowance	Training hours	Sickness absence	Employee turnover
utilised by 96.9% (97.0%) of the employees	per employee around 40 (50)	0.4% (0.4%)	Recruitment 3.0% (9.1%) and ending employment 9.1% (3.0%)

GENDER EQUALITY AT AP6 – SUMMARY/METRICS

The number of employees was 32 (34), broken down as 16 (16) women and 16 (18) men. Age distribution:

- < 30 years 3 people
- < 30–49 years 14 people
- < 50–70 years 15 people

The executive management consists of seven individuals; four women and three men. The Managing Director is a woman. Of the 32 (34) employees, 25 (27) are employed at the head office in Gothenburg and 7 (7) in Stockholm.

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



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. The Code governs listed companies but has also created norms for private and public sector organisations and companies. The statement is also to reflect the special status of AP6 as a government agency and national pension fund. The difference between AP6 and other government agencies is significant. The Swedish national pension funds (AP funds) have a highly independent status as the AP funds are regulated by law. The Government has no regulatory authority over the funds in contrast to the regulation towards other government agencies.

PERFORMANCE IN 2023

The year 2023 was characterised by a market heavily impacted by the geopolitical situation and a contractive monetary policy due to a persistently high inflation rate globally. Generally higher interest rates in 2023 caused a stagnated transaction market,



weak equity markets and a risk aversion which also led to a depreciated Swedish krona.

SUSTAINABILITY

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. Special attention is to be paid to promoting sustainable development without compromising the goal [for return and risk].”

Integrating sustainability into investment activities is also essential in order to generate a long-term, high return on the pension assets that AP6 is assigned to manage. In 2023 the established practice of integrating sustainability into investing activities continued based on the organisation’s plans and goals. There was a particular focus on developing initiatives to assess human rights risk in the investment process. Sustainability efforts are described in an integrated way in the Annual Report in line with the Global Reporting Initiative (GRI).

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 competence and experience relevant to AP6's operations rather than representation from various parties. The Ministry of Finance proposes nominees, and the Government appoints the board members. The Government also appoints the Chair and Vice Chair of the Board. The Government applies a one-year term for the board members, which means that the current appointments apply until the Government has adopted AP6's balance sheet and income statement for 2023. 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 conflict of interest or reason not to 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 work is 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 states that the Board is to establish targets for the Fund's investment activities. A Code of conduct is to provide the basis for these activities, and guidelines are to set to define investments that are to be excluded. Work procedures for the Board are established annually. 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 is 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 AP6, and to 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



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.

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 held two. In 2023 the Board convened seven ordinary meetings and seven extraordinary meetings. There was also one meeting held per capsulam.

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 if relevant, who report on various matters to the Board. During the year the Board paid particular attention to the state of the market and analysed its impact on the long-term strategy. The Board also more clearly defined certain sustainability targets.

RISK AND AUDIT COMMITTEE

The Risk and 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 report. Furthermore, the Committee is responsible for evaluation the proposals from the organisation in connection with year-end accounts on valuation of the unlisted assets where no external valuation exists (two holdings in 2023). The valuations are done 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 implementation 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 for a framework for the annual pay review for AP6 em-



ployees. The Committee meets in connection with the annual pay review and evaluations. It consists of two members of the Board, one of which is appointed as Chair. The CEO and Head of HR serve as co-opted members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee is responsible for preparing for board discussions and decisions relating to sustainability. The Committee oversees the processes for identifying and managing sustainability, including AP6's impact on the environment and society. It also prepares proposals for AP6's sustainability targets, and monitors and evaluates AP6's sustainability approach, 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 2023 the fees for the Board's committees were allocated in the following amounts (in SEK): Risk and Audit Committee: chair 32,500, member 25,000/10,000. Sustainability Committee: chair 11,250, member 10,000. Remuneration Committee: chair 6,250, member 5,000. The composition of the committees and the fees paid were changed mid-year. The Board decides on remuneration for the Managing Director and the salary framework for the other employees. Remuneration guidelines for the AP funds' 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 is responsible for internal control. The Managing Director assists the Board and, if needed, an internal auditor may examine 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 day-to-day activities. The Board conducted an internal audit review of risk management in connection with investments in

2023. The Board has decided that the 2024 internal audit review will assess information security.

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

- **Executive management** provides support to the Managing Director in general strategic and organisational matters.
- **The Allocation Committee** is 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** is 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 with the sustainability guidelines. The Fund Committee also ensures that material due diligence issues have been addressed 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 matters relating to investment activities.

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. Considering the nature of AP6's activities and that it is a relatively small organisation, these functions are divided between different units within the organisation. The compliance function is shared between AP6's Chief Legal Officer (regulatory) and the CFO (financial reporting). The risk management function is carried out by a risk controller who reports on an ongoing basis to the Managing Director, CFO and the Risk and Audit Committee. In some cases the CEO is the risk function. If necessary, AP6 will seek assistance from external consultants on matters related to risk management. In 2023 AP6 engaged an external consultant to assist with management's risk assessment process and to evaluate currency hedging process.

AP6 also has an external, anonymous whistleblower system that is available to all employees. Risk management is also integrated into ongoing investment activities.



In 2023 AP6 engaged an external consultant to assist with management's risk assessment process and to evaluate currency hedging."

AUDIT

AP6's auditors are appointed by the Government. The appointed auditors are Daniel Algotsson (PwC) and Peter Nilsson (PwC). Their term ends once the 2023 income statement and balance sheet have been adopted. 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 the Fund's operation. The auditors have also reviewed AP6's general IT controls. In addition to the auditors' audit assignment, since AP6 has voluntarily chosen to prepare a sustainability report in accordance with the Annual Accounts Act, the auditors also state whether or not a sustainability report has been prepared. 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. The assessment report is provided to the Government at the same time as the Annual Report and Audit Report are submitted. The evaluation is presented 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. The written assessment report is presented to Sweden's Riksdag (parliament) and it will be published when the Government adopts the AP funds' income statements and balance sheets for 2023.

BOARD OF DIRECTORS



CATRINA INGELSTAM
Chair

Born: 1961
Elected: 2016

Other assignments:
Board member Swedfund international AB, Kommuninvest i Sverige AB, LÖF (the region's mutual insurance company), SH Pension Tjänstepensionsförening and Sparbanken Rekarne AB.

No holdings in unlisted companies.

Holding in own company:
Creatme AB.



BENGT HELLSTRÖM
Vice Chair

Born: 1959
Elected: 2023

Other assignments:
Board member Trophi Fastighets AB (Chair), Fastighets AB Regio (Chair), Trenum AB (Chair), Gysinge Skog AB, Qarlbo Natural Asset Company AB (Chair), PC Rettig & Co AB and Fastighets AB Virtuosen, Fastighets AB Eminenten.

Other assignments:
Senior Advisor to Worthwhile Capital Partners, Wilton Row and Time Partners.

No holdings in unlisted companies.



ÅSA KNUTSSON
Board member

Born: 1962
Elected: 2019

Other assignments:
CEO Fouriertransform AB, CIO Direct Investments Saminvest, board member Inlandsinnovation AB.

No holdings in unlisted companies.

Holding in own company:
T&Å Knutsson Konsulter AB.



ALEXANDER LJUNGGVIST
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 holdings in unlisted companies.

Holding in own company:
Nordic Economics Consulting AB.



KARIN REUTERSKIÖLD
Board member

Born: 1959
Elected: 2018

Other assignments:
Partner Forever Sustainable AB. Chair of MISTRA Electrification Programme Board. Board member Plan International Sverige

No holdings in unlisted companies.

Board committees

Risk and Audit Committee

Alexander Ljungqvist
(chair)
Åsa Knutsson
Bengt Hellström

Remuneration Committee

Catrina Ingelstam
(chair)
Bengt Hellström

Sustainability Committee

Karin Reuterskiöld
(chair)
Catrina Ingelstam

EXECUTIVE MANAGEMENT



CECILIA GROSS FRIBERGER
Head of Venture, Growth and Secondary

Born: 1968
Employed: 2000

Board appointments:
None

No holdings in unlisted companies.

KARL FALK
Head of Buyout

Born: 1972
Employed: 2012

Board appointments:
Auvimo AB

No holdings in unlisted companies.

ANNA FOLLÉR
Head of Sustainability

Born: 1975
Employed: 2014

Board appointments:
None

No holdings in unlisted companies.

KATARINA STAAF
Managing Director

Born: 1967
Employed: 2019

Board appointments:
Fondtorgsnämnden, Staaf & Partners AB, FastPartner AB.

No holdings in unlisted companies.

Holding in own company:
Staaf & Partners AB, K Staaf Konsult AB.

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

HENRIK DAHL
CFO

Born: 1975
Employed: 2008

Board appointments:
Centre for Finance (CFF), School of Business, Economics and Law, University of Gothenburg.

No holdings in unlisted companies.

Decision forum structure

EXECUTIVE MANAGEMENT:
Katarina Staaf (*chair*)
Henrik Dahl
Karl Falk
Anna Follér
Cecilia Gross Friberger
Charlotte Larsson
Jonas Lidholm

FUND COMMITTEE:
Katarina Staaf (*chair*)
Karl Falk
Cecilia Gross Friberger
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

As of 1 January 2024 Karl Eidem is Head of Buyout and is a member of executive management and the Fund Committee.



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 2023 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
- No bonuses are to be paid to senior executives
- 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 2023 and no material changes have been made to the remuneration structure since then.

Evaluation results

The result of the 2023 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.

ENTERTAINING AND TAXABLE BENEFITS

AP6 has restrictive guidelines regarding entertaining and benefits. Both internal and external entertaining must be able to be motivated, reasonable, appropriate and moderate. Alcohol is not permitted as part of internal entertaining.

Attaining a balance between restrictive and attractive is important with respect to benefits. What AP6 offers is balanced and in line with the general guidelines.

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 2023 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 2023 amounted to SEK 2,077 million (1,310), equivalent to a return of 3.0 percent (1.9). The target return, which is the return for a median fund that invests in private equity, was -1.9 percent. Profit from investment activities, excluding the effect of currency hedges, was SEK 1,854 million, equivalent to a return of 2.8 percent. Of this profit, buyout accounts for SEK 3,242 million, equivalent to a return of 5.9 percent, venture/growth SEK -1,422 million, equivalent to a return of -13.9 percent and secondary SEK 34 million, a return of 1.4 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 2023 this had grown to SEK 70.7 billion, which means the Fund has generated an accumulated profit of SEK 60.3 billion. This is equivalent to total value growth since the start of 580 percent and average annual growth of 7.3 percent.

Since 2003 the majority of AP6's capital has been invested in private equity. Analysis shows that during the years 2014–2023, i.e. over the past decade, fund assets have grown by SEK 48.6 billion, from SEK 22.1 billion to SEK 70.7 billion, most of which was generated with the Fund's current strategic focus. The increase is equivalent to average annual growth of 12.3 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 issues 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 24.7 billion (29.3) as of the end of 2023.

Target return

The purpose of the target return chosen 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 2023 included around 13,500 funds with a market value of around USD 11,000 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 target return 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. 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, AP6 can neither request nor distribute capital. To manage these conditions, a

liquidity buffer is needed for future investment commitments and also to manage the effects of currency hedging on liquidity. In order to make a fair comparison with the net return, the target needs to be adjusted for these variations. In a situation where AP6 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).

Overall return analysis

AP6's net return during the year amounted to 3.0 percent, which can be compared with the median fund used for comparison. The median fund's return for 2023 was -1.9 percent.

The return on investment activities, i.e. the capital employed, amounted to 2.8 percent. 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 ten and five years amounted to 12.3 percent and 15.3 percent respectively, which is below the ten-year target of 14.0 percent, but above the five-year target of 11.4 percent.

The investment focus is mainly on mature companies where returns over time have been favourable. The returns over the past ten and five years in AP6's Buyout segment were 17.1 percent and 20.5 percent respectively. The corresponding development in the Venture segment including Growth is 20.1 and 21.6 percent respectively and for Secondary 15.9 percent and 16.6 percent respectively.

INVESTMENT 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 of assets within buyout amounted to SEK 55.8 billion (53.9) at the end of 2023 and profit for the year before internal costs amounted to SEK 3,242 million (7,029). Profit for the year represents a return of 5.9 percent (16.3).

The assets measured at market value within fund investments amounted to SEK 30.1 billion (29.5) and profit for the year before internal costs amounted to SEK 725 million (4,570). The profit represents a return for the year of 2.4 percent (19.7). The profit was primarily positively impacted by realising assets at a higher value than the opening market value. During the year SEK 1.4 billion was committed to two buyout funds, both of which were fund relationships in which AP6 has already invested.

The assets measured at fair value within fund investments amounted to SEK 25.7 billion (24.4) and profit for the year before internal costs amounted to SEK 2,517 million (2,459). The profit represents a return for the year of 10.2 percent (12.6). Profits were above all positively impacted by the 2023 valuations. A total of SEK 1.0 billion was distributed, most of which to two investments signed in 2022.

The total return within buyout for the past 10 years was 17.1 percent and for the past five years, 20.5 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 9.1 billion (9.9) and profit for the year before internal costs amounted to SEK -1,422 million (303). The result in this segment represents a return for the year of -13.9 percent (5.2). No new commitments were made during the year. The total return for venture and growth for the past ten years was 20.1 percent and for the past five years 21.6 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 2.8 billion (2.7) and profit for the year before internal costs amounted to SEK 34 million (504). Commitments were made to three funds during the year for a total of SEK 3.2 billion. Profit in this segment represents a return for the year of 1.4 percent (25.9). The total return within secondary for the past 10 years is 15.9 percent and the past five years, 16.6 percent.

LIQUIDITY MANAGEMENT

Liquidity at the end of 2023 was SEK 1.1 billion (4.9). 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 134 million (-533).

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. 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 investments 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.

Surplus liquidity, that are generated in positive business cycles, are 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 balanced interest- and credit risk. 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 2023 amounted to SEK 104 million (104), of which SEK 43 million (38) is related to investment activities and liquidity management, and SEK 61 million (66) 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 919 million (881), of which SEK 916 million (851) can be attributed to fund management costs. Fund management costs represent 1.4 percent (1.2) of the total managed assets within funds, which at year-end amounted to SEK 66.0 billion (69.9). 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.

The cost of credit facilities are included in external management costs. 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 2023 these costs amounted to SEK 14.4 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 2023 AP6 had 32 employees (34). 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 is presented in the form of a written report to Sweden's Riksdag (parliament) and is published when the Government adopts the income statement and balance sheet for the year, which normally takes place in May of the following year.

The assessment mainly reviews the target returns set by the Board and to what extent the investment activities have reached these targets. It also includes general analysis of the effectiveness of the AP fund system. 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. Furthermore, sustainability is considered in order 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. Since 2022 exemplary management through responsible investment and ownership is part of AP6's mission through an addition to the Sixth Swedish National Pension Fund Act (2000:193).

AP6 bases its responsible investment approach 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 Ten 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 an 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 addressing them. The Board's Sustainability Committee reports on sustainability-related matters to the Board. The Board adopts sustainability targets annually. Sustainability reporting according to the Global Report-

ing Initiative (GRI) takes place annually. Additionally, reporting is carried out according to the PRI reporting template.

In 2023 the established practice of integrating sustainability into investing activities continued based on the organisation's plans and goals. The targets for the human rights focus area have been further developed. Participation in global initiatives to increase ESG transparency in private equity has 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	53	–	67,339	67,392
Interest-bearing securities	0	2,156	341	2,497
Cash	1,213	–	–	1,213
Closing balance 31 December	1,266	2,156	67,680	71,102

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 2023 SEK m	Venture/ Growth Secondary			Total
	Buyout			
Opening balance, 1 January	53,748	9,910	2,671	66,329
Investments	6,267	800	483	7,550
Changes in value	4,574	–1,056	122	3,640
Sales	–7,490	–345	–411	–8,246
Exchange differences and other	–1,303	–210	–80	–1,593
Closing balance 31 December	55,796	9,099	2,785	67,680

*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 comparable listed companies. 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 2023 profits are therefore based on reports

from the beginning of the third quarter of 2022 to the end of the third quarter of 2023, which 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 AP6 IS FACING

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. Reports are provided to executive management, and to 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 2023 AP6's assets measured at market value in foreign currency amounted to SEK 63,69 million (62,868), of which assets in USD were the single largest category with a market value equivalent to SEK 25,061 million (23,621). Of the total market value SEK 53,508 million (63,030) was currency-hedged, which represents currency exposure of 8.5 percent (2.4) in relation to fund assets.

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 are also credit facilities available for use if financing needs arise.

Performance risk: This is the risk of a holding not developing according to established targets 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 page 74.

DEVELOPMENT OF AP6 2014–2023 (10 YEARS)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return development, %	6.5	12.2	6.5	12.3	9.6	8.2	20.4	49.1	1.9	3.0
Target return ¹	19.5	15.4	10.5	16.2	-0.6	31.4	15.5	14.6	20.9	-1.9
Unlisted benchmark ²	15.9	6.9	8.3	6.6	13.1	7.1	-3.8	-	-	-
Fund assets, SEK bn	23.6	26.4	28.1	31.6	34.7	37.5	45.2	67.3	68.6	70.7
Return summary, SEK m										
Return before costs	1,561	2,994	1,827	3,587	3,143	2,953	7,738	22,273	1,414	2,181
External management costs	-22	-21	-13	-31	-8	0	0	0	0	0
Internal management costs and joint costs	-98	-106	-92	-86	-93	-95	-89	-98	-104	-104
Profit/loss for the year	1,441	2,867	1,722	3,470	3,042	2,858	7,649	22,175	1,310	2,077

1. Benchmark index:

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

As of 2021 Unlisted benchmark target return, 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

SEK m	2019	2020	2021	2022	2023	Total	Return before costs,% 2019–2023	Assets measured at market value 31 Dec. 2023
Buyout	1,664	6,974	16,600	7,029	3,242	35,509	20.5	55,795
Venture/Growth	670	748	4,293	303	-1,422	4,592	21.6	9,100
Secondary	191	-139	1,018	504	34	1,608	16.6	2,785
Liquidity management and risk management	428	155	362	-533	134	546	-	1,140
Shared assets, net ¹	-	-	-	-5,889	193	-5,696	-	1,899
Internal management costs	-44	-40	-42	-38	-43	-207	-	-
Shared costs	-51	-49	-56	-66	-61	-283	-	-
Total	2,858	7,649	22,175	1,310	2,077	36,069	15.3	70,719

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	2023	2022
Investment activities			
Net profit from listed shares and participations		360	-617
Net profit from unlisted shares and participations	2	1,706	1,835
Share dividends		61	151
Other financial income and expense	3	54	45
Management costs	4.6	-43	-38
Shared costs	5.6	-61	-66
Profit/loss for the year		2,077	1,310

BALANCE SHEET

SEK m	Note	31 Dec. 2023	31 Dec. 2022
ASSETS			
Investment assets			
Shares and participations in listed companies and funds	7,8	53	4,449
Shares and participations in unlisted companies and funds	7,9	67,339	66,007
Interest-bearing securities	7,10	341	322
Total investment assets		67,733	70,778
Receivables and other assets			
Derivatives for currency hedging		2,757	400
Other current receivables	11	5	23
Prepaid expenses and accrued income	12	39	44
Cash and cash equivalents	7	1,213	824
Total receivables and other assets		4,014	1,291
TOTAL ASSETS		71,747	72,069
FUND ASSETS AND LIABILITIES			
Fund assets			
Initial capital		10,366	10,366
Retained earnings		58,276	56,966
Profit/loss for the year		2,077	1,310
Total fund assets		70,719	68,642
Current liabilities			
Derivatives for currency hedging		601	2,891
Accrued expenses	14	293	295
Other current liabilities	15	134	241
Total current liabilities		1,028	3,427
TOTAL FUND ASSETS AND LIABILITIES		71,747	72,069

NOTES

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

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 2023.

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 an accurate 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 par-

ticipations 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 2023.

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 profit from unlisted shares and participations

	2023	2022
Realised		
Income from divestments	8,652	10,980
Invested assets	-4,798	-4,493
Reversal of change in value on divested holdings	-3,450	-6,206
	404	281
Unrealised		
Change in value for the year	2,702	3,775
Exchange rate difference	-1,400	-2,221
	1,302	1,554
Total	1,706	1,835

Note 3 Other financial income and expense

	2023	2022
Interest income	52	29
Interest expense	0	-1
Exchange rate difference	2	17
	54	45

Note 4 Management costs

	2023	2022
Internal management costs		
Personnel expenses	40	34
Other external services	0	1
Travel expenses etc.	1	1
VAT charged	1	1
Other expenses	1	1
Total	43	38

No performance-based expenses in 2023 (-).

External management and acquisition costs attributable to holdings in unlisted funds and co-investments amount to SEK 916 million (851) and SEK 3 million (30) respectively. This item also includes expenses for external credit facilities which amounted to SEK 14 (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.

Note 5 Shared costs

	2023	2022
Personnel expenses	38	42
Cost of premises	7	6
IT costs	7	6
External services	2	2
Management costs	1	2
Travel expenses etc.	0	1
VAT charged	3	3
Other expenses	3	4
Total	61	66

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

Management costs include fees paid to accounting firms in the amount of:

	2023	2022
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 executive management. 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 2023

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 page 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 a defined contribution pension plan, at a cost equivalent to 30 percent of fixed monthly salary. AP6 does not have any commitments with respect to future pensions and pension terms.

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 2023 fees were paid to the board members. These fees break down as follows: Catrina Ingelstam SEK 216,250, Karin Reuter-skiöld SEK 110,000, Åsa Knutsson SEK 125,000, Alexander Ljungqvist SEK 132,500, Bengt Hellström SEK 102,830 and Urban Lindskog SEK 63,420.

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 2023, 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 3.7 million, SEK 2.3 million, SEK 2.1 million, SEK 2.4 million, SEK 2.0 million and SEK 1.6 million.

Pensions excluding payroll tax are accounted for separately as follows: SEK 1.1 million, SEK 0.7 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 17,000, SEK 25,000, SEK 17,000, SEK 17,000, SEK 17,000 and SEK 18,000.

		2023	2022
Average number of employees	Women	16	16
	Men	16	18
		32	34
Number of employees*	Women	16	16
	Men	16	18
		32	34
Board of Directors	Women	3	3
	Men	2	2
		5	5
Executive management	Women	4	4
	Men	3	3
		7	7

*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.

	2023	2022
Salaries and fees		
Chair of the Board	0.2	0.2
Board excluding Chair	0.5	0.5
Managing Director	3.7	3.6
Executive management excluding Managing Director	10.5	9.8
Other employees	29.2	30.1
Total	44.1	44.2
Other benefits		
Managing Director	0.0	0.0
Executive management excluding Managing Director	0.1	0.1
Other employees	0.6	0.5
Total	0.7	0.6
Pension costs		
Chair of the Board	–	–
Board excluding Chair	–	–
Managing Director	1.1	1.0
Executive management excl. Managing Director	3.2	3.4
Other employees	9.4	8.2
	13.7	12.6
Social security costs including payroll tax excluding pension expenses	17.1	16.7
Personnel expenses – Total	75.6	74.1

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
2023					
Financial assets at fair value	67,392	2,757	341	70,490	70,490
Other current assets	–	–	44	44	44
Short-term investments	–	–	–	–	–
Cash and bank balances	1,213	–	–	1,213	1,213
Total financial assets	68,605	2,757	385	71,747	71,747
Accounts payable	–	–	7	7	7
Other liabilities	–	601	420	1,021	1,021
Total financial liabilities	–	601	427	1,028	1,028

	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

Note 8 Shares and participations in listed companies and funds

Holdings	Market value, SEK m
Asset class and manager in liquidity management	
Share index funds	
SEB	0
Mixed funds	
Amundi	53
Total	53

Brokerage fees paid in 2023 amounted to around SEK 0 million (0).

Note 9 Shares and participations in unlisted companies and funds

	31 Dec. 2023	31 Dec. 2022
Funds	41,923	42,058
Co-investments	25,416	23,949
Total market value of unlisted shares and participations	67,339	66,007

The 10 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
EQT IX (No.1) EUR SCSp	1.0
EQT VIII (No.1) SCSp	1.8
Nordic Capital IX Alpha, L.P.	4.8
Nordic Capital X Alpha, L.P.	3.4
Northzone VIII L.P.	7.1
Permira VI L.P.	1.4
Permira VII L.P.2 SCSp	0.9
Seventh Cinven Fund (No.1) L.P.	1.0

AP6 has around 140 active fund investments. The 10 largest are presented above and make up around 20 percent of the total market value.

Co-investments	Percentage of capital, %*
EQT All-Star Co-Investment (C) SCSp	17.7
EQT Future Co-Investment (C) SCSp	15.4
IVC New TopHolding S.A.	1.6
Kite Co-Investment Limited Partnership	32.3
NC Aida Co-Invest Alpha, L.P.	9.8
NC Ocala Co-Invest Alpha, L.P.	5.2
NC Vinland Co-invest Beta, L.P.	16.4
Red Garden Invest (E) AB	18.1
VEPP Co-Invest 1-A, L.P.	14.0
Zeus Co-Investment L.P.	19.5

AP6 has around 70 active co-investments. The 10 largest are presented above and make up around 15 percent of the total market value.

Total cost	43,771
Change in value	23,568
ASSESSED MARKET VALUE	67,339

*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

	2023	2022
Loans to unlisted companies	341	322
Total	341	322

Note 11 Other current receivables

	2023	2022
Transactions not yet liquidated as of the balance sheet date	–	18
Other	5	5
Total	5	23

Note 12 Prepaid expenses and accrued income

	2023	2022
Prepaid management fee	33	40
Other prepaid expenses and income	6	4
Total	39	44

Note 13 Liabilities to credit institutions

	2023	2022
Confirmed credit limit	4,500	3,000
Unconfirmed credit limit	0	1,500
Unutilised portion	–4,500	–4,500
Unutilised 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 1.0 billion is included in the existing Group account structure.

Note 14 Accrued expenses

	2023	2022
Accrued management fee	287	288
Other	6	7
Total	293	295

Note 15 Other current liabilities

	2023	2022
Transactions not yet liquidated as of the balance sheet date	123	236
Accounts payable	7	2
Other	4	3
Total	134	241

Note 16 Contingent liabilities and commitments

	2023	2022
Contingent liabilities	–	–
Commitments – capital committed, not yet disbursed	24,690	29,274
Total	24,690	29,274

Note 17 Significant events after the end of the financial year

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

The 2023 Annual Report has been adopted by the Board of Directors

Gothenburg, 22 February 2024

Catrina Ingelstam
Chair of the Board

Bengt Hellström
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 23 February 2024

Daniel Algotsson
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 2023. The annual accounts and consolidated accounts of the company are included on pages 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 2023 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 pages 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 2023.

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 2023 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, 23 February 2024

Daniel Algotsson
*Authorised Public Accountant
Appointed by the Swedish
Government*

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

SUSTAINABILITY APPENDIX

STAKEHOLDER AND MATERIALITY ANALYSIS

Although the Swedish National Pension Fund Act (2000:193) ultimately governs AP6's activities, as a national pension fund it is important to continuously pay attention to the expectations of our external environment with respect to a variety of issues.

The organisation's model to identify and prioritise the stakeholders who are impacted the most by AP6's activities, and the stakeholders who impact AP6 the most, is the basis for the organisation's stakeholder dialogue and materiality analysis. The analysis is updated annually internally and adopted by the executive management.

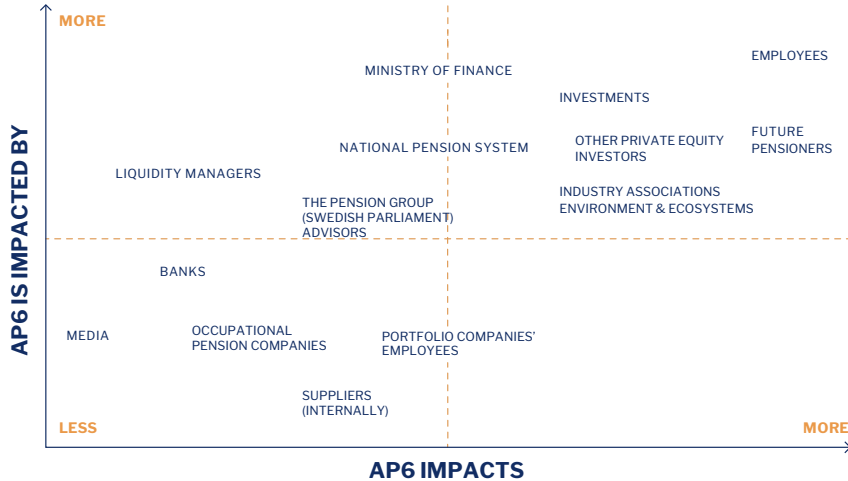
AP6 has ongoing dialogue with the stakeholders who impact and are impacted



by the Fund's activities, such as owners, employees, representatives for investments, and professional and industry associations. The frequency and type of dialogue with

stakeholders varies between the different groups to ensure effective and appropriate exchanges. In 2023 AP6 decided to apply all of the knowledge on the stakeholders' priorities gained through this ongoing dialogue. Past stakeholder dialogues and materiality analyses included intensified, targeted discussions periodically in the form of, for example, surveys and interviews with selected stakeholders. The assessment has been made that AP6 currently has well-established interfaces and dialogue structures with the Fund's prioritised stakeholders and for this reason, these intensified discussions were not deemed necessary. Dialogues with AP6's prioritised stakeholders revealed that the expectations of AP6 as an actor managing pension assets largely remain the same as before.

A long-term, high return on managed pension assets remains the most important aspect for the stakeholders. AP6's employees are expected to also act in a way that ensures public trust is maintained. Responsible investments, an efficient organisation, skilled employees, openness, transparency and good governance were considered fun-



AP6's most important stakeholders, established by the executive management of AP6

The stakeholder groups that, according to the stakeholder analysis, are both affected 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. AP6 intends to have ongoing dialogue with these stakeholders to ensure that the organisation is well informed of the priorities of the groups and that they are aware of AP6's ambitions and priorities. AP6 interacts with certain stakeholder groups through groups designated to represent these, such as environment and ecosystems.

RESULTS FROM AP6'S STAKEHOLDER ENGAGEMENT

Stakeholder group	Actors	Engagement format	Topics and focus areas	AP6's response
Employees	Current and future employees	Professional development meetings, internal gatherings, forums and surveys, cooperation with health and safety representative	Returns, gender equality and diversity, employment terms, health and safety and development, transparency	Governing documents*, systematic health and safety work, training
Investments	Fund managers, co-investments, other investment partners, liquidity managers	Investment processes, meetings, business relationships, networks, evaluations	Climate, gender equity and diversity, business ethics and human rights, transparency	Governing documents*, ESG assessment
Owner	Ministry of Finance, Pension Group	Annual reporting and evaluation, targeted meetings	Relevant and material sustainability topics, transparency, business ethics	Governing documents*, Annual Report
Beneficiaries	Current and future pensioners	Meetings with organisations, media, surveys, questions from the public	Relevant and material sustainability topics, transparency, business ethics	Governing documents*, sustainability targets, ESG assessment, carbon footprint, annual report
Nature and ecosystems	Professional and industry associations	Meetings with and questions from representative organisations, media, surveys	Climate, ecosystems and biodiversity, transparency, relevant and material sustainability topics	Governing documents*, sustainability targets, carbon footprint and annual reporting, targets
Financial market	Industry associations, other LPs, AP funds, banks	Investment processes, meetings, business relationships, networks, evaluations	Relevant and material sustainability topics, transparency, business ethics	Governing documents*, annual report, cooperation with AP funds
General public	Portfolio company employees and customers, and local communities, vulnerable groups, Swedish residents, media	Media assessments and reviews, dialogue with fund managers, interviews, questions from the public	Relevant and material sustainability topics, business ethics, transparency, human rights	Governing documents*, annual report, monitoring deviations

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

Symbol Aspect

- 1 Climate adaptation
- 2 Climate impact
- 3 Energy use
- 4 Emissions (air, water, land)
- 5 Water use
- 6 Ecosystems and biodiversity
- 7 Resource use and waste
- 8 Working conditions for employees and suppliers
- 9 Equality and diversity
- 10 Child labor
- 11 Forced labor
- 12 Local communities and indigenous peoples
- 13 Product and information security
- 14 Business ethics
- 15 Supplier relations



● AP6's activities ● GP's activities ● Portfolio companies activities

RESULT OF AP6'S MATERIALITY ANALYSIS

Topic	Materiality and boundaries	Governance	Monitoring
Climate and energy	Climate change affects both risks and opportunities for investments, and AP6's own operations give rise to some climate impact	Code of Conduct, Policy for Responsible Investment, targets, evaluation of investments, exclusion criteria, travel guidelines, dialogue with fund managers	Evaluation and measurement of the investments' strategies and emissions, regular feedback, annual review of AP6's targets, travel and emissions, annual ESG assessment
Ecosystems and biodiversity	Access to natural resources and impacts on ecosystems affect both risks associated with and opportunities for investment	Code of Conduct, Policy for Responsible Investment, evaluation of investments, dialogue with fund managers; no targets or metrics have been established	Regular feedback to fund managers, annual ESG assessment
Working conditions for AP6's employees and in the value chain	Employee working conditions are an important element in reaching AP6's targets in a responsible way	Code of Conduct, Policy for Responsible Investment, education, leadership development, employeeship development, health and safety, dialogue with fund managers	Annual monitoring of training, employee surveys, whistleblower system, human rights assessment
Gender equality and diversity	Diversity makes organisations more attractive for employees and provides better results	Code of Conduct, Gender Equality and Diversity Policy, goals for AP6 and the portfolio, evaluation of all investments, ongoing dialogue	Annual review of KPIs for AP6, evaluation and measurement of the investments' strategies and KPIs, regular feedback, annual ESG assessment, whistleblower system
Human rights (e.g. child labour, forced labour, local communities and indigenous peoples)	Risks for human rights violations within an organisation need to be identified and managed	Code of Conduct, Policy for Responsible Investment, evaluation of all investments, portfolio targets, evaluation of suppliers	Human rights assessment, deviation reporting (incl. whistleblower system), regular feedback, annual ESG assessment
Product and information security	Confidential business and personal data must be managed securely as any breaches can expose the organisation to reputational and legal risks	Risk Management Policy, instructions for data management, employee training, evaluation of all investments	Monitoring training, audit of IT environment, deviation reporting and incident follow-up
Business ethics	Business ethics are essential for carrying out AP6's assignment in compliance with regulations and in line with stakeholder expectations	Code of Conduct for employees and as an appendix in procurement processes, Code of Conduct training, whistleblower system, evaluation of all investments	Deviation reporting (incl. whistleblower function), annual ESG assessment, analysis of reported cases and incidents in the portfolio

damental factors in generating long-term value for the pension system. Climate and the link to natural resources and biodiversity were topics discussed repeatedly with stakeholders during the year. Other topics were gender equality and diversity, and human rights. AP6's stakeholders consider these topics to be relevant areas for an investor with a broad, unlisted investment portfolio to actively work on.

In 2023 AP6 carried out its first double materiality analysis of the organisation's sustainability topics. The purpose of this was to identify the organisation's prioritised sustainability topics from two perspectives: topics where AP6's activities are considered to have the greatest external impact, and topics considered to have the greatest impact on AP6's activities and financial development. The analysis defined where in the organisation's value chain each sustainability topic is material, broken down into AP6's activities and suppliers (excluding fund managers), fund managers' activities

and suppliers, and the portfolio companies' activities and suppliers. The sustainability topics have also been evaluated to assess the materiality of each sustainability topic. Compared with the organisation's past materiality analyses, this further clarified the difference between AP6's impact externally and external impacts on AP6 financially. The impacts relating to various parts of AP6's value chain as an indirect investor in private equity were also further defined.

The basis for the materiality analysis was an exhaustive compilation of potential sustainability topics. These issues were studied individually, prioritised and consolidated to enable comparisons between the different topics. Financial performance was not included as a potential sustainability topic as AP6 considers structured management of material sustainability topics to be an important factor and necessary component in successfully generating returns over a long period. AP6 does not see any opposing objectives between managing

sustainability topics and meeting financial targets, which is why these are not included as isolated topics in the analysis. The assessment of potential and actual impacts was made without taking into account the measures that AP6 has in place to manage and control the individual topics today.

The result of AP6's materiality analysis is presented in the matrix below. The materiality analysis confirms past prioritised sustainability topics for AP6, such as business ethics, climate, gender equality and diversity, and human rights. The analysis also established some new topics such as ecosystems and biodiversity.

The purpose of materiality analysis is to ensure that AP6 is focusing on the most material sustainability topics, and that stakeholders have access to the information they need. The choice and prioritisation of material sustainability topics and their results were communicated to the entire organisation and to the Board. Executive management has adopted the analysis.

SUSTAINABILITY INFORMATION

ABOUT THIS REPORT

This is the 11th sustainability report prepared by AP6 and covers the Fund’s activities for the 2023 calendar year. The sustainability reporting content provided according to the Swedish Annual Accounts Act can be found on pages 4–5, 12–14, 18–27, 31, 34–45, 52–54, 68–74. The last report was published on 24 February 2023. AP6 has elected to report in accordance with the GRI Standards. The GRI report is part of AP6’s Annual Report, which is adopted and published by the Board of Directors. The content was established based on analysis of AP6’s impact on society and society’s impact on AP6. The analysis

includes prioritising each issue in order of importance and identifying where the in the value chain impacts occur – internally, among fund managers or among portfolio companies. The selection of content for the analysis is based on the GRI principles. In 2023 AP6 carried out a double materiality analysis for the first time. See pages 68–70 for more information. The report covers all parts of AP6’s operations.

CLIMATE

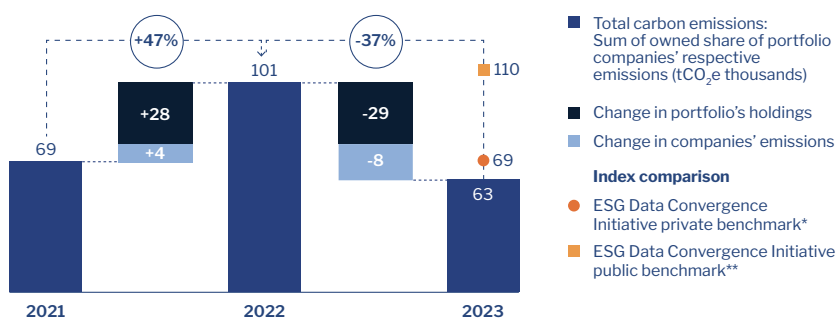
AP6 has defined clear targets for the portfolio to align emissions from companies with the reductions required under the Paris Agreement. Among other things, this involves AP6 annually measuring and assessing the climate impact of the portfolios and operations according to the Greenhouse Gas Protocol’s guidelines. The

purpose of this is to assess what fund managers and portfolio companies are doing to reduce their emissions.

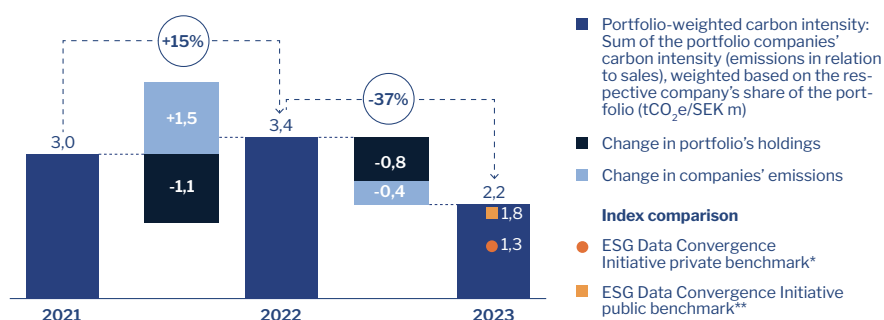
Scope 1 and 2 emissions for 2023 were calculated for just over 350 (270) portfolio companies that together represent 70% (81) of the total value of capital deployed. 100% (64) of the portfolio companies emissions are based on reported data from fund managers and, accordingly, it has not been necessary to supplement this information with estimated emissions as in previous years. Note, however, that reported data may include estimates if the fund managers have themselves made estimates. The increase in the proportion of reported data and in total number of companies included is largely the result of efforts made within the ESG Data Convergence Initiative. Absolute emissions are not directly comparable with emissions from past years. The companies’ Scope 1 and 2 emissions are presented in the chart to the left.

Total emissions have decreased by 37% compared with 2022. The decrease is largely due to changes in composition of the companies included in the footprint. This type of effect can occur when individual holdings with significant emissions are added or leave the portfolio. There was a decrease in emissions from the companies in the portfolio in both 2022 and 2023. When comparing emissions from AP6’s portfolio and an investment of the same size in a portfolio of unlisted companies in comparable sectors, AP6’s portfolio emissions represent 92%. In the same comparison with a portfolio of listed

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



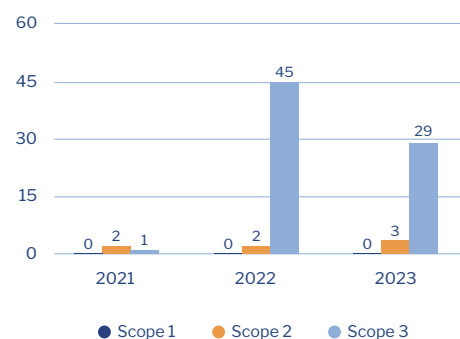
Portfolio-weighted carbon intensity (tCO₂e/SEK m)



* ESG Data Convergence Initiative private benchmark: The comparison is based on median emission intensity values for each sector based on all portfolio company data reported to the ESG Data Convergence Initiative. The selection is based on reported data for over 4300 unlisted companies.

** ESG Data Convergence Initiative public benchmark: the comparison is based on emissions intensity for sectors based on Refinitiv's global ESG database of listed companies.

Carbon footprint (excl. investments) (tCO₂e)



companies, AP6's emissions are equivalent to 58%. A selection of portfolio companies have also reported their indirect emissions (Scope 3). For 2023 this represents 1,066,000 (1,720,000) metric tons of CO₂. Note, however, that these figures should be regarded as indicative as they are likely based on a number of assumptions for each portfolio company. Reported Scope 3 emissions stem from just over 260 companies (200), equivalent to 57% (70) of the portfolio's value.

The portfolio's weighted average carbon intensity related to turnover is calculated in line with common guidelines for the AP funds. This KPI provides an indication of what the portfolio's exposure to emissions-intensive companies looks like. The weighted intensity decreased by 37% during the year as a result of new companies with lower emissions being added to the footprint. AP6's portfolio has low exposure to sectors associated with substantial emissions such as the energy and transport industries, but despite this still rates above the comparative values for an unlisted and listed portfolio. The reason for this is individual companies with a large impact. AP6 also measures the portfolio's relative emissions per invested Swedish krona. This provides an indication of the total emissions from the portfolio in relation to other portfolios of the same size. The relative emissions decreased to 1.33 (1.89) tCO₂/SEK million, mainly due to changes in the portfolio composition in terms of the companies included in the footprint.

The carbon footprint of AP6's own operations is presented on page 71. These emissions stem almost exclusively from business travel and purchased energy. The calculation includes direct emissions (Scope 1), indirect emissions from purchased energy (Scope 2, market-based method), and indirect emissions from business travel (Scope 3). Emissions from air travel do not include high altitude emissions. In 2023 emissions were lower than in 2022 due to reduced travel. AP6 takes action to reduce emissions from its activities, including by switching from travel by air to rail travel or replacing physical meetings with digital ones. As in previous years, car-



bon offsets are used to offset all emissions from AP6's own operations that it has not been possible to eliminate up to now.

ANTI-CORRUPTION

In AP6's role as a manager of pension assets, there must never be any corruption within the organisation or associated with its investments. A number of measures are in place to address any risk of corruption. Internally AP6 has a Code of Conduct in which all employees receive training. AP6 also has a zero tolerance policy regarding gifts and has clear guidelines for entertaining, sidelines and related parties to reduce risks in interactions with fund managers and suppliers. It is in these interactions that AP6 identifies 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 2023.

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, or in direct dialogue with fund managers. No reports were submitted through the whistleblower system in 2023. Incidents and events among fund managers

or companies in the portfolio come to light in the fund managers' incident reporting and in ongoing monitoring of ESG events in the portfolio via an external tool. In the ongoing monitoring of incidents and events of a more serious nature among AP6's investments, a few events required dialogue with a fund manager. The Board of Directors receives incident reports and information on any material ESG events as well as AP6's handling of these at each board meeting.

UN GLOBAL GOALS

AP6 has analysed its impact on the UN SDGs and their targets. AP6 believes it has the greatest potential to have an impact on five goals. Based on the composition of the portfolio in terms of industry, country and strategy, the goals that are relevant to the majority of the holdings are Goal 8 (Decent Work and Economic Growth), Goal 9 (Industry, Innovation and Infrastructure) and Goal 12 (Responsible Consumption and Production).

Within the scope of the overall goals identified, AP6 is able to contribute through a structured focus on sustainability within the Fund itself and among its investments. AP6 considers it possible to contribute to Goal 5 (Gender Equality) and Goal 13 (Climate Action) by focusing on these areas in investments.

PRI ANNUAL ASSESSMENT

AP6 reports annually according to the PRI (Principles for Responsible Investment) reporting framework. In 2021 PRI launched a substantial update of the framework, including assessment methods for reporting. As a result, the outcome is not comparable with previous years. Reporting was subsequently paused in 2022 for further adjustments to be made. Reporting began again in 2023. For the three assessment modules that AP6 reported on, “Policy Governance and Strategy” received five stars compared with the median of three stars, “Indirect - Private Equity” received four stars compared with the median of three stars and “Confidence building measures” received four stars which is the same as the median for the module.

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

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

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, EDCl, www.esgdc.org



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

SUSTAINABILITY METRICS

AP6's reporting of sustainability metrics is based in part on the GRI standards and in part on measurement and calculation methods developed by AP6. AP6's own measurement and calculation methods were designed according to GRI principles. Any limitations and assumptions regarding the respective KPIs are described below.

ESG integration Outcomes include ESG assessment of sustainability work using models developed by AP6. ESG assessment is carried out every year for a selection of AP6's active fund manager relationships (82% of the total portfolio value in 2023).

Transparency The outcome for the sustainability reporting target includes all fund managers in AP6's portfolio (100% of the total portfolio value in 2023) and is followed up annually. Fund managers are considered to meet the sustainability

reporting target if they are members and report to the PRI, or otherwise report on sustainability according to relevant frameworks. The outcome for ESG KPIs includes all fund managers in AP6's portfolio (100% of the total portfolio value) if they actively participate in EDCl or provide ESG KPIs in a similar way at the portfolio company level.

Climate The outcome for having climate targets in line with the Paris Agreement includes all fund managers in AP6's portfolio except secondaries and fund of funds (93% of the total portfolio value) if they have defined a climate target for their portfolio and it is considered in line with the Paris Agreement. Targets considered in line with the Paris Agreement are, for example, those aligned with the Science Based Targets initiative's guidelines or other generally accepted methods. The outcome for the target of reporting GHG emissions for holdings in AP6's portfolio includes all fund managers except secondaries and fund of funds (93% of the total portfolio

value) if they report GHG emissions in Scope 1 and 2. Data for portfolio company emissions and turnover are taken from reports from each fund manager in line with generally accepted standards. Emissions from AP6's own operations are based on information from suppliers and invoices.

Gender equality and diversity Outcomes for the targets for gender equality and the annual increase in investment teams and partner groups includes a selection of AP6's active fund manager relationships (82% of the total portfolio value in 2023) and are followed up annually based on data from fund managers.

Human rights The metric for the outcome of AP6's evaluation includes assessment of human rights work according to the model developed by AP6. Assessments for 2023 were performed for a selection of active fund managers in AP6's portfolio (72% of the total portfolio value in 2023).

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 private equity firms (also called general partners, GPs) it engages. This is also an important aspect in investments because any skills deficiencies could jeopardise the assignments of the organisations; 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 rights holders 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 considered 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, and areas such as the climate and environment are always part of the assessment; climate is one of AP6's focus areas and if it is determined that potential investments have an elevated environmental and climate risk level, the fund managers are asked additional questions to gain an understanding of the measures that are planned during the ownership phase to mitigate and manage risks; measures are also monitored by AP6 during the ownership phase	AP6 also has a structured approach to the environment within its own operations; the Fund also focuses on promoting gender equality and inclusion, including frequent monitoring of this; for each investment AP6 assesses the private equity firm's (GP's) 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 entertaining, sidelines and related parties to reduce both actual and perceived risks; there are several channels where suspected deviations can be reported internally AP6 uses tools to evaluate and monitor risks and incidents relating to its investments

CLIMATE REPORTING ACCORDING TO TCFD RECOMMENDATIONS

Governance	Strategy	Risk management	Goals and key performance indicators
The Board of Directors of AP6 has ultimate responsibility for the organisation and its activities are 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 the Fund's activities to ensure that they are aligned with the established goals and policies. Policies include the Code of Conduct and the Responsible Investment and Ownership Policy. The Board has a Sustainability Committee that prepares for discussion and decisions on sustainability matters. At least once a year the Board reviews efforts made within the organisation to follow the strategy 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 dependence, 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 – around 2–10 years. 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 sizes 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. The climate is a specific focus area for AP6's efforts to ensure that investments are responsible. By urging private equity fund managers to integrate the climate into their management processes, AP6 can lower the 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 pages 38–40 and 71–72.

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 2023. Sustainability reporting content can be found on pages 4–5, 12–14, 18–27, 31, 34–45, 52–54, 68–74.

The Sixth Swedish National Pension Fund's Sustainability Report follows the financial year and is published annually. The previous report was published in February 2023.

Gothenburg, 22 February 2024

Catrina Ingelstam
Chair

Bengt Hellström
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 2023. 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, 23 February 2024
PricewaterhouseCoopers AB

Daniel Algotsson
Authorised Public Accountant

Peter Nilsson
Authorised Public Accountant

GRI Index for the Sixth Swedish National Pension Fund 2023

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, 71	
2-3		Reporting period, frequency and contact point	71-73	
2-4		Restatements of information	71	No significant changes
2-5		External assurance	73, 75	
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	41-47	
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, 71, 75	
2-15		Conflicts of interest	42-45	
2-16		Communication of critical concerns	43, 72	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	42-45	
2-24		Embedding policy commitments	12-27, 42-45	
2-25		Process for remedying negative impacts	25-26, 36-40	
2-26		Mechanisms for seeking advice and raising concerns	41, 72	
2-27		Compliance with laws and regulations	-	AP6 has not identified or been informed about any instances of non-compliance in 2023
2-28		Membership associations	73	
2-29		Approach to stakeholder engagement	68-70	
2-30		Collective bargaining agreements	60-61	

GRI Index for the Sixth Swedish National Pension Fund 2023

Sustainability topic	GRI Standard	Disclosure	Page in annual report	Comment
FINANCIAL PERFORMANCE				
3-1		Process to determine material topics	68-70	
3-2	GRI 3: 2021	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		Process to determine material topics	68-70	
103-2	GRI 3: 2021	List of material topics	41, 68-70, 72	
103-3		Management of material topics	41, 68-70, 72	
205-1				Corruption risks are evaluated in 100 percent of AP6's investments
	205: 2016	Number and percentage of operations assessed for risks related to corruption and the significant risks identified	72	
205-3		Corruption incidents during the year and action taken	72	
CO₂ EMISSIONS				
3-1		Process to determine material topics	68-70	
3-2	GRI 3: 2021	List of material topics	37-39, 41	
3-3		Management of material topics	37-39, 41	
305-3		Indirect CO ₂ emissions from business travel	71-72	
305-3	305:2016	Indirect CO ₂ emissions from investments	71-72	
EMPLOYEES				
3-1		Process to determine material topics	68-70	
3-2	GRI 3: 2021	List of material topics	34-35, 41	
3-3		Management of material topics	41	
401-1	401: 2016	Employee turnover	41	*
SKILLS/TRAINING				
3-1		Process to determine material topics	68-70	
3-2	GRI 3: 2021	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 OPPORTUNITIES				
3-1		Process to determine material topics	68-70	
3-2	GRI 3: 2021	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		Process to determine material topics	68-70	
3-2	GRI 3: 2021	List of material topics	38-40, 52-53, 54	
3-3		Management of material topics	38-40, 52-53, 54	
412-3	412: 2016	Significant investments that underwent human rights screening	18-21, 38-40	100 percent of the risks in AP6's investments are assessed
ACTIVE OWNERSHIP				
3-1		Process to determine material topics	68-70	
3-2	GRI 3: 2021	List of material topics	25-26	
3-3		Management of material topics	25-26	
FS10***		Percentage and number of companies owned where AP6 has integrated a sustainability approach	26	
FS11***	GRI G4 Sector Disclosures – Financial Services	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 divulged

if it can be traced to specific individuals.

** The division into the gender/age categories is not considered useful due to the limited 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

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.

Buffer funds – 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).

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.

Carbon emissions, Scope 1, 2 and 3 – Greenhouse gas emissions (primarily carbon dioxide, but also methane and nitrous oxide). When measuring carbon emissions, direct and indirect emissions are divided into three categories: Scope 1, 2 and 3. In AP6's carbon footprint carbon emissions in Scope 1, 2 and 3 are the sum of the owned share of the portfolio companies' respective carbon emissions based on the company value.

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

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.

Co-investment – AP6 invests together with a private equity fund in one of the fund's companies. AP6 carries out co-investments, investing indirectly in companies together with funds to which AP6 has committed capital. AP6 is a minority investor and the fund manager has ownership and management responsibility for the company.

Committed capital – See "Fund investment".

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 bodies in the organisation (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 a direct ownership share 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 of environment, social, governance.

ESG Data Convergence Initiative (EDCI) – A global initiative to harmonise the approach within private equity to a number of ESG KPIs for general partners to collect and provide to limited partners in a uniform way and on a regular basis.

European Sustainability Reporting Standards (ESRS) – The EU's new sustainability reporting standards prepared by the EU's European Financial Reporting Advisory Group (EFRAG). The standards cover environmental, social and corporate governance topics. There are both general standards and industry-specific ones, some of which are still being developed.

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.

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.

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. Investors (e.g. pension funds, insurance firms etc.) register their interest.

Private equity firms whose funds have delivered a high return over time are often over-subscribed. Investors who are given the opportunity to invest make a commitment by undertaking to distribute a certain amount during the life of the fund.

The committed amount is not distributed in a lump sum on one occasion. Instead capital is injected 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 generated 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.

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 impacts.

Governance – See "Corporate governance".

Greenhouse Gas Protocol (GHG protocol) – A global reporting standard to calculate and report an organisation's GHG emissions.

Growth – Growing companies that have left the venture phase but do not yet have a positive cash flow and are focusing on growth.

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 (private equity). 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”.

Initiative Climat International (ICI) – A global climate network in the venture capital industry that aims to increase transparency and comparability, and to define strategies and objectives to reduce emissions.

Invest Europe – An industry association for European private equity. Includes buyout, venture and infrastructure investment.

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.

KPI – KPI stands for key performance indicator, a quantifiable measure of performance over time for a specific target. KPIs provide targets for teams to aim towards, milestones to measure progress and insights that help people throughout an organisation to make better decisions.

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

Management fee – The fee paid for managing a fund.

Materiality analysis – A materiality analysis aims to identify areas where an organisation has a material impact. The analysis can be carried out with a single or double materiality perspective.

A simple materiality perspective focuses either on the issues that have the most material impact on the company’s value or those where the organisation has the most material impact on the external environment. Double materiality incorporates both perspectives in the same analysis.

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.

Private equity (PE) – This usually refers to investments in 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.

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

Science Based Targets initiative (SBTi) – A framework for companies to set science-based climate targets in line with the Paris Agreement. The SBTi is a joint initiative of the UN Global Compact (UNGC), the World Resource Institute (WRI), the World Wildlife Fund (WWF) and the Carbon Disclosure Project (CDP).

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.

Stakeholder and stakeholder analysis – A stakeholder is an individual or a group that can be expected to be impacted by an organisation’s activities, products or services, or whose actions can directly or indirectly impact the organisation’s ability to implement its strategies and achieve its goals. Stakeholder analysis and stakeholder dialogue are tools that can be used to identify areas where an organisation has a significant impact, i.e. to perform materiality analysis, for the purpose of managing the impact and reporting effects, measures and results.

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

Sustainability reporting – Reporting on how companies, private equity firms, pension funds and other investors approach economic, environmental and social issues.

SVCA – Swedish Private Equity & Venture Capital Association.

Taskforce on Climate-related Financial Disclosures (TCFD) – A framework for compiling and reporting information on climate-related risks and opportunities, with a particular focus on financial implications. The taskforce has recommended reporting on governance, strategy, risk management as well as targets and KPIs relating to the climate.

UN Global Compact – Ten Principles for companies on human rights, labour, environment and anti-corruption. The principles were launched by the UN in 1999 and companies can become signatories to the ten principles.

UN Guiding Principles on Business and Human Rights (UNGPR) – An international framework defining the responsibility of businesses for human rights. The principles describe what is expected of investors and companies regarding respecting human rights. They also provide guidance on approaches to achieve this.

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

Venture – Start-up companies 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.

Weighted average carbon intensity (WACI) – A measure of an investment portfolio’s carbon intensity. This metric shows the sum of portfolio companies’ respective carbon intensity (i.e. a company’s carbon emissions in relation to its sales), weighted based on the respective company’s share of the portfolio.



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