

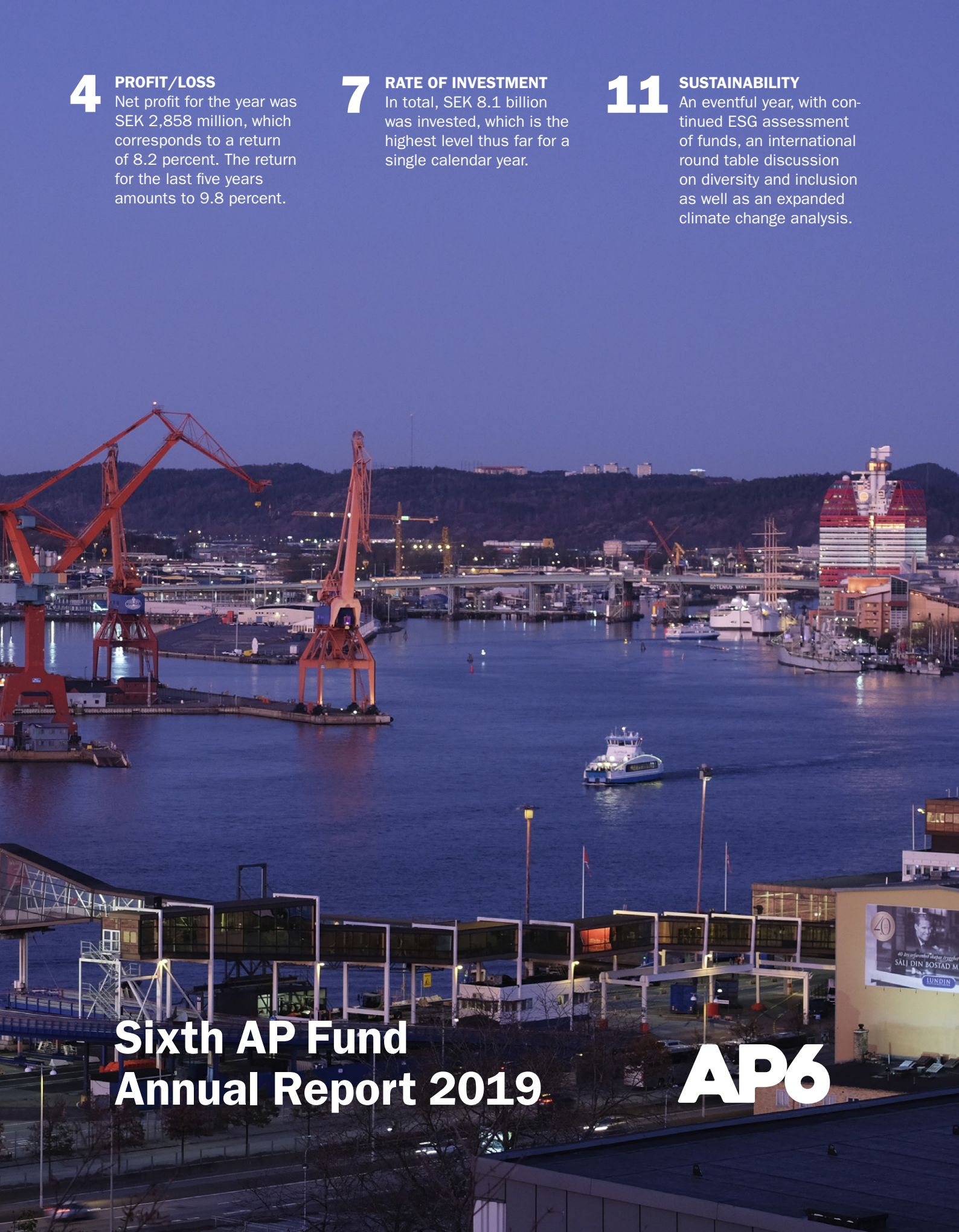
4 PROFIT/LOSS
Net profit for the year was SEK 2,858 million, which corresponds to a return of 8.2 percent. The return for the last five years amounts to 9.8 percent.

7 RATE OF INVESTMENT
In total, SEK 8.1 billion was invested, which is the highest level thus far for a single calendar year.

11 SUSTAINABILITY
An eventful year, with continued ESG assessment of funds, an international round table discussion on diversity and inclusion as well as an expanded climate change analysis.

**Sixth AP Fund
Annual Report 2019**

AP6



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Technical Terms

Unlisted assets: Unlisted companies, i.e. shares that are not traded on a stock exchange.

Risk capital and private equity (PE): A collective term for unlisted assets/companies.

Buyout: Mature companies with an established business model. They have both market position and positive cash flows.

Venture: Start-up companies with a business concept requiring long-term funding before it obtains market position and generates a profit.

Private equity funds: Fund owners that invest in unlisted companies.

Fund investment/Capital commitment: When AP6 decides to invest in a fund, it does so by making a commitment to invest a specific amount. It is paid at the rate that the fund invests in companies.

Direct investment/Co-investment:

The most common type of direct investments for AP6 are direct minority investments in specific companies along with investments in the funds where AP6 has made a capital commitment. Less common are direct investments in companies together with other investors than fund managers. With co-investments, there typically are not any fees, or the fees are lower. Nor is there any profit sharing.



AP6 in brief

Since inception in 1996, AP6 has generated just over SEK 27 billion to the nation's pension assets. It means that the fund capital has grown from SEK 10.4 billion to SEK 37.5 billion by year-end 2019.

Entirely focused on unlisted assets

Unlike the other Swedish AP funds, AP6 is entirely focused on investments in unlisted assets. This requires special expertise, experience and networks. Investments in unlisted assets are associated with long holding periods, agreement among owners and access to capital so that it is possible to develop the holdings over time. AP6 invests via its capital commitments to funds and by making direct investments in companies.

Special expertise, experience and networks.

AP6's special expertise consists of its ability to conduct own analyses and evaluations of both potential fund commitments and direct investments. The organization puts a great deal of focus on establishing close, in-depth collaboration with the teams managing each fund where AP6 has made a capital commitment. AP6 has been an active investor in unlisted assets for more than 20 years. During this time, the organization has built up a great deal of experience, extensive expertise and

a wide network. Because of that, AP6 is able to, despite being a relatively small Swedish investor and the tough competition with other investors, gain access to top-rated funds generating high returns.

And, when AP6 makes fund investments, opportunities are created for making co-investments (i.e. direct investments in companies). Co-investments are made side by side with the funds where AP6 has already made a capital commitment. Typically, there are no fees involved either. Opportunities for making co-investments arise when a good relationship has been established with the fund management teams. It also stems from AP6's special expertise and experience in evaluating specific companies. AP6 is able to meet the market's requirements thanks to its vast experience and niched strategy that is rooted in specialist expertise. It creates opportunities for making attractive investments and generating good returns over the long term.

Responsible investments

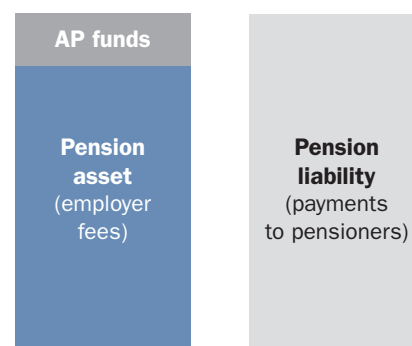
The model used by AP6 integrates sustainability into its investing activities. In all investment opportunities, sustainability is given the same weight as the other factors. The same approach is used throughout the entire holding period and when holdings are divested. As an investor in various types of

businesses, sectors and geographic locations, AP6 applies a broad approach to sustainability that is based on international standards regarding human rights, labor rights, the environment and anti-corruption.

AP6's Code of Conduct provides the foundation for its responsible investment activities. Various tools are also used, such as AP6's own template for evaluating sustainability in PE funds.

Part of the Swedish pension system

The five AP funds (AP1-4 and AP6) are referred to as buffer capital. Together, they comprise approximately 10-15 percent of the assets in the pension system. AP1-4 are of equal size and each of them has inflows and outflows to the pension system. AP6 is a closed fund, which means that there are no inflows or outflows to the pension system. AP6 covers its own costs and the profits from its investments are continually reinvested.



37.5

billion (SEK) managed
by Sixth AP Fund

2,858

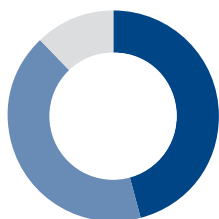
million (SEK)
– net profit for 2019

8.2

percent
– net return for 2019

Sixth AP Fund in figures

The Sixth AP Fund manages
SEK 37.5 billion



- Funds, 46%/more than 500 companies**
- Direct investments, 42%
/nearly 50 companies**
- Liquidity, 12%**

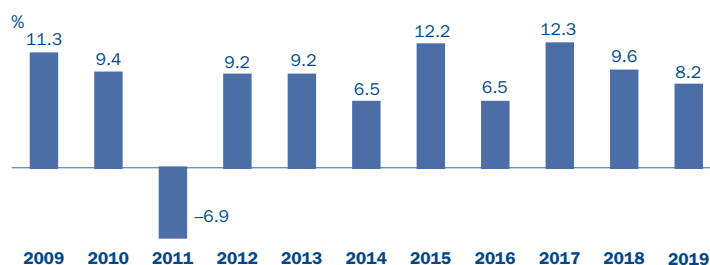
9.0%

Return for the year on
capital employed

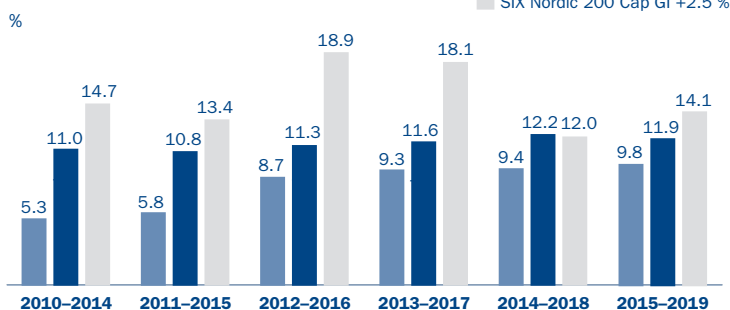
11.5%

Average return
on mature investments
for the last 10 years

Return before costs 2009–2019



Return after costs, 5-years rolling, compared to benchmark*



* Buyout (mature) is reported separately since investments in that segment are in line with the AP6 strategy since 2011.

Return over ten and five years, and in 2019

Years	2010–2019	2015–2019	2019
Total buyout, %	11.5	11.9	7.5
– Funds	13.6	11.8	10.1
– Direct	10.2	12.0	5.1
Total venture capital, %	1.9	22.5	21.4
– Funds	13.6	25.8	7.7
– Direct	-5.5	17.9	41.4
Return target	14.4	14.1	31.4

Profit/loss breakdown by segment, 2010-2019

SEK Million	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average return, %
Buyout (mature companies)	1,548	1,104	1,566	998	971	2,177	1,424	2,718	1,998	1,839	11.5
Venture Capital (early phase)	-683	-2,087	-131	176	196	331	192	732	1,439	686	1.9
Return on capital employed	865	-983	1,435	1,174	1,167	2,508	1,616	3,450	3,437	2,525	8.9
Treasury management, risk management and internal costs	841	-397	266	686	274	359	106	20	-395	333	-
Profit/Loss	1,706	-1,380	1,701	1,860	1,441	2,867	1,722	3,470	3,042	2,858	7.5

Portfolio Events 2019

High rate of investment – large inflow of capital

Fund Investments

There has been a high level of activity with fund investments during the year. Payments totaling SEK 4.8 billion were made during the year to funds where AP6 had made commitments. It is the highest amount to date for a single calendar year. It indicates that there has been much activity with company acquisitions and a healthy transaction market. Repayments from funds to AP6 during the year totaled SEK 2.9 billion.

There was also further geographic expansion of AP6's fund portfolio in 2019. Slightly more than SEK 2 billion was commitments to funds with focus on USA. Of that amount, slightly less than half was venture funds.

In 2019, AP6 maintained a high rate of investment, making commitments to 13 funds in total. Seven of those commitments were to new management teams and six were commitments to existing management teams in AP6's portfolio. There was also a focus during 2019 on adding several venture/growth funds in USA to the portfolio.

Furthermore, AP6 increased its collaboration with the European buyout funds, Cinven and Permira, by making commitments to their new funds.

During 2019, AP6 invested SEK 6 billion in funds, where the allocation was SEK 4.1 billion in buyout and SEK 1.9 billion in venture. The investments are consistent with the long-term strategy and plan for commitments. There was a high level of activity during the year in the funds where AP6 has invested and several successful sales are worth mentioning. These include the sale of Autostore by EQT VII, and the sale of Netcompany by FSN Capital IV. In total, more than 50 portfolio companies were sold in 2019 by funds where AP6 has made capital commitments.

Direct Investments

During 2019, investments in companies amounted to SEK 3.3 billion, which is the highest amount to date for a single calendar year. The AP6 direct investment portfolio has a strong focus on growth. That is achieved by making investments in companies and markets where there is robust organic growth, along with companies who have a specific strategy of growing through acquisitions. Of the SEK 3.3 billion invested, SEK 2.3 billion was new co-investments (around a dozen). Examples of these co-investments include: Kyriba, OneMed, Suse, Global-Connect and Ellab. The remainder was investments in existing holdings.

There were several divestments of major holdings during the year, which generated a large inflow of capital. In total, it was SEK 2.7 billion. Examples of this were Apotea, Gyros Protein Technologies and Salcomp. For each, the holding period was long. Thanks to their strong performance, Apotea and Gyros Protein Technologies contributed significantly to the inflow of capital. Salcomp, however, did not meet the expectations on performance that existed at the time when the investment was made.

Clear investment strategy and high level of transaction activity generates good returns

2019 was an intensive year characterized by a high level of transaction activity in a liquid market. Our clear investment strategy, with a combination of carefully selected fund investments and co-investments has created many attractive investment opportunities. Performance of the investment portfolio was good, both in terms of specific investments and the results of several divestments. On the whole, it made a very positive contribution to realized result.

The year started off on a note of high uncertainty associated with global trade agreements and Brexit. There were also expectations that the first steps would be taken towards a return to normalization of interest rate levels. The year closed instead with a lower concern for the consequences of Brexit, a continued expansionary monetary policy from the central banks and expectations that low interest rates will persist into the foreseeable future. This, in turn, led to high returns in stock markets around the world, including Sweden, with continued rising asset values in general. Liquidity in the capital market continued to be very good, which generated a high level of transaction activity and volume in the private equity market.

The net profit for the year was slightly more than SEK 2.8 billion, which corresponds to a net return of 8.2 %. Strong performance of the portfolio, along with several successful divestments all had a positive impact on earnings. Examples are Apotea (e-trade and pharmaceutical distributor) and Gyros Protein Technologies (medical devices), the latter acquired by Mesa Laboratories in USA. The realized portion of the year's return is higher than it has been in recent years, including last year, with the very high results from divestment in the holding in Spotify.

The underlying results in the existing investment portfolio for both fund investments and co-investments have also been good. The return from private equity is comprised of both sales transactions and valuations of existing holdings at the

closing dates. This asset class does not have the same level of daily price volatility that exists in the market for listed securities. The return from private equity must instead, be evaluated over a longer time period. The annual average return for the last ten years is 7.5 percent and for the last five years it is 9.8 percent.

Our rate of investment has simultaneously been high for both fund commitments and new company investments. In 2019, new investments totaling SEK 8.1 billion were completed in the fund and co-investment portfolio. Divestments totaled SEK 5.6 billion for the year. New fund commitments in 2019 were made for SEK 6 billion. The restructuring of our strategy has been an ongoing process since 2013. It has involved a large number of new investments and gradual creation of a portfolio consisting of quality fund holdings and co-investments. Our liquidity, which



fluctuates over time, is actively managed by our treasury function and that, too, makes a positive contribution to the total return.

Active management of the portfolio has generated good results and there are only a few investments still remaining from the prior strategy. Efforts going forward will be aimed at creating a strategic portfolio that is able to generate a robust, sustainable return thereby resulting in a good long-term return with balanced risk.

Over the years, we have solidified our strong ties with many successful fund management teams and established relationships with new ones. It provides us with the foundation for seeking the very best combination of fund investments and co-investments. We expect that they will deliver a good, risk-adjusted return and make a positive contribution to the portfolio on the whole. This, in turn, creates the prerequisites for generating a stable, sustainable return to the pension system over time.

Further, our sustainability efforts are a key component and prerequisite for carrying out our evaluation and management processes. Those efforts have been developed over time, in sync with the requirements stemming from the ever-changing world in which we live. Sustainability efforts are particularly important given that the investment horizon for private equity investments is typically long. There are many sustainability challenges and at AP6, we put extra focus on climate and diversity issues. We conduct our evaluations of fund

management teams and co-investments in a structured, systematic way. We do so because of our conviction that responsible investments are a prerequisite for creating a long-term, stable return.

During 2019, all AP6 employees and the Board of Directors participated in training on responsible investments. In instances where AP6 declines an investment proposal, ESG issues are given equal weight to the financial and legal aspects.

We work proactively with evaluation and follow-up of our relationships with fund management teams in order to assess their sustainability work. Our efforts here are appreciated and in 2019, for the third year in a row, we organized round table discussions on equality and diversity in the private equity sector. Representatives from many reputable Nordic and international PE funds participated in the seminar.

The transition to a digital society is another important topic that will continue impacting our selection of investments and the way we work. This phenomenon involves much more than just the creation of new, sophisticated products and services. It is a fundamental transformation that will impact all aspects of society. For example, the business models that have been used for many years in all types of industries, are being altered or replaced. AP6 has a unique position and reputation as an investment organization dedicated to investing in unlisted assets and where sustainability has been an



integral part of our efforts for many years. Our focused strategy, of being a relevant investment partner for the most interesting funds, has required a great deal of commitment and energy over a long period of time. It's a worthwhile pursuit, however, given the very attractive investment opportunities that it generates. We have a highly professional organization that qualitatively, methodically and with high capacity evaluates its co-investment opportunities. It makes us a very attractive institutional investment partner for both Nordic and international fund management teams.

I am very proud of AP6 and all of our enthusiastic, dedicated and highly skilled employees who are ready to take on new challenges and opportunities, which makes me very optimistic and excited about my role of leading AP6 into the 2020s.

Gothenburg, February 2020

Katarina Staaf

Managing Director, Sixth AP Fund

Specialization and long-term relationships in private equity are the foundation of our strategy

For many years, AP6 has methodically and carefully evaluated fund management teams in order to make investments in funds that can generate high returns. We strive to create long-term relationships and continually strengthen our reputation as an attractive investment partner. Our organization is highly skilled in evaluating and making co-investments. It makes AP6 an attractive partner for both Nordic and international funds management teams.

The investment strategy is based on how the Board of Directors at AP6 has interpreted the Sixth Swedish National Pension Fund Act and the mandate to invest pension assets in the unlisted market.

AP6 has a unique position and reputation as an investment organization dedicated to investing in unlisted assets and where sustainability has been an integral part of the organization's efforts for many years.

The strategy focuses on being a relevant investment partner for the most interesting funds. All indications are that this focus is generating very good investment opportunities over time.

AP6's investment strategy is based on its ability to conduct own analyses and evaluations of both potential fund commitments and direct investments.

AP6 has a professional organization with a high capacity for making both fund investments and direct investments. It makes AP6 an attractive partner to both Nordic and international fund management teams.

AP6 is often selected as an attractive investor based on its focused strategy, extensive experience and strong market position.

The overall aim is to, over time, construct a well-diversified portfolio with a steady rate of investment over time and geographic diversification. Our allocation between the two segments should be 85 percent buyout and 15 percent venture.

FUND INVESTMENTS

The fund investment team follows a long-term strategy of building up a geographically diversified portfolio allocated across the buyout, venture, growth and secondaries segments.

A great deal of focus is on establishing close, in-depth collaboration with the teams managing each fund where AP6 has made a capital commitment.

Each year, many individual meetings are held to discuss such things as the market situation, development of the portfolio companies and work with sustainability.

These meetings are also essential to establishing strong ties and being offered co-investment opportunities by our partners.

The result of this strategy is access to the leading PE firms with the highest rankings for their particular category of investment.

With fund investments, focus during the year was on adding some new partners in the venture and growth segments.

New additions include funds like Andreessen Horowitz, Spark, General Atlantic and Insight, all of which helped enhance the existing portfolio of funds.

DIRECT INVESTMENTS

The most common type of direct investments for AP6 are direct minority investments in specific companies along with investments in the funds where AP6 has made a capital commitment. Less common are direct investments in companies together with other investors.

In many regards, direct investments (co-investments) reflect the indirect company portfolio of our fund investments.

With direct investments, there typically are not any fees or profit sharing, which lowers the management costs associated with investing activities.

The direct investments contain a few large platform investments where the risk-adjusted return is considered attractive.

Concentration risk to individual companies is higher in the direct portfolio compared to fund investments.

The direct investment portfolio has a growth focus by investing in companies and markets with high organic growth, as well as in companies with an acquisition growth strategy.

Constructing a portfolio of direct investments involves creating the right balance between sectors, geographic regions and investment years.



Record high activity in the portfolio resulting from investments and divestments

In 2019, the investment volume was the highest it has ever been. A large number of funds received payment on prior fund commitments. For direct investments, around a dozen new co-investments were made. There was a large inflow of capital to AP6 during the year via distributions from funds and divestments of direct holdings.

The portfolio continued to grow in 2019, through a high rate of investment for both fund investments and co-investments.

The prerequisites for that have been created through long-term and active positioning in the market, where there has been a high level of transaction activity during the year.

A total of SEK 8,1 billion was invested during the year, which is the highest amount to date for a single calendar year. In 2019, AP6 received distributions of SEK 5.6 billion from our fund investments and direct investments.

Fund commitments totaling SEK 6.0 million were made during the year (i.e., when AP6 commits to investing a certain amount in a specific fund).

Of that amount, SEK 2.3 billion was to new management teams and SEK 3.7 billion was to management teams where AP6 had previously committed capital to funds. The allocation between segments was SEK 4.1 billion to buyout and SEK 1.9 billion to venture.

Geographic expansion continued as planned in 2019 and commitments to funds with a strong focus on USA amounted to SEK 2.1 billion. Of that amount SEK 0.9 million was in the venture segment.

During the year, AP6 increased its collaboration with the European buy-

out managers, Cinven and Permira, by making commitments to their new funds. Altogether, commitments were made to 13 funds, of which seven are new management teams and six are existing teams in AP6's portfolio.

The level of activity in funds where AP6 has invested was high. Several successful sales also occurred. These include the sale of Autostore by EQT VII, and the sale of Netcompany by FSN Capital IV.

In total, more than 50 portfolio companies were sold in 2019 by funds where AP6 has made capital commitments.

AP6's fund portfolio includes collaboration with more than 30 teams managing more than 80 active funds. In total, there are slightly more than 500 portfolio companies.

During the year, AP6 made direct investments totaling SEK 3.3 billion. It is the highest level thus far for a single calendar year. Of the total amount invested, SEK 2.3 billion was new co-investments (around a dozen). Examples of these co-investments include: Kyriba, OneMed, Suse, GlobalConnect and Ellab. The remainder was investments in existing holdings.

The AP6 direct investment portfolio has a strong focus on growth. That is achieved by making investments in companies and markets where there is robust organic

growth, along with companies who have a specific strategy of growing through acquisitions.

There were several divestments of major holdings during the year, which generated a large inflow of capital totaling SEK 2.7 billion. Examples of this were Apotea, Gyros Protein Technologies and Salcomp. For each, the holding period was long.

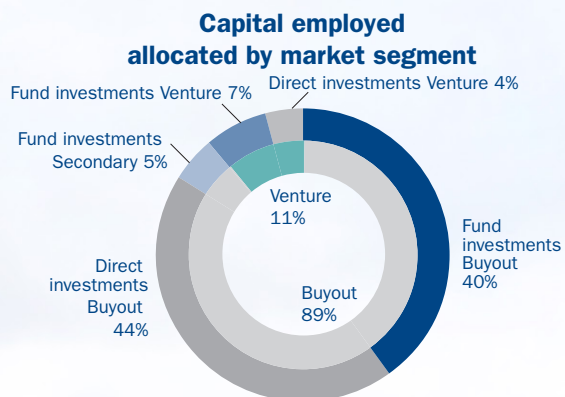
Thanks to their strong performance, Apotea and Gyros Protein Technologies contributed significantly to the inflow of capital. Salcomp, however, did not meet the expectations on performance that existed at the time when the investment was made.

The Sixth AP Fund manages SEK 37.5 billion

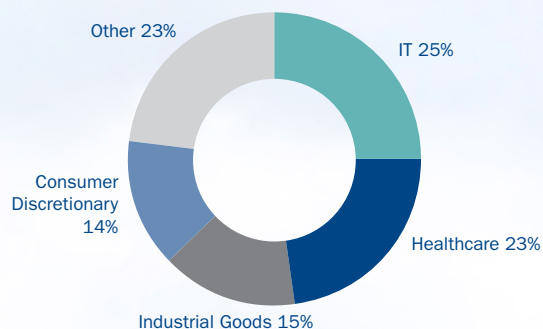


- **Funds, 46%**/more than 500 companies
- **Direct investments, 42%** /nearly 50 companies
- **Liquidity, 12%**

Capital employed

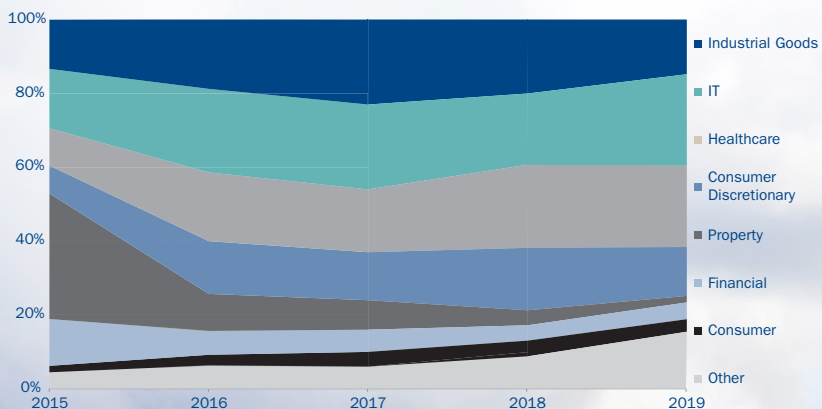


Capital employed (SEK 33 billion) allocated by sector

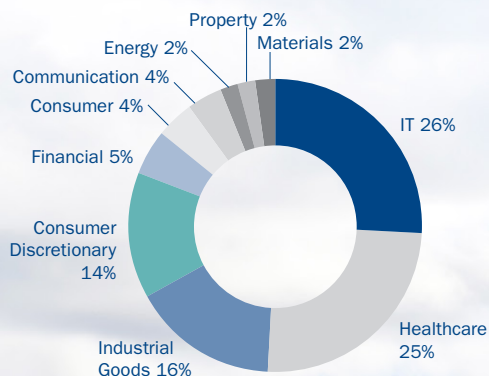


Sector

Significantly improved sector diversification over time

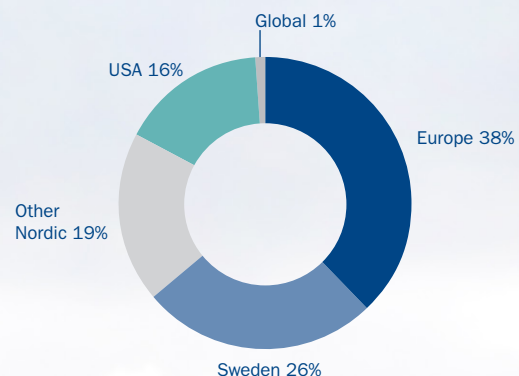
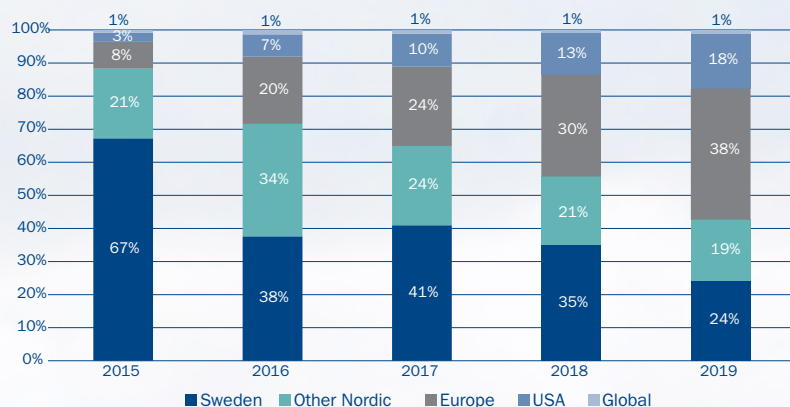


Sector distribution



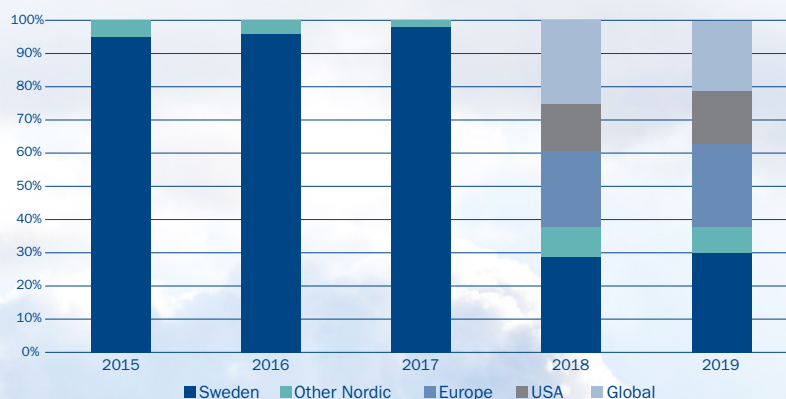
Geographic location

More diversified portfolio across geographic areas



Treasury management

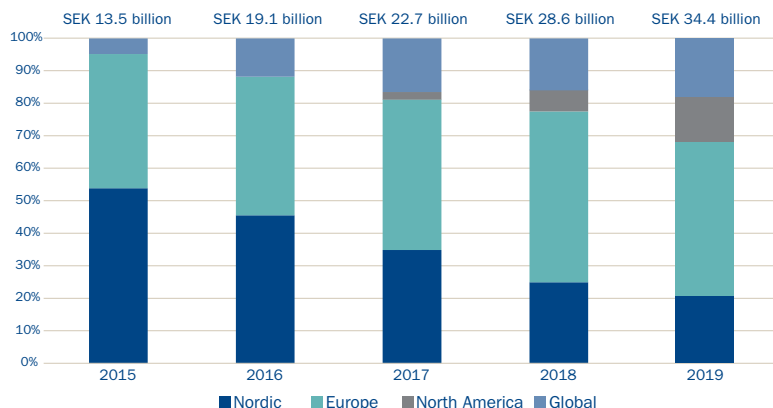
Liquidity management



Fund Investments

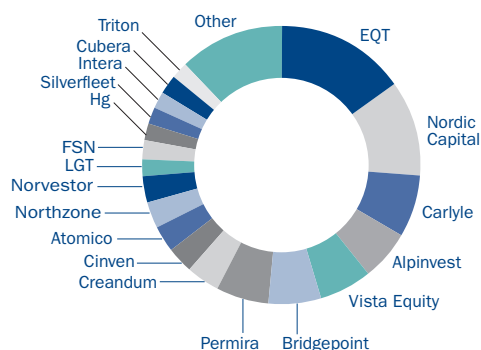
Geographic focus, investments in funds

The amounts show total exposure (market value + remaining committed amount)



- For Fund Investments, total managed assets amounts to SEK 17.3 billion. The remaining committed capital, which will be invested by the funds during the next 3-5 years, amounts to SEK 17.1 billion.
- The portfolio contains more than 30 private equity firms managing more than 80 funds that are invested in more than 500 portfolio companies.

Largest fund investments



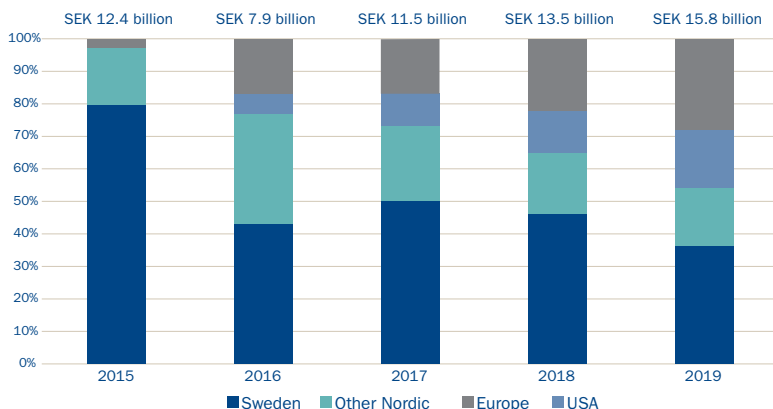
- Approximately 89 % of invested capital is in the buyout segment and 11 % is in venture.
- Altogether in 2019, commitments were made to 13 funds for a total of SEK 6.0 billion, of which seven are new management teams and six are existing teams in AP6's portfolio.

Direct Investments

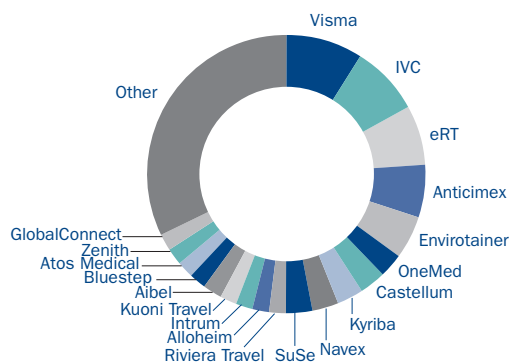
- For Direct Investments, total managed assets amounts to SEK 15.8 billion.
- The portfolio consists of more than 50 holdings.
- Approximately 84 % are co-investments made together with GPs and approximately 16 % were made with other co-investors.
- The 15 largest holdings have, on average, a market value of around SEK 770 million each.
- During 2019, around a dozen new direct investments were made.

Geographic location of portfolio companies

Amounts reflect the exposure



Largest direct investments



Sustainability Report

During 2019, AP6 continued to promote sustainability in the private equity industry. For several years, AP6 has been working diligently to integrate environmental and social issues, along with business ethics, into every aspect of its operations. This has resulted in an investment process with clear requirements and an impact on sustainability. With the aim of continually learning and developing, AP6 has, among other things, completed training of the entire organization on responsible investments and anti-corruption as well as added more resources dedicated to ESG.



Sustainability events 2019



PRI Leaders' Group

AP6 has been included in the 2019 PRI Leaders' Group, along with 46 other asset owners, who demonstrate responsible investment excellence.



ESG evaluation of funds

AP6's template for evaluating PE funds' ESG approaches reveals improved results for the fourth year in a row.



ESG training for AP6's employees and Board of Directors

AP6's employees and the Board of Directors completed the extensive digital ESG training offered by PRI Academy.



Highest score by PRI

AP6 received the highest possible score (A+) for all three evaluated parts of the PRI report.



International seminar on diversity and inclusion

For the third year, AP6 organized round table discussions on diversity and inclusion in the private equity sector. More than 30 representatives of around 20 Nordic, European and US private equity funds participated.



More resources

AP6 set up an ESG team comprised of employees from the investment organization and accounting/finance department. The aim is to go more in-depth with ESG and further integrate it into operations.



Sustainability meetings

Meetings to discuss sustainability were held with three companies where AP6 is a co-investor.

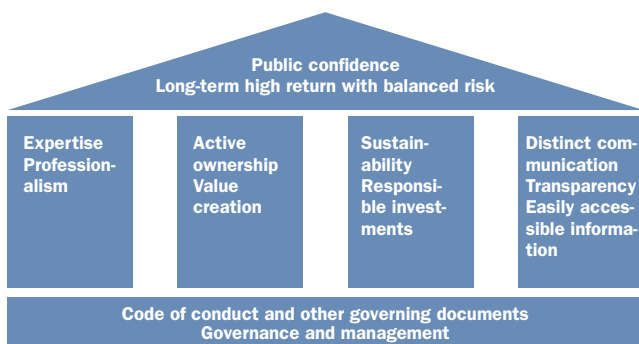
Stakeholder engagement and materiality analysis

Engagement with stakeholders during the year did not reveal any significant changes in their expectations on AP6 as a pension fund manager. Creating a return for pensioners and maintaining public confidence are prerequisites for AP6's existence.

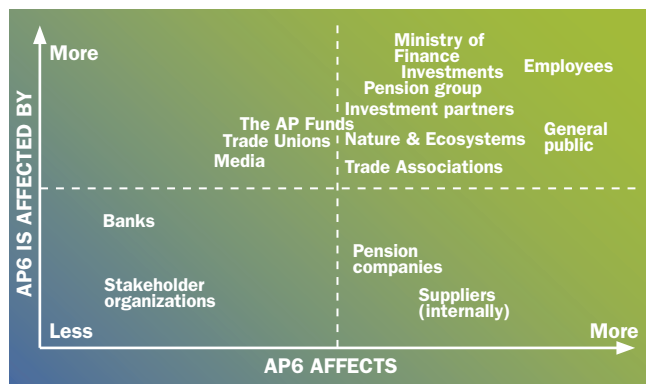
Among stakeholders, however, concern about climate change is increasing, which further motivates AP6 having this as one of its focus areas.

One of the illustrations below shows what is required for meeting requirements

and expectations. The other illustration shows the most important stakeholder groups and how they affect/are affected by AP6.



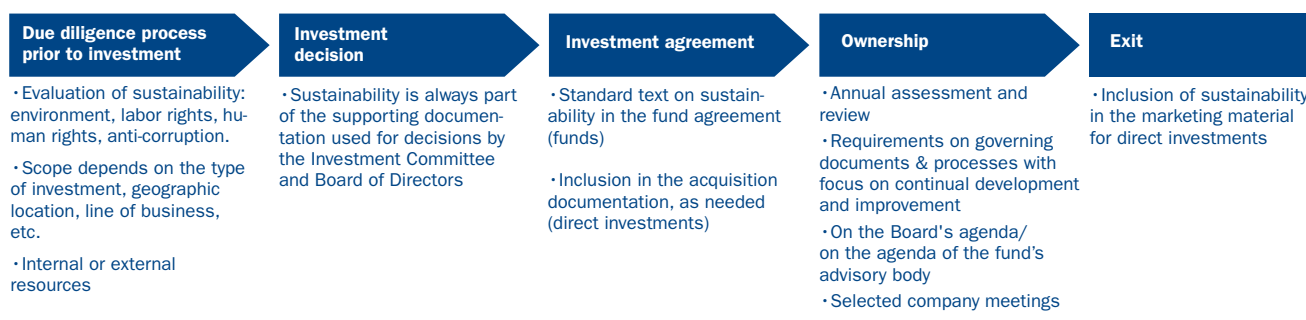
AP6's model for meeting the requirements of legislators and stakeholders. To meet its stakeholders' requirements and expectations, AP6 has a model that is based on its code of conduct and investment strategy. Four pillars stem from that foundation, which are the specific competencies and values required. The foundation and pillars create the conditions for AP6 being able to deliver a long-term high return and maintain public confidence.



AP6's most important stakeholders, adopted by its Board of Directors The upper right quadrant contains the stakeholders who (according to the most recent, structured stakeholder analysis) have the biggest impact on, and who are most impacted by, AP6. AP6 held in-depth stakeholder discussions with each group in 2017. (Some stakeholder organizations were included as representatives for "the Public" and "Nature & Ecosystems").

Responsible investments

SUSTAINABILITY IS AN INTEGRAL PART OF AP6'S INVESTMENT ACTIVITIES AND HOW IT GENERATES VALUE



For AP6, responsible investments and sustainability are prerequisites for delivering a long-term high return. Sustainable development is fundamental to the well-being of future generations and for generating an economic return to future pensioners. As a Swedish, state-owned pension fund, AP6 can and should be a forerunner for responsible investments and sustainability. The Deputy MD leads sustainability efforts, which are coordinated by the Sustainability Manager. Investment Directors are responsible for day to day integration of ESG in companies and funds. In 2019, AP6 added more ESG resources by establishing an ESG team comprised of employees from other parts of the organization.

Since 2013, sustainability has been an integral part of AP6's investing activities, e.g. as a component of the review and follow-up on investments. As an investor in various types of businesses, sectors and geographic locations, it is necessary to have a broad approach to sustainability that is based on international standards on human rights, labor rights, the environment and anti-corruption. AP6's Code of Conduct provides the foundation for its responsible investment activities. Each year, the Board sets specific sustainability goals for investing activities.

In 2019, performance improved slightly for all of the goals. Nevertheless, it is important to remember that the investment portfolio changes rather significantly from

year to year and because of that, caution is advised in making any far-reaching conclusions regarding performance on set targets. For some of the direct investments, there was no formal code of conduct in place at

the time when the investment was made. For new investments, changes typically occur after the investments are made, such as reviewing and improving the governing documents associated with sustainability.

LONG-TERM GOALS FOR FUND INVESTMENTS

Area	Targets	Status
Sustainability analysis as part of due diligence	100% of all investments	100 % (100)
Code of Conduct	Must be in place for all significant holdings	100 % (100)
Sustainability report	Funds corresponding to 80 % of the value in the portfolio for fund investments should report in line with PRI or similar	75 % (72)
Climate	Funds corresponding to 80 % of the value in the portfolio for fund investments should address climate issues (climate impact, climate strategy or similar)	60 % (57)
Equality/diversity	AP6 will take steps to ensure that equality is a measurable objective for funds and portfolio companies	Page 17

LONG-TERM GOALS FOR DIRECT INVESTMENTS

Area	Targets	Status
Sustainability analysis as part of due diligence	100% of all investments	100 % (100)
Code of Conduct	Must be in place for all significant holdings	93 % (92)
Sustainability report	Companies corresponding to 80 % of the value in the portfolio for direct investments should report in line with GRI or similar reporting guidelines	48 % (40)
Climate	Companies corresponding to 80 % of the value in the portfolio for direct investments should report GHG emissions and document climate-related risks & opportunities	34 % (31)
Gender equality	Equal distribution between men and women on boards of portfolio companies	19 % (17)

ESG ASSESSMENT OF FUNDS

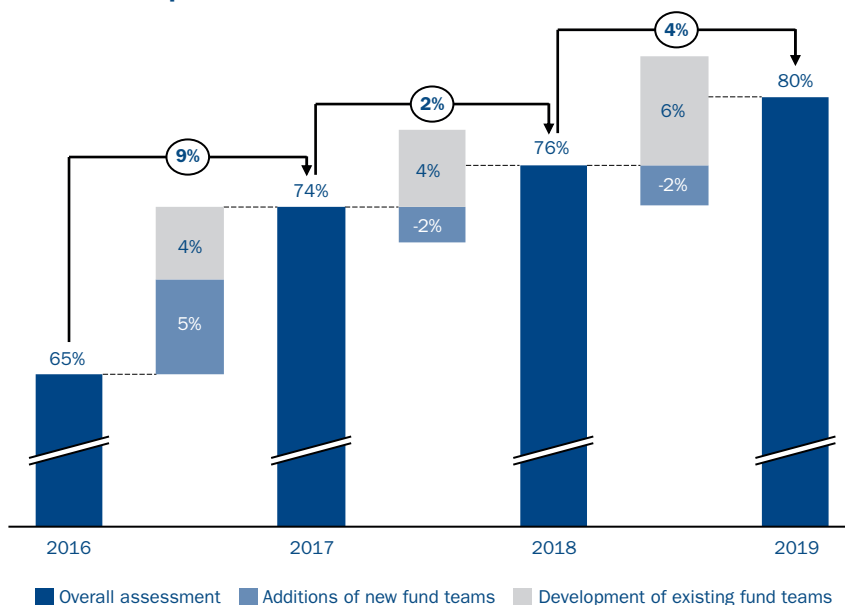
For several years, AP6 has been carrying out ESG assessments of private equity funds and providing systematic feedback along with examples of good practice.

These assessments cover the funds' processes for integrating sustainability when they invest in companies and during the holding period. Sustainability reporting to investors and other stakeholders is also assessed. These assessments are limited to assessing processes for ESG integration. They do not assess the actual impact that portfolio companies have on people and the environment. The reason for this limitation is that there simply isn't enough comparable information available on the actual impact of AP6's investments. AP6 believes that improved ESG processes over time, will positively affect the actual impact from portfolio companies.

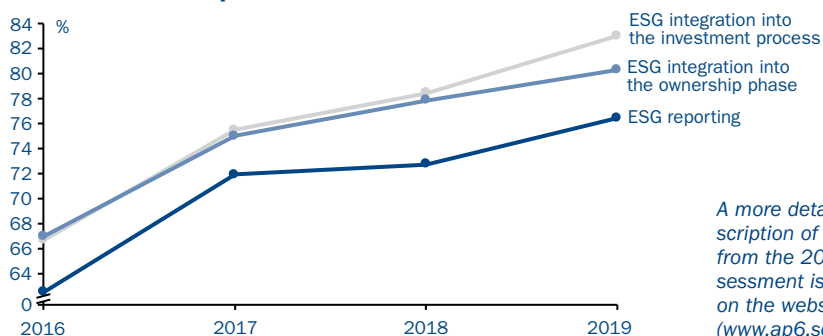
AP6 uses its own model for the assessment, which is aligned with an industry-specific template for sustainability evaluation of fund managers in the unlisted investment asset category. Historic data shows that ESG processes have been improving for the funds in AP6's portfolio. This has occurred even though some of the new funds, with less developed processes, have negatively impacted this trend.

The development is in line with the general trend of increased focus on ESG throughout the private equity industry. In 2019, AP6 met with 25 fund managers as part of the annual ESG assessment of the fund portfolio. The average score in the fund portfolio increased in 2019 compared to the year before, largely because many

Distinct improvement of the evaluation's results



Positive development in all assessed areas



A more detailed description of the results from the 2019 ESG Assessment is available on the website (www.ap6.se).

funds improved their score in one or more areas. The overall assessment is that all funds strive to actively address sustainability and many have made significant progress. Just as

in prior years, funds with formalized ESG processes and a high level of ESG expertise received the highest scores.

AP6'S TEMPLATE FOR ESG ASSESSMENT AND MONITORING OF PE FUNDS.



POTENTIAL INVESTMENTS THAT AP6 DECLINED BASED ON ESG ASPECTS

Each year, AP6 considers many new investment opportunities. AP6 is open to a variety of sectors but in the end, each investment is assessed based on its own characteristics. The decision to decline an investment is often due to several factors, like commercial considerations, terms & conditions, sustainability, etc. All companies face sustainability challenges. Many deal with them via an active approach to sustainability, while others need to become more engaged. There are certain types of operations, however, that AP6 avoids because they are simply not compatible with sustainable development and responsible investment activities, irrespective of how the company handles sustainability. Examples are weapons, pornography and fossil fuels.

Investment type	Investment opportunity	Motivation
Direct	Company in the financial services sector	Risks related to money laundering
Direct	Company in the security services sector	Risks associated with employment terms, health and safety
Direct	Company in the construction sector value chain	Corruption risk and risks associated with employment terms, health and safety
Fund	Fund active within the buy-out segment	Inadequate transparency in reporting to investors
Secondary	Secondary transactions with exposure to extraction of fossil fuels	AP6 avoids exposure to fossil fuels based on concerns about climate change and the transition to renewable energy systems

EXAMPLES OF ESG-RELATED INCIDENTS IN THE PORTFOLIO, 2019

AP6 is a demanding investor in many ways, e.g. when it comes to such things as information and how potential incidents are managed. AP6 expects quick, clear feedback from companies or funds if any ESG-related incidents arise. Very few ESG-related incidents were reported in 2019. The incident reported below has been assessed as more serious in nature.

Investment	Event	Action taken by AP6	Status
Direct	Allegation of fraud	Dialogue on investigation, action and preventive measures.	The situation is being investigated

MEMBERSHIPS

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

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

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

Swedens Forum for Sustainable Investments, SWE-SIF www.swesif.org/

COMMITMENTS, AFFILIATIONS

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

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

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



AP6 has been included in the 2019 PRI Leaders' Group. Participants have been selected to inspire and contribute to knowledge on responsible investments.

PRI'S ANNUAL ASSESSMENT

As a signatory of PRI, AP6 reports each year in accordance with PRI's responsible investment reporting framework. Based on the report, PRI compiles a confidential assessment report, where A+ is the highest possible rating.

In the latest assessment, AP6 received the following ratings:

Strategy and governance: A+

Indirect investments (Private Equity): A+

Direct investments and active ownership (Private Equity): A+

Percentage of PRI's requirements that must be met in order to obtain a certain rate/ Rating scale					
0% E	>0-25% D	>25-50% C	>50-75% B	>75-95% A	>95% A+
AP6					
Median rating					
AP6					
Median rating					
AP6					
Median rating					

- Strategy and governance**
- Indirect investments (funds)**
- Direct investments and active ownership in unlisted companies**

Sustainability meetings

Each year, meetings are held to discuss sustainability with companies where AP6 is a co-investor. These meetings are intended as a supplement to the existing reporting. In 2019, AP6 held three such meetings with a

particular focus on sustainability. The companies were selected based on input from the investment organization and consideration was given to the company's industry, geographic location and the identified ESG risks. These meetings provide AP6 with

more knowledge of the sustainability risks and opportunities. They also encourage the company and investment partner to continue developing their sustainability approach.



Allegro - one of Poland's leading internet trading places.

Together with the main owner, Permira, AP6 held a meeting in Warsaw during August 2019, with the e-trade company, Allegro. Topics discussed at the meeting included cyber security, diversity, logistics and transports. There was also a visit to the company's warehouse.



FläktGroup - Global manufacturer of ventilation and air purification units.

Together with the main owner, Triton, AP6 held a meeting in Wurzen, Germany, during October 2019, with FläktGroup. Topics discussed at the meeting included health and safety, diversity and energy efficiency. There was also a visit to the company's training center.



OneMed - Europe's leading healthcare partner.

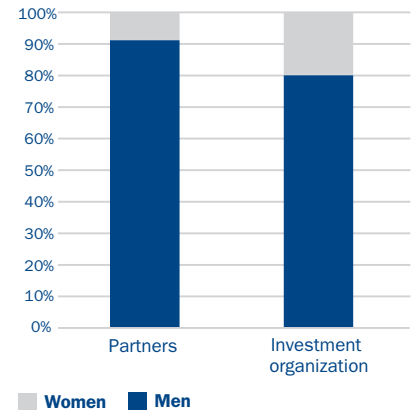
Together with the main owner, Nalka, AP6 held a meeting in Stockholm during October 2019, with OneMed. Topics discussed at the meeting included sustainability in the supply chain, phase-out of products containing hazardous chemicals, logistics and anti-corruption.

Diversity and inclusion

Diversity and inclusion is one of AP6's focus areas within the broad approach to ESG. Besides efforts to improve diversity within AP6 (e.g. by requiring more diverse lists of candidates in recruitment processes), AP6 also strives to improve diversity and inclusion in portfolio holdings. Since 2016, diversity and inclusion are part of the evaluation when reviewing and monitoring investments. It involves asking questions (both pre investment and after acquisition) on what is being done to increase diversity in funds and portfolio companies. The AP6 Board of Directors has also formulated specific targets for diversity and inclusion in the portfolio. For the

first time, AP6 is disclosing data on gender diversity of investment teams and partners in the funds that AP6 has invested in. Overall information is also provided on whether the funds are working to increase diversity in their portfolio companies and reporting diversity data to investors. Hopefully, results will improve over time. There are already clear indications that funds and portfolio companies are striving to increase diversity. There is awareness that diversity increases attractiveness to younger generations and contributes to better decisions and results in the long term. Funds that have actively worked to increase gender diversity in their organizations are starting to see results.

Gender balance in private equity firms



Three advocates for diversity and inclusion in private equity. Emma Watford, (Bridgepoint) shared insights and reflections together with Kara Helander (Carlyle Group) and Julie Richardson (SVB Capital).

Round table discussions on gender equality and diversity

For the third year, AP6 organized round table discussions on diversity and inclusion in the private equity sector. In total, 33 representatives from 20 Nordic, European and US private equity funds participated. The aim was to share experiences of what is actually being done to improve diversity and inclusion, along with the concrete results of such efforts. The seminar provided a forum for participants to learn and gain inspiration from each other. Some of the conclusions were that diversity and inclusion are now considered to be key success factors for recruiting and competitiveness. Several private equity funds are also now able to demonstrate that the gender balance

in their investment teams has improved. Their recipe for success has been a clear formulation of intentions and goals by management, along with implementing scientifically based methods. Examples include involving skeptics in the process, making all recruiting and personnel policies gender-neutral and inclusive, allocating work systematically and avoiding voluntary hand-raising for various tasks. Sharing experiences and knowledge is a way of joining forces and identifying ways of making the private equity industry more attractive to employees with different backgrounds and skills.

Portfolio company engagement



"Are you supporting your portfolio companies to increase diversity and equality?"

Reporting to investors



"Are you reporting information about diversity to your investors?"

Climate

Since 2015, AP6 has played an active role in promoting an increased focus on climate change in PE. Climate change is a threat to future economic prosperity, since it undermines the stable climate required for human activity. AP6 is part of the Swedish pension system, with the mandate of securing pensions for many generations to come. As such, climate change is a prioritized topic. Managing pension assets requires a long-term perspective and understanding that the earth's resources must be shared with future generations. Also, climate, nature and ecosystems must be in balance.

Companies that AP6 invests in both impact, and are impacted by, climate change. The scope of this includes how the companies' operations are affected by extreme weather and higher temperatures, as well

as changes in taxes, fees and other legal requirements. The transition to a climate-neutral economy also creates opportunities such as higher energy efficiency, innovation and new business areas.

CLIMATE IS AN INTEGRAL PART OF MONITORING AND FOLLOW-UP

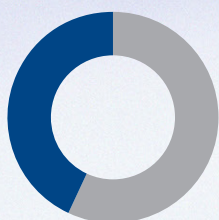
AP6's Code of Conduct states that "AP6 is committed to ensuring that the companies and funds it invests in take action on climate-related risks and opportunities". Climate-related targets have been established by the AP6 Board of Directors (see page 13).

AP6 reviews how climate-related risks and opportunities could impact the investment decision or ownership plan. Examples include evaluating a partner's views on investing in fossil fuels or promotion of

energy efficiency in the portfolio companies. Another example is asking relevant questions on the impact that climate change has on fixed assets or raw materials that a company is dependent on, since this could have a major impact on delivery capacity and costs. In the end, all of it affects the return that can be generated for investors.

AP6 also monitors climate change related aspects after investment. Since 2016, climate is part of the annual ESG evaluation. 2019 is the first year where the results of the climate section have been compiled and communicated to the participating funds. A new trend among the funds in the portfolio is attempting to quantify climate risk in accordance with various climate scenarios. Companies in the fund holdings are also striving to meet new and more stringent requirements on both measuring

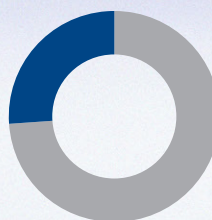
Identified effects of climate change



■ Yes 43% ■ No 57%

"Have you identified any climate-related risks or opportunities that could significantly impact the return of your funds or individual portfolio companies?"

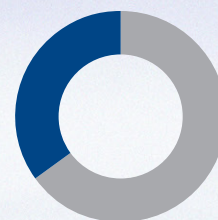
Climate analysis of the portfolio



■ Yes 26% ■ No 74%

"Are you requiring the inclusion of climate as a topic in your portfolio companies' governing documents or analyses of climate-related risks or opportunities, such as analyses of various climate scenarios?"

Reporting of carbon emissions from portfolio companies



■ Yes 35% ■ No 65%

"Are you requiring reporting of greenhouse gas emissions from your portfolio companies?"

and reporting carbon emissions. As of right now, however, very few funds offer their companies support with strategies for transitioning to renewable energy or designing plans to reduce emissions in line with global goals on greenhouse gas emissions.

CLIMATE REPORTING

AP6 has declared its support for the international recommendations stating that companies and investors should be reporting climate-related risks and opportunities in their financial statements. The recommendations have been issued by the Task Force on Climate-related Financial Disclosures (TCFD), which recommend reporting on governance, strategy, risk management, metrics and targets. The recommendations cover such things as reporting carbon footprint and analysis of future climate-related risks that could impact companies in the portfolio and thereby the portfolio's return.

In 2019, AP6 compiled its first high-level analysis of physical climate risks in the portfolio. Although it does not go into great depth, it does indicate that there are medi-

CLIMATE REPORTING BASED ON TCFD'S RECOMMENDATIONS FOR CLIMATE-RELATED FINANCIAL REPORTING



Governance

Organization's governance of climate-related risks and opportunities
Page 18



Strategy

Actual and potential impact on operations, strategy or planning.
Page 18



Risk management

How the organization identifies, evaluates and manages climate-related risks.
Page 36



Metrics and targets

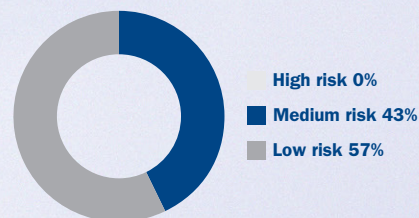
Metrics and targets used by the organization to evaluate and manage climate-related risks and opportunities.
Page 13 and 18-20

The table references the parts of the annual report containing information on the four areas recommended by TCFD. Governance, strategy, risk management, metrics and targets. See also AP6's Climate Transparency Report, www.ap6.se

Link to TCFD's recommendations: <https://www.fsb-tcfd.org/publications/final-recommendations-report/>

um-high risks in nearly half of the portfolio. It is not currently possible for AP6 to, at the portfolio level, assess other climate-related risks like changes in consumer behavior or more regulation of products and emissions.

Physical climate risk (as a percentage of capital employed)



The overall analysis of physical climate risks in the portfolio have the same scope as carbon footprint (page 20) and is based on the company's sector and geographic location. The analysis takes both extreme weather and more long-term effects, such as higher temperatures and sea level into effect. For more information, see www.ap6.se.

CARBON FOOTPRINT

For the sixth year, AP6 has engaged external expertise to measure the carbon footprint of the unlisted portfolio. It is a way of demanding more carbon transparency from unlisted companies, while creating greater overall climate change awareness in the private equity industry.

AP6's carbon footprint (scope 1 and 2) for 2019 corresponds to 29 percent of the carbon footprint from an equally large investment as per a global index for listed companies. It corresponds to 63 percent of the carbon footprint from a corresponding investment in a low carbon index. Typically, companies in AP6's portfolio have low direct GHG emissions. However, indirect emissions from the value chain in some sectors can be significant, which is why AP6 in 2019 also estimated indirect emissions (scope 3), which are not disclosed for 2019.

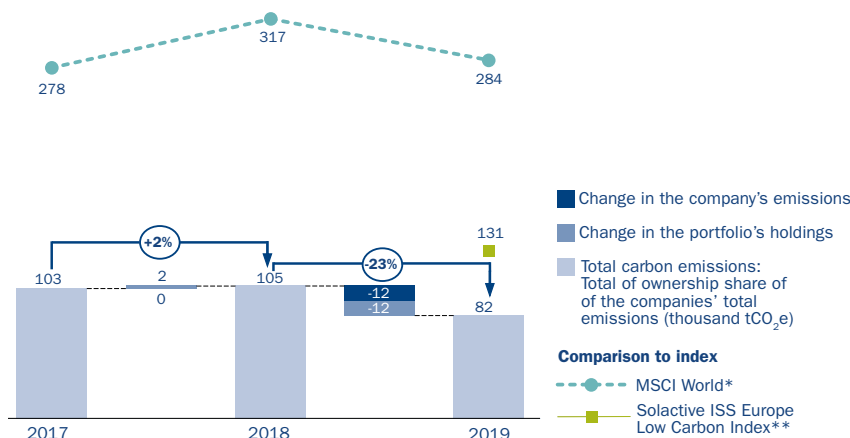
In 2019, AP6 and AP1-4 agreed to start reporting the change in carbon footprint as an addition to a prior agreement on annual carbon footprint reporting. The new reporting reveals that the change in AP6's carbon footprint stems from changes in the portfolio's content as well as changes in emissions from portfolio companies.

More information is available on the website, www.ap6.se.

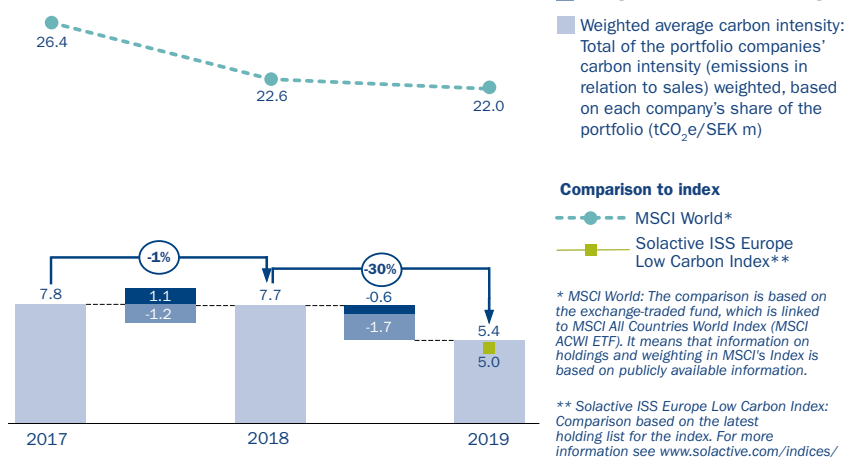
FOSSIL FUELS

Given its mandate and focus, AP6 seldom invests in resource extraction. AP6 has very few investments in the energy sector (as of 2019-12-31, 1.5 % of total managed assets). Most such companies in the portfolio provide services/support to extraction industries. In this segment, there are also examples of companies that are increasingly deriving revenues from renewable energy sources, such as offshore wind power. In general, AP6 avoids investments in fossil fuels and has, on various occasions, declined such opportunities (see page 15). The reason for this is the negative climate impact associated with fossil fuels and the risk of stranded assets (i.e. assets that are no longer possible to extract due to the limitation of a global carbon budget). There are other financial risks to consider as well.

Total carbon emissions, change 2017-2019 (thousand tCO₂e)

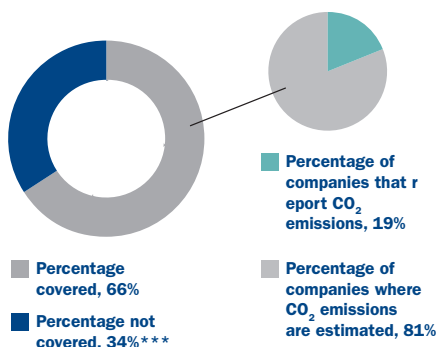


Weighted average carbon intensity 2017-2019 (tCO₂e/MSEK)

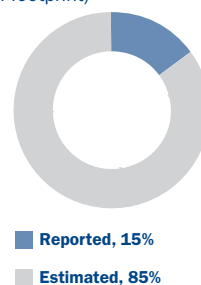


AP6's carbon footprint over time (2017-2019) reported with two indicators, compared to corresponding investment in two different indices. When calculating the change in carbon footprint over time, some minor Adjustments have been made to the underlying data for 2017 and 2018 in order to make the information comparable.

Scope of carbon footprint 2019 (as a percentage of capital employed)



Percentage of reported and estimated CO₂ emissions 2019 (as a percentage of the absolute carbon footprint)



***For practical reasons, companies under a certain value are not included. The portfolio contains a large number of small ownership shares, each of which has a relatively low value. At the rate that the number of companies in the portfolio grows, so does the percentage of companies in which AP6 has a small ownership share. The number of audited companies has been held constant since 2018 and it comprises approximately 90 companies, which corresponds to 66 percent of the value of capital employed. The same number of companies corresponded to 74 percent of the value of the portfolio last year.

AP6's internal sustainability

AP6's own sustainability efforts cover several areas. They include everything from applying good business ethics and morals, to sustainable business travel. AP6 must always maintain public confidence and its sustainability efforts must reflect that.

AP6's owner, represented by the Ministry of Finance, has, in collaboration with the Swedish Association of Local Authorities and Regions, issued guidelines on what constitutes bribes and conflicts of interest.

AP6 employees must never act in a way that risks damaging public confidence in how pension fund assets are managed. AP6 maintains a wide margin to what is allowed. The closer to the allowed limit, the greater the risk of exceeding it. AP6 has also issued its own guidelines aimed at protecting the organization's credibility and impartiality when it comes to decision making.

The guidelines are strict. For example, they state that employees may never accept gifts. Invitations to individual employees must always have a clear and relevant professional purpose. Whatever is offered in the form of meeting setting, location, food and drink should be reasonable.

An employee of AP6 must never risk acting in their own interest – or be swayed by some-



AP6's own sustainability efforts. AP6's own sustainability efforts cover a wide scope of activities. It covers everything from applying good business ethics and morals, to sustainable business travel.

one else who may influence their decision.

AP6 does not allow secondary occupations that conflict with the requirement for loyalty to the employer. Secondary occupations are regulated in the Act on Public Employment (LOA).

AP6's Ethics Committee acts as an advisory body in matters concerning the ethics,

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

The AP6 Code of Conduct (www.ap6.se) describes the values that apply to the organization and is aimed at employees, partners and holdings.

Internal sustainability targets (selection)

Gender equality

- Gender balance in all departments.

Diversity

- A workplace that reflects diversity in society (ethnic, background, gender, age, etc.)

Climate

- *Business travel:* For domestic travel, at least 75 % should be by train.

Suppliers

- An evaluation is required before selecting a vendor. It must always contain an evaluation of sustainability.

Action/fulfillment

For recruitment to new or existing positions, the list of finalists must be 50 % men, 50% women. Measurement is on a 3-year rolling basis, starting in 2018.

For recruitment to new or existing positions, AP6 must actively strive to achieve its diversity goals.

Train travel accounted for 76 % (63) of domestic travel during the year.

When selecting new suppliers, sustainability is part of the evaluation.

SUPPLY CHAIN

AP6 is subject to the Act on Public Procurement (LOU). AP6 continually assesses its suppliers and sustainability is just one of several important factors. AP6's suppliers consist of service providers based in Sweden. One procurement category is goods and services associated with office operations. An important area in this sphere is providers of transport for business travel. AP6 has different objectives for stimulating sustainable travel for business purposes. Financial

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

INTERNAL FOLLOW-UP

As regards AP6's office-based operations, sustainability is followed up during the year when preparing the GRI report. The evaluation and revision of the Code of Conduct, policies and goals take place once a year. AP6 has set up an anonymous whistleblower system. No reports were received in 2019.

GENDER EQUALITY AND EQUAL PAY

It is important that people with the same skills, experience and job description have the same terms of employment. This is a prerequisite for an organization to function properly. Salary trends are documented and monitored at all times and the results show that AP6 complies with the applicable legislation, regulations and guidelines.

DIVERSITY

A professional organization that constantly strives to improve will utilize all the skills and talents of its employees. People with different experiences and backgrounds can offer new perspectives when analyzing and evaluating things like new investment opportunities and sustainability efforts. It is therefore important that the composition of employees is diverse. As a government authority, AP6 must also strive to reflect the diversity of Swedish society.

For its size, AP6 has relatively few em-

ployees, and low turnover, in a sector that is very homogeneous. This makes it particularly important to have an overall, long-term plan for diversity. Diversity and gender equality are part of the recruitment specification, both in terms of fixed-term and permanent positions. A balanced gender distribution at all levels is a prerequisite for running an optimal organization.

AP6 actively strives to increase diversity in the private equity sector and in November of 2019, it organized round table discussions on this topic. Representatives from several Nordic, European and US funds participated. It was the third year that AP6 had organized the seminar. More information about the event is provided on page 17.

AP6 also maintains a continuous dialog on diversity with PE firms and companies in the portfolio, along with other partners. It is also a topic that AP6 discusses in international forums and seminars.

ATTRACTIVE EMPLOYER

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

1. Interesting and worthwhile assignments.

AP6 is a major player in the Nordic market for unlisted companies. AP6's partners include several top ranked European and North American PE firms. It generates many interesting and challenging tasks for employees. In addition AP6 has a strong focus on active ownership and sustainability.

2. A good work-life balance.

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

3. Relevant remuneration.

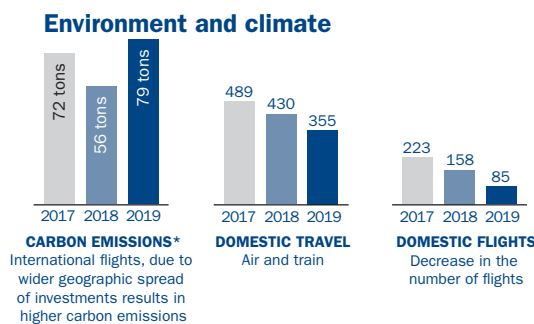
Within the framework of the guidelines for remuneration and benefits, staff should be able to earn a good salary and receive reasonable benefits.

SKILLS DEVELOPMENT

Continuous professional development is a key issue when it comes to retaining expertise and being regarded as an attractive employer. In 2019, all employees of AP6 and the Board of Directors completed the extensive digital ESG training offered by PRI Academy. The areas covered included the environment, human rights and corruption. There was also specific training on anti-corruption (approximately 4 hours per employee). Updates on sustainability issues occur regularly and in a variety of contexts.

Skills development is planned at the annual appraisal for each employee. The goal

The environmental impact from own operations is low. Business travel has the biggest impact, representing 89 % of AP6's own carbon emissions. Whenever possible video conferencing and travelling by train should be used instead of air travel. AP6 is increasing its international collaboration. In 2019, the number of domestic flights declined, while the number of international flights increased due to the geographical diversification currently being implemented within AP6's investing activities. Because of that, AP6's total carbon emissions increased. AP6 offsets the organization's emissions through carbon offsetting.



*The calculation includes direct emissions (Scope 1), indirect emissions from purchased electricity, heating and cooling (Scope 2) and indirect emissions from business travel and commuting (Scope 3). The calculation is based on the Greenhouse Gas (GHG) Protocol, an international standard for calculating and reporting carbon emissions. Calculations do not include the added impact from high altitude emissions. A rough estimate is that the impact from high altitude emissions adds an approximate 50 tons of carbon emissions. Carbon emissions from investments (Scope 3) are reported separately on page 20.



Training on anti-corruption Louise Brown, Integrity Compliance Monitor (approved by the World Bank), was engaged to provide a review of the latest developments and legislation. She also gave practical examples of how government authorities and companies have been impacted. All AP6 employees participated in the training and they also worked in groups on real-life cases and examples.



Web-based ESG training All AP6 employees and the Board of Directors completed the extensive digital ESG training offered by PRI Academy.

is to provide each person with opportunities for continually developing their skills in relevant areas.

In 2019, the amount of training per employee was approximately 40 (38) hours, broken down into 32 (26) hours for management and 37 (41) hours for employees.

WORK ENVIRONMENT AND HEALTH

The health of employees is important for AP6's development and ability to deliver a return. Health risks may consist of stress or stress-related illnesses and ergonomic issues related to office work.

All employees are covered by occupational health services with a check-up every two years. Everyone is offered health insurance and a fitness subsidy. AP6 engages a consultancy firm to carry out employee surveys on a regular basis.

Employees – composition/ key ratios

The total number of employees was 30 (32), of which 17 (16) women and 13 (16) men. Age distribution:

<30 years	1 people
30-49 years	17 people
50-70 years	12 people

Senior management consists of 7 people; of which 5 men and 2 women.

Of the 30 (32) employees, 24 (26) work at the head office in Gothenburg and 6 (6) in Stockholm.

The Board of Directors consists of 5 (5) people, 3 (3) women and 2 (2) men. The Chairman of the Board is a woman.

Absence due to illness 0.5 % (0.9)

Employee turnover, recruiting 6.4 % (6.3), severance 12.9 % (3.2).

The fitness subsidy was utilized by 97 % (94).

REPORT PROFILE

This is AP6's seventh GRI report and the reporting period is the calendar year 2019. AP6 has elected to report in accordance with GRI Standards at the Core level. This means that the report is based on factors relevant to AP6's operations and which AP6 can influence in different ways. The report covers every part of AP6's operations. There is no division into regions. The sustainability report is prepared once a year. No new circumstances or significant changes have occurred since the previous year. The GRI report is a component of the AP6 annual report and the Board of Directors is responsible for its preparation. The GRI report has been reviewed by the auditors in accordance with their statement on page 24.

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

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Deputy MD,

with responsibility for sustainability

margareta.alestig@ap6.se

2019 GRI index for the Sixth AP Fund

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* N/A = Not applicable

ABOUT THE SUSTAINABILITY REPORT

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

AP6 is not subject to the requirements on sustainability reporting from 2017 stipulated in the Annual Accounts Act. However, it has nevertheless elected to report in accordance with this law. It also means that the auditors have conducted a review of the sustainability report as prescribed by law.

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

For the Sixth AP Fund, CIN: 855104-0721

Assignment and delegation of responsibility

The Board of Directors is responsible for the Sustainability Report for 2019. The Board is also responsible for ensuring that the Sustainability Report has been prepared in accordance with the Sixth AP Fund's principles for sustainability reporting. These principles correspond to what is stated in the Annual Accounts Act.

Focus and scope of the review

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

Opinion

A sustainability report has been prepared.

Stockholm, 21 February 2020

PricewaterhouseCoopers AB

Magnus Svensson Henrysson
Authorised Public Accountant



GLOBAL COMPACT AND PRI

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

The Sustainability Report also contains the 2019 Communication on Progress as regards AP6's Global Compact commitments.

AP6 is also a signatory of the UN Principles for Responsible Investment (PRI). AP6 is thus committed to considering, among other things, environment, social aspects, and business ethics prior to an investment or during ownership. AP6 also actively strives to promote the PRI principles in the PE sector.

AP6 participates in relevant PRI working groups aimed at sharing knowledge and experience regarding sustainability in the context of unlisted investments and helping promote the PRI principles in the PE sector. For more information on AP6's responsible investment activities, please see its annual report to PRI, www.unpri.org

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Fund Governance Statement

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

PROGRESS IN 2019

Investing activities were intensive during the year, with ten fund investments being made and a similar number of direct investments. Several additional, smaller investments were also made in existing holdings.

SUSTAINABILITY EFFORTS

AP6 made additional progress during the year with its sustainability efforts, with focus on equality/diversity and climate, for example. In November, AP6 organized its third seminar on equality and diversity in the PE sector. This time, however, the scope was expanded to include both European and US private equity funds. More information about this is provided on page 17. The sustainability model for evaluating fund investments was refined and meetings were held with some companies where AP6 has made a direct investment. AP6 also worked with PRI and engaged with trade associations.

BOARD COMPOSITION

The Board of Directors, consisting of five members, is appointed by the government, which also appoints the Chairman and Deputy Chairman. The government applies one-year mandate periods for the Board members, which means that the current appointments are valid until the government has adopted AP6's balance sheet and income

statement for 2019. During the year, Katarina Staaf resigned from the Board and took over the position of Managing Director as 1 September. Åsa Knutsson joined the Board as a new member on 19 December.

BOARD WORK

The Board has full responsibility for AP6's activities and in those areas where the Board's work is not regulated by the Sixth AP Fund Act (2000:193), it is regulated by the Rules of Procedure set by the Board each year. The Board held 6 ordinary and 14 extra board meetings over the course of 2019. Besides the Board members, board meetings are attended by AP6's Managing Director and relevant employees who possess specialist expertise or who are reporting on a particular topic.

The most important tasks of the Board include setting AP6's performance target, deciding on investments, appointing and evaluating the Managing Director and ensuring that AP6 has sound procedures in place for internal controls and monitoring. Furthermore, the Board conducts an annual assessment of operations, focusing on the long-term perspective.

The owner appoints the Board



AUDIT COMMITTEE

The Audit Committee assists the Board in matters concerning audits and financial reporting. The Committee's task is to monitor AP6's financial reporting and the efficiency of its internal controls, internal audit (as required) and risk management, as well as briefing the Board on the audit of the annual report. It is also the Audit Committee's task to approve the Valuation Committee's proposed valuations of unlisted assets each year when the annual financial statements are

being prepared. The Committee must also meet AP6's auditors at regular intervals for briefings on the audit and on risk exposure. The Committee is required to meet at least three times a year, with AP6's auditors attending on at least one occasion.

The Committee must consist of two members from the Board, one of whom should be appointed chairman. The Managing Director, Deputy Managing Director, CFO and a keeper of the minutes are co-opted members.

REMUNERATION COMMITTEE

The Remuneration Committee assists the Board in a drafting capacity in matters concerning remuneration policies, remuneration and other terms of employment for AP6's management. The Committee must monitor and evaluate the application of the guidelines for the terms of employment for senior executives decided by the Board and use the government's guidelines issued in April 2009 as a basis for its approach. This applies to AP6 employees and direct holdings. The Committee must prepare draft proposals for a framework for annual salary reviews for AP6's employees.

The Committee consists of two members from the Board, one of whom should be appointed chairman. The Managing Director, Deputy Managing Director and a keeper of the minutes are co-opted members.

SUSTAINABILITY COMMITTEE

The Sustainability Committee assists the Board in matters concerning AP6's ESG work. The Committee must, in collaboration with AP6's management prepare the following:

- The annual plan for sustainability work
- Relevant sustainability goals
- Criteria and methods for measuring and evaluating AP6's sustainability efforts
- Guidelines for annual sustainability reporting

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

The Managing Director, Deputy Managing Director and a keeper of the minutes are co-opted members.

FEES, SALARIES AND INCENTIVE SCHEMES

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

The Board decides on remuneration for the Managing Director and pay scales for all other employees. The Board also decides whether to offer any incentive schemes. In 2009, the government issued new guidelines on the remuneration of AP fund senior executives. Variable remuneration was eliminated, limitations were introduced for pension benefits and the retirement age was regulated. See Note 6 for more details.

AP6 does not offer variable remuneration or incentive schemes for management or other employees.

INTERNAL CONTROL

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

The risks identified by internal auditors

and through internal controls, are managed by introducing specific activities to the process flow. New or modified activities mainly relate to organizational structure, decision-making paths, levels of authority or allocation of responsibility. These changes are communicated in the policies adopted by the Board, as well as in the directives decided by the Managing Director.

AP6 is supported by four committees:

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

For financial institutions with larger organizations, and those following the Swedish Financial Supervisory Authority's (FI) regulations, functions are required for managing compliance and risk. At AP6, these functions are shared between different levels of the organization. The compliance function is shared by AP6's legal adviser (legislation and regulations) and the CFO (financial reporting). The risk management function is performed by a risk controller who reports regularly to the Deputy Managing Director.

Risk management is a natural part of ongoing investing activities. Risks are accordingly managed and reported directly by the relevant investment manager for the funds and companies in which AP6 has invested.

AUDIT

AP6's auditors are appointed by the government. The auditors are Magnus Svensson Henryson (PwC) and Peter Nilsson (PwC), whose appointment runs until 31 May 2021.

The auditors' work includes examining AP6's operating activities, administration, financial statements and annual report. Based on their audit, the auditors express an opinion on the accounting records and the administration. Their work also includes verifying that AP6 follows generally accepted accounting and valuation principles, and that the accounting records provide a true and fair view of operations. An audit of AP6's IT environment was also conducted.

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

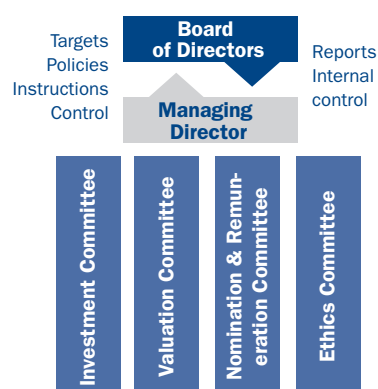
THE BOARD'S OWN ASSESSMENT

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

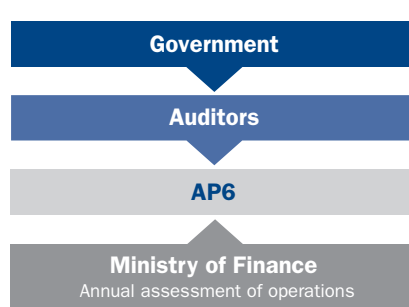
THE GOVERNMENT'S ASSESSMENT

In addition to the Board's own assessment, the Ministry of Finance conducts an annual assessment of AP6's operations on behalf of the government. This assessment is carried out for all AP funds with the assistance of external consultants. The assessment is presented in a written communication to the Swedish Parliament which is published in conjunction with the government adopting the income statements and balance sheets of the AP funds for the 2019 financial year.

Internal control of operations



Owner exercises control



Board of Directors



CATRINA INGELSTAM
Chairman

BORN: 1961
ELECTED: 2016

OTHER APPOINTMENTS:

Own business, Creatme AB.
Board member of KPA Pensionsförsäkring AB, Sparbanken Sjuhärads AB, Orio AB and Swedfund International AB. Board member of Spiltan Fonder AB.



URBAN LINDSKOG
Deputy Chairman

BORN: 1965
ELECTED: 2015

OTHER APPOINTMENTS:

Vice President Division Communication Lagercrantz Group AB. Chairman of the Board at: Direktronik AB, Excidor AB, Liab Load Indicator AB, Gasiq AB, Radonova Laboratories AB, Leteng AS, Precimeter Control AB/Precimeter Inc. Board member of Scanmast AB.



KARIN REUTERSKIÖLD
Board member

BORN: 1959
ELECTED: 2018

OTHER APPOINTMENTS:

Business Strategist at Hållbarhet Danske Bank. Advisor at MISTRA Carbon Exit. Member of The Swedish Society of Financial Analysts (SFF).



ALEXANDER LJUNGQVIST
Board member

BORN: 1971
ELECTED: 2018

OTHER APPOINTMENTS:

The Stefan Persson Family Professor of Entrepreneurial Finance at Stockholm School of Economics. CEO at Nordic Economics Consulting AB.



ÅSA KNUTSSON
Board member

BORN: 1962
ELECTED: 2019

OTHER APPOINTMENTS:

CEO and Board member of Fouriertransform AB. Board member of Inlandsinnovation AB, Mittkapital i Jämtland och Väster-norrland AB and Moment Group AB.

Senior management and committees

AP6 BOARD COMMITTEES

Audit Committee

Catrina Ingelstam
(Chairman)
Alexander Ljungqvist

Remuneration Committee

Urban Lindskog
(Chairman)
Catrina Ingelstam

Sustainability Committee

Catrina Ingelstam
(Chairman)
Karin Reuterskiöld

SENIOR MANAGEMENT:

Katarina Staaf (MD)
Margareta Alestig Johnson
(Deputy MD)
Henrik Dahl (CFO)
Mats Lindahl (Head of Direct Investments)

Karl Falk (Head of Fund Investments)
Jonas Lidholm
(General Counsel)
Ulf Lindqvist (Head of Communications)

INVESTMENT COMMITTEE:

Katarina Staaf (Chairman)
Margareta Alestig Johnson
Henrik Dahl
Mats Lindahl
Karl Falk
Jonas Lidholm
Ulf Lindqvist

VALUATION COMMITTEE:

Henrik Dahl (Chairman)
Katarina Staaf
Margareta Alestig Johnson

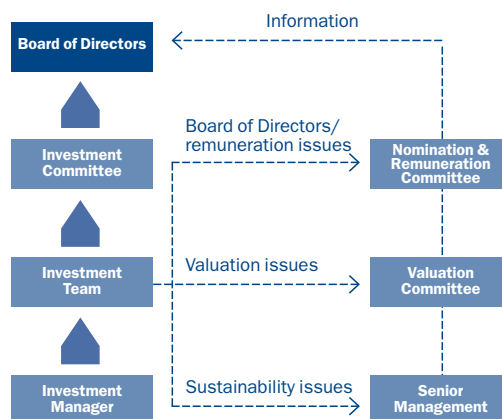
NOMINATION & REMUNERATION COMMITTEE

Jonas Lidholm (Chairman)
Mats Lindahl
Margareta Alestig Johnson
Katarina Staaf

ETHICS COMMITTEE:

Ulf Lindqvist (Chairman)
Jonas Lidholm
Margareta Alestig Johnson

Decision processes and committees



Management



KATARINA STAAF
Managing Director

BORN: 1967

EMPLOYED: 2019

BOARD APPOINTMENTS:
Staaf & Partners AB.

No holdings in unlisted companies.



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

BORN: 1961

EMPLOYED: 2013

BOARD APPOINTMENTS:
Wallenius Wilhelmsen
Logistics ASA.

No holdings in unlisted companies.



HENRIK DAHL
CFO

BORN: 1975

EMPLOYED: 2008

BOARD APPOINTMENTS:
Board assignment at Foundation for the Centre for Finance(CFF) at University of Gothenburg School of Business, Economics and Law

No holdings in unlisted companies.



KARL FALK
Head of Fund Investments

BORN: 1972

EMPLOYED: 2012

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



MATS LINDAHL
Head of Direct Investments

BORN: 1964

EMPLOYED: 2012

BOARD APPOINTMENTS:
Bergsala AB.

No holdings in unlisted companies.



JONAS LIDHOLM
General Counsel

BORN: 1970

EMPLOYED: 2001

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.



ULF LINDQVIST
Head of Communications

BORN: 1963

EMPLOYED: 2008

BOARD APPOINTMENTS:
None

No holdings in unlisted companies.

Remuneration levels, benefits and representation costs

The government adopted guidelines in 2009 on remuneration of senior executives at the AP funds. The main objective of this measure was to protect public confidence in the AP funds.

Below, are the guidelines on remuneration, and the results from a comparison in 2019 of remuneration levels for all employees.

Government guidelines for senior executives of the AP funds

- The total remuneration paid to senior executives of the AP funds should be reasonable and motivated
- It should also be competitive, have a ceiling, be appropriate for the work concerned and contributing to a good ethical code and organizational culture
- The remuneration should not be higher than at comparable institutions, rather, characterized by moderation
- Variable salary (i.e. bonuses) may not be paid
- Other employees may receive variable salary, although no more than the equivalent of two months' salary

AP6's Board of Directors has decided that:

- All employees, not just senior executives, fall within the scope of the government guidelines
- There will be no opportunities for variable salary (i.e. bonuses)

To the extent possible, and having considered the market conditions, AP6 strives to ensure that the guidelines are applied in companies where it has direct ownership.

ANALYSIS OF AP6'S REMUNERATION LEVELS

In accordance with the Board's guidelines, AP6 conducted an evaluation during the year of the remuneration levels for all of its employees. An external, independent consulting firm was engaged for this task.

Results of the evaluation

Results of the 2019 evaluation show that AP6's remuneration level for salaries is in the lower quartile compared to the financial sector.

Because AP6 has engaged a new consultancy firm for conducting the 2019 evaluation, it is not relevant to compare the results at a specific level with the analysis made in 2017. AP6's goal is to, every second year, conduct a comparison with a similar reference group.

The Board's conclusion is that remuneration to AP6 employees is reasonable and in line with the Government guidelines.

REPRESENTATION AND TAXABLE BENEFITS

AP6 has restrictive guidelines when it comes to representation and benefits. Representation costs should be reasonable and appropriate. For example, alcohol may not be included in internal entertainment expenses.

Directors' Report

The Board of Directors and Managing Director of the Sixth AP Fund (AP6) hereby present the Annual Report for the 2019 financial year. The Annual Report consists of a Directors' Report, Income Statement Balance Sheet, and Notes.

GENERAL

The Sixth AP Fund is a specialist fund in the Swedish pension system with the unique mandate of investing in the market for unlisted assets (private equity). The goal is to create a long-term, high return with adequate spread of risk. Investing activities are focused on the buyout segment (mature companies), which have delivered very good returns over time. Investments in the venture segment (early phase) are only made indirectly, via funds. Direct investments are ideally made together with other financial and industrial investors. For such collaborations, AP6 takes a minority position and works closely with or via a partner. Accordingly, it is possible to either be a partner or investor by committing capital to a management team or setting up collaboration by making a direct investment in a company. AP6 currently has many long-term relationships in place with both direct investments and fund investments. Continuous engagement with them leads to cost-efficient management and creates the conditions for generating a high return.

SIGNIFICANT EVENTS DURING THE YEAR

Profit/Loss

The net profit for 2019 amounted to SEK 2,858 (3,042) million, which corresponds to a return of 8.2 (9.6) percent. The return should be compared to the performance target for the year, which was 31.4 %. The return on capital employed was SEK 2,525 million, which corresponds to a return of 9.0 %. Of that amount, fund investments were SEK 1,314 million (a return of 9.8 %) and direct investments were SEK 1,211 million (a return of 8.3 %).

During the year, AP6 transitioned to only using valuations based on the reporting up to and including the third quarter for its fund investments and co-investments. Adjustment is made afterwards for the cash flows that occur through to year-end. The process for the year-end closing needed to be adapted in order to meet the February deadline (required by law) for issuing the annual report. The transition was thus necessary, because, over the last few years, it has been increasingly difficult obtaining the Q4 valuations we have needed for preparing and issuing our own year-end report on time. This change is the main reason why this year's return is slightly lower than last year, as well as it being below the average for the last five years, which amounts to 9.8 %. For holdings in the areas of liquidity management and direct investments where AP6 establishes the value via own assessments or if the holding is listed, the valuation is in conjunction with year-end.

Performance of fund capital

At the end of 1996, AP6 started with fund capital of SEK 10.4 billion, which by the end of 2019 had grown by SEK 27.1 billion to SEK 37.5 billion. This is equivalent to a total increase in value of 261 % since AP6 was established and an annual average growth rate of 5.7 %. Since 2003, the majority of AP6's assets has been invested in unlisted companies. An analysis shows that during the period 2010–2019 (the last 10 years) fund capital has grown from SEK 18.2 billion to SEK 37.5 billion, which corresponds to an average annual growth rate of 7.5 %.

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

Commitments to future investments

Investing in PE funds involves making a commitment for an agreed amount. It is then paid out in installments, at the rate that investments are made. Typically, an investment period is 5 years, after which the fund transitions to managing, and later exiting, its holding. At that point, the return is realized. At year-end, remaining committed capital amounted to SEK 17.9 (16.9) billion, of which funds were SEK 17.1 (15.6) billion and direct investments were 0.8 (1.3) billion.

Targets and benchmarks for AP6

The Board has selected "SIX Nordic 200 Cap GI" as the benchmark for AP6's performance. It is a Nordic index that includes the 200 largest companies. A risk premium of 2.5 % is added to cover the illiquid asset class, unlisted companies. The benchmark is used not only to evaluate performance, but also provide an indication of the return that could have been generated if AP6's capital had been invested in that index. All of AP6's investments, however, are in unlisted assets, which is why the target is supplemented with an unlisted benchmark (Burgiss, unlisted median fund in Europe, less return for normal liquidity). This benchmark answers the primary question of how the fund performed in comparison to other PE funds. Both reference points on AP6's return should be used to evaluate the fund's return over the long term and several business cycles.

Overall return analysis

AP6's net return for the year was 8.2 % and the return on capital employed was 9.0 %. The difference between net return and return on the capital employed is relatively small compared to prior years. The explanation is in part attributable to liquidity being employed in accordance with plan. It is associated with the management strategy that was adopted in 2018, whereby AP6 invests 30 % in five stock indices and the rest in fixed-income fund. Unlike last year, where year-end coincided with turbulence in stock markets world-wide, 2019 ended in a very strong upward trend. AP6's performance target for 2018 ended at -0.6 % and for 2019, it ended at 31.4 %. In comparison, the unlisted benchmark increased by 7.1 %.

The holding period for PE investments is typically long, so the return should also be evaluated over time and several business cycles. AP6 focuses on investing in mature companies that have delivered very good returns over time. Analysis of the period since 1996 (23 years ago) and the last 5 years shows returns in the mature companies' segment of 14.4 % and 11.9 % respectively, which should be compared to the targets for these periods of 12.7 % and 14.1 %, respectively. Since the start, the returns for the mature portfolio have exceeded the targets. With the strong upswing in 2019, however, the target for the last five years has not been achieved once the risk premium of 2.5% has been added.

It is not possible to calculate AP6's benchmark since inception, due to the limited amount of data. Comparisons are thus made over 5 years (benchmark increase of 12.1 %) and 10 years (10.6 %). A comparison with the return on total capital employed (not including liquidity), the corresponding figures are 13.5 % and 8.9 %. For the 5-year period, it thus exceeds the benchmark, but is slightly below for the 10-year period. For the 10-year period, the lower return results from prior strategic directions, primarily, AP6's direct investments in venture. The net return for the fund does not exceed the benchmark for either period of time. Looking back more than 10 years, performance has been negatively affected by prior strategies. The lower return compared to benchmark over the 5-year period is primarily attributable to restructuring of the portfolio, which generated significant excess liquidity and the return on that in prior years has been very limited. The chosen benchmark should primarily be used to evaluate the return prospectively. In this context, AP6's Board and senior executives are convinced that net return will improve in sync with excess liquidity being reduced.

INVESTING ACTIVITIES

AP6 operations are divided into investing activities and liquidity management. Investing activities comprise direct investments in companies and indirect investments in companies through funds.

Direct Investments

The market value assets of the business area amounted to SEK 15.8 (13.5) billion at the end of 2019, while the profit for the year before internal expenses came to SEK 1,211 (887) million. Profit for the year corresponds to a return of 8.3 (8.0) %.

The market value of investments in companies in mature phase (buyout) amounted to a total of SEK 14.4 (12.0) billion, with the profit for the year before internal management costs totaling SEK 668 (763) million. It yields a return for the year of 5.1 (7.8) %.

The year's return for mature companies is considered to be rather low. This is partly attributable to the change that has been implemented, whereby the results for co-investments are now based on valuations reported as of Q3. In addition, major holdings in the buyout category, which did not perform in line with expectations, were sold during the year and this had a negative impact on earnings. Structurally, the portfolio is well diversified and we expect that the return will rise over the next few years.

The market value of investments in early phase (venture capital) amounted to SEK 1.4 (1.4) billion and the profit for the year before internal expenses came to an impressive SEK 543 (124) million. It yields a return for the year of 41.4 (9.4) %. The venture portfolio is relatively limited and no new investments are made here. The return for the year is primarily attributable to the sale of two large companies. Over the last few years, these companies performed above expectations, so the outcome of these sales was very good.

In 2019, there was a high level of activity in terms of new investments. In total, SEK 3.3 billion was invested resulting in around a dozen new portfolio companies for a total of SEK 2.3 billion. Some of the investments were also with entirely new partners.

The return for the buyout business area since inception (1997–2019) and for the last 10 years (2010–2019) is 14.5 % and 10.2 % respectively. The corresponding figures for venture capital are -6.0 % and -5.5 %. These lower returns are primarily a result of the previous strategic direction. Investments within the mature segment have outperformed the target that was originally 12.7 %, but are just under the target for the last 10 years of 14.4 %. The return for the buyout segment over time is considered to be sufficiently high and prospects for these investments remain good.

Fund Investments

The market value assets of the business area amounted to SEK 17.3 (13.0) billion at the end of 2019, while the profit for the year before internal expenses came to SEK 1,314 (2,550) million. Profit for the year corresponds to a return of 9.8 (25.6) %.

The market value assets in the buyout portfolio amounted to SEK 14.9 (11.3) billion, while the profit for the year before internal expenses came to SEK 1,171 (1,235) million. It yields a return for the year of 10.1 (15.6) %. The profit level was affected positively by widespread portfolio re-valuations and by realizing assets at values higher than the opening market value.

The market value assets in the venture portfolio amounted to SEK 2.4 (1.7) billion, while the profit for the year before internal expenses came to SEK 143 (1,315) million. The profit level in this segment yields a return for the year of 7.7 (88.6) %. The profit level last year was mainly associated with Creandum's investment in Spotify.

Fund Investments invest in funds managed by experienced management teams, who invest in companies in the buyout and venture market segments. Investments are made mainly in primary funds, but also in the secondary market by making commitments to secondary funds, or through the purchase of own secondary shares. The portfolio consists of more than 80 active funds that are invested in more than 500 companies.

Many new commitments were once again made in 2019, totaling SEK 6.0 billion, of which SEK 2.3 billion to new partners. Several commitments were for funds in USA, many of which in the venture portfolio. The new partners are high-quality PE firms with a very good history of returns. Geographic expansion has thus continued as planned in 2019.

The return for the buyout business area since inception (1997–2019) and for the last 10 years (2010–2019) is 14.4 % and 13.6 % respectively. The corresponding figures for venture capital are 2.5 %

And 13.6 %, respectively. Investments within the mature segment have outperformed the target that was originally 12.7 %, but are just under the target for the last 10 years of 14.4 %. As with the direct investments, this return further motivates the focus on mature companies. The performance of venture in recent years has significantly improved and return over the last five years is 25.8 %. There are relatively few high-performance teams and fewer funds on the market. Accordingly, commitments made here will continue to be limited compared to the major buyout funds.

TREASURY MANAGEMENT

At year-end, liquidity totaled SEK 4.5 (8.1) billion. This is the portion of AP6's capital that has not been invested as part of investing activities. Outcome for the liquidity management amounted to SEK 428 (–302) million.

Payment readiness is just one aspect of liquidity management. For this, the funds are invested in highly liquid interest-bearing securities (where there is low risk and adequate risk diversification). The management objective for debt securities is to achieve a return in line with OMRX T-Bill. The size of the amount corresponds to payment readiness of approximately 3–6 months of the net outflow for investing activities.

What remains after that is managed as excess liquidity by AP6. Because AP6 is a closed fund that makes long-term investments in unlisted assets, excess liquidity will be generated during periods of high returns. Accordingly, a long-term investment horizon must be applied. With the aim of achieving an adequate, risk-adjusted return, excess liquidity is thus invested at a higher risk than the amount set aside for payment readiness. Following this approach, AP6 invests 30 % in five geographically widespread, passive stock index. The remaining portion is invested in external fixed-income funds with balanced interest rate risk and credit risk. The management is thus considered to be very well diversified via the current broad exposure to and equities and fixed-income investments.

Liquidity management must also consider the financial risks that could arise within the business, and any borrowing needs.

MANAGEMENT COSTS

The costs are divided into external and internal management costs and shared costs (Notes 4 and 5).

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

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

Shared costs include staff costs for the Managing Director and shared specialist functions, plus the cost of premises, services purchased externally, IT and general office expenses. Because AP6's operations are not subject to VAT, input VAT cannot be deducted.

The management fees and acquisition costs attributable to holdings in funds and companies are expensed as incurred and recognized in unrealized gain/loss. In total, these costs amounted to SEK 525 (377) million, of which SEK 514 (367) million is attributable to the management costs for funds. The management costs for funds corresponds to 1.5 (1.3) % in relation to the total managed assets for funds, which, at year end, amounted to SEK 34.4 (28.6) billion. That amount consists of current market value and remaining committed capital. The cost increase in SEK is attributable to having acquired a greater number of reputable funds which, over time, are expected to generate high, stable returns. In part, it is also associated with weakening of SEK against the EUR and USD, since most of the management fees are paid in those currencies.

Total costs for AP6 amounted to SEK 95 (101) million in 2019, with SEK 44 (54) million of this sum attributable to investing activities and liquidity management, while SEK 51 (47) million relates to joint costs.

ORGANIZATION AND EMPLOYEES

AP6 is owned by the government and reports to the Ministry of Finance. In terms of structure, the investment organization is divided into two business areas, Direct Investments and Fund Investments. These two business areas manage what AP6, in an analysis context, refers to as investing activities. In addition to that, AP6 manages liquidity which involves maintaining payment readiness, along with managing excess liquidity and borrowing needs.

Shared functions such as legal affairs, finance, business control, sustainability, HR and IT support the organization's investing activities. The head office is located in Gothenburg.

At year-end, AP6 had 30 (32) employees. See Note 6 for additional information on staff. For more information on AP6's organization and employees, please visit the website, www.ap6.se.

EVALUATION AGAINST OPERATIONAL TARGETS

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

THE GOVERNMENT'S ASSESSMENT

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

The assessment is primarily of the performance targets set by the Board and the extent to which investing activities achieved them. Analyses are also performed to assess the efficiency of the AP fund system from a general perspective. The latest document is published on the websites of the Swedish government and AP6.

RESPONSIBLE INVESTMENTS

Sustainability applies to investments, organization and leadership. The sustainability aspect is an important starting point and a prerequisite for being able to generate a long-term high return on the pension fund assets that AP6 is entrusted with managing. Another reason for working with sustainability is to comply with the legal requirements set out in the Swedish Environmental Code, which includes applying the precautionary principle. AP6 reports in line with GRI (Global Reporting Initiative) and is a member of the PRI (UN initiative for responsible investment) and the Global Compact.

The requirements are thus clearly formalized for both the investment process and when sustainability issues arise in existing holdings in companies and funds. The prerequisites for the two types of investment are not the same, which is also reflected in how sustainability is implemented. A common denominator is, however, that AP6 sets the requirements. Companies in which AP6 has a direct ownership interest are encouraged to join the Global Compact. Direct Investments consist of holdings of different sizes and ownership stakes, which means that AP6 must adapt the models accordingly.

Funds in which AP6 has an ownership stake are encouraged to adopt or adhere to the principles of PRI. Regardless of the type of investment, direct or indirect, the ongoing work with sustainability issues involves ensuring there are models for setting requirements, monitoring and controls, as well as for reporting deviations and subsequent action.

AP6 has a Sustainability Committee consisting of two Board members. The Committee decides on the guidelines for sustainability reporting, along with the criteria for measurement and evaluation. It also establishes an overall strategic plan together with long-term goals. The goal, however, is clear: for AP6 to be a leader in sustainability in private equity. Accordingly, efforts are continually being improved in order to meet the high requirements and expectations.

AP6'S FINANCIAL INSTRUMENTS AND THEIR IMPACT ON PERFORMANCE

International Financial Reporting Standards (IFRS) are a set of internationally accepted regulations and AP6 continually assesses

the way in which its annual report can be changed and improved in order to provide a fair and transparent view of operations. These regulations require significant disclosures on financial instruments. Disclosures in accordance with IFRS 7 are meant to make it possible for a user to assess the importance of financial instruments to AP6's financial position and performance, as well as the nature and extent of the financial risks resulting from holdings and to which AP6 is thus exposed.

A description is provided below of how the financial instruments impact performance, financial position and risks that exist for current holdings, as well as how these risks are managed.

To begin with, it should be mentioned that under the Sixth AP Fund Act (2000:193), financial instruments must be valued at fair value. For a financial instrument, fair value is defined as the amount at which an asset could be transferred, or a liability settled. This must take place between knowledgeable parties that are independent of each other and have an interest in the transaction being carried out. AP6 classifies its assets at fair value according to the following valuation hierarchy. The levels are set based on the market data available on the date of valuation.

Fair value hierarchy SEK Million	Level 1	Level 2	Level 3	Total fair value
Shares and fund units	4,794	-	31,812	36,606
Interest-bearing securities	2	336	266	604
Cash	395	-	-	395

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

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

Level 3) There is no observable market data that can be used on asset.

Change within level 3 for the year SEK Million	Direct Investments	Fund investments	Total
Opening balance 1 January	12,323	13,035	25,358
Investments	3,935	4,834	8,769
Value changes*	941	2,046	2,987
Divestments	-2,310	-2,895	-5,205
Exchange rate differences and other adjustments	161	8	169
Closing balance 31 December	15,050	17,028	32,078

* Derivative instruments for foreign currency hedging are not included in level 3. The closing balance may thus differ slightly from the figures specified in the main text. Direct Investments for existing listed holdings are also adjusted.

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

Some of AP6's companies are valued based on a model in which future cash flows are an indicator of the company's value. For this valuation method to work, the company must be able to forecast its future cash flow with reasonable certainty. As future cash flows are discounted to their present value, it is important to use the correct cost of capital. This represents a weighting of the cost of loan capital and equity, referred to as "WACC" (Weighted Average Cost of Capital). The cost of equity is on a par with the benchmark set by AP6 for the element of the company's operations that cannot be financed externally by, for example, a bank loan. Borrowing costs are generally lower than the cost of equity, especially because interest expenses are tax deductible for the company. The performance target for equity for a company in early phase without opportunities for external financing is thus relatively high, thereby providing a much more restrictive valuation in the form of lower company value. Conversely, this means that a company with good financing opportunities has a lower WACC and thereby also a higher company value in the model. The cost of capital that AP6 uses is key to how the company is valued and thus also how changes in value may arise in AP6's income statement. The most important parameters in the model are, however, the assessment of the company's future development in terms of e.g. growth, operating margin, investment requirements, etc. The risks that therefore primarily affect the company's value are market risk and performance risk (see the section "Risks in the Sixth AP Fund's operations").

The most common valuation method, which is also the method used most frequently by AP6, is multiple valuation against peer groups. These consist of a cluster of similar companies, usually listed, which are reminiscent of the company to be valued. A downturn in the stock market is likely to lead to lower multiples, thereby also

leading to lower values in an unlisted portfolio. If the stock market is turbulent, a certain degree of caution must also be exercised when the valuation is partly based on multiples. The multiples that occur most frequently in AP6's valuations are EV/Sales and EV/EBITDA (see the definitions on page 52).

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

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

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

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

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

RISKS IN AP6'S OPERATIONS

Each year, AP6 conducts a thorough review of risks, which involves documenting the risks associated with its operations. Each area of risk has its risk-drivers and these are analyzed. Afterwards, each risk and its likelihood of occurring are discussed, along with the impact it would have on operations. Mitigating factors are then identified, along with the level of net risk deemed acceptable. Such efforts are carried out by the AP6's senior management team and reported to the audit committee (and, where relevant, the sustainability committee). As with most organizations, there are many risks that must be managed. Below is a list of the six risks considered to be most significant to AP6.

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

AP6's market valued assets in foreign currency at the end of the year amounted to SEK 25,482 million (18,280); of this sum assets in euros were the largest individual currency with a market value of SEK 8,198 million (7,444). SEK 25,105 million (18,161) of the total market value was hedged, providing a currency exposure of 1.4 percent (2.1) in relation to the assets under management. In line with the established investment policy, AP6's target is for currency exposure to be within the range 0–7.5 %.

Credit and counterparty risk: This arises as an effect of the inability or unwillingness of a fund or company to carry out its contractual obligations or other commitments, a factor which could lead to losses. In these cases, AP6 is working to diversify the portfolio so that its exposure to individual holdings will not be too high.

Risk is also managed by, each year, the Board adopting a future allocation plan that shows how the assets will in future be distributed between asset classes and business areas.

Liquidity risk: This risk is best described as the risk of a financing crisis. One of the ways in which liquidity risk arises is when assets, liabilities and commitments have different maturities. As AP6 does not have any inflows or outflows to the pension scheme, AP6 only needs to consider its own investing activities. Unlike other buffer

funds, there is no legal requirement on the proportion of assets that must be placed in investments with a low liquidity risk. AP6's target is for the liquidity reserve to normally account for 5–10 % of AP6's total managed assets. There is also a credit facility that can be utilized if a need for financing arises.

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

Operational risks: It covers the risk of financial loss as a result of human error, inadequate processes, external events or faulty systems. The ways in which AP6 manages these risks include documenting and mapping different process flows. In addition, employees continually develop their skills via training.

Sustainability risks: These risks exist in all types of operations, but AP6's exposure is primarily associated with its investing activities in companies and funds. The sustainability risks vary, based on company's or fund's operations and geographic locations. Types of risks include: violation of human rights or labor laws, corruption, environmental damage and climate risks. AP6 manages its sustainability risks by systematically reviewing and assessing them prior to an investment, then, working continually with them during the ownership phase. Another component of risk management is the annual goals for AP6's systematic sustainability work, set by the Board.

THE SIXTH AP FUND'S PERFORMANCE 2010-2019 (10 YEARS)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Trend in return, %	9.4	-6.9	9.2	9.2	6.5	12.2	6.5	12.3	9.6	8.2
Benchmark index ¹	6.5	7.7	20.2	30.0	19.5	15.4	10.5	16.2	-0.6	31.4
Unlisted benchmark ²	-3.0	2.0	1.1	7.5	15.9	6.9	8.3	6.6	13.1	7.1
Fund capital, SEK bn	19.9	18.5	20.2	22.1	23.6	26.4	28.1	31.6	34.7	37.5
Profit/loss summary, SEK m										
Profit/loss before costs	1,874	-1,237	1,838	1,982	1,561	2,994	1,827	3,587	3,143	2,953
External management costs	-22	-23	-21	-24	-22	-21	-13	-31	-8	0
Internal management costs and shared costs	-146	-120	-116	-98	-98	-106	-92	-86	-93	-95
Profit/loss for the year	1,706	-1,380	1,701	1,860	1,441	2,867	1,722	3,470	3,042	2,858

1. Benchmark index: 2003–2011 absolute performance target. 2012–2019 performance target SIX Nordic 200 Cap GI +2.5%.

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

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

SEK Million	Profit/Loss					Total	Return before costs, %	Market value
	2015	2016	2017	2018	2019		2015–2019	assets 2019–12–31
Direct Investments	1,788	1,013	1,771	887	1,211	6,670	12.7	15,770
Fund Investments	720	603	1,678	2,550	1,314	6,865	14.4	17,266
Liquidity & risk management	465	198	107	-302	428	896	-	4,525
Shared assets, net ¹	-	-	-	-	-	-	-	-53
Internal management costs	-59	-47	-41	-46	-44	-237	-	-
Shared costs	-47	-45	-45	-47	-51	-235	-	-
Total	2,867	1,722	3,470	3,042	2,858	13,959	9.8	37,508

1. Shared assets, net, consists of other working capital.

Income statement

SEK Million	Note	2019	2018
Investing activities			
Net gain/loss, listed shares and participations		716	-104
Net profit/loss, unlisted shares and participations	2	2,191	3,192
Dividends received		32	59
Other financial income and expenses	3	14	-4
Management costs	4.6	-44	-54
Shared costs	5.6	-51	-47
Profit/loss for the year		2,858	3,042

Balance sheet

SEK Million	Note	2019-12-31	2018-12-31
ASSETS			
Investment assets			
Shares and participations in listed companies and funds	7.8	4,794	8,033
Shares and participations in unlisted companies and funds	7.9	31,812	25,009
Other interest-bearing instruments	7.10	268	1,109
Total investment assets		36,874	34,151
Receivables and other assets			
Derivative for currency hedging		417	144
Other current receivables	11	53	16
Prepaid expenses and accrued income	12	57	68
Cash and cash equivalents	7	395	641
Total receivables and other assets		922	869
TOTAL ASSETS		37,796	35,020
FUND CAPITAL AND LIABILITIES			
Fund capital			
Initial capital		10,366	10,366
Retained earnings		24,284	21,242
Profit/loss for the year		2,858	3,042
Total fund capital		37,508	34,650
Current liabilities			
Derivative for currency hedging		81	209
Accrued expenses	14	114	56
Other current liabilities	15	93	105
Total current liabilities		288	370
TOTAL FUND CAPITAL AND LIABILITIES		37,796	35,020

Notes

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

Note 1 Accounting policies

The Sixth AP Fund (AP6) complies with the provisions of the Sixth Swedish National Pension (AP) Fund Act (2000:193). This Act came into force on 1 January 2001. The Annual Report has been prepared in accordance with Swedish GAAP. Due to the law governing AP6, all investments must be measured at fair value in AP6's accounting. No changes took place in AP6's accounting policies in 2019.

Accounting according to IFRS

IFRS is a set of internationally accepted accounting rules and AP6 therefore continuously evaluates changes taking place in this area. AP6 meets the definition of an investment entity as per IFRS 10. AP6 must decide what is relevant for each individual standard and then assess the data that should be presented in order for an external reader to obtain a true and fair view while also ensuring that the Annual Report remains clear. It has been determined that the year's results are consistent with IFRS. As with the other AP Funds, a separate cash flow statement is not prepared for the annual report. This is an exception to IFRS.

Recognition and measurement of unlisted securities

In accordance with law, AP6's investments must be valued at fair value. All valuations, both internal and external, are carried out in accordance with good practice for unlisted assets, where the IPEV (International Private Equity and Venture Capital Valuation Board, www.privateequityvaluation.com) guidelines and recommendations provide the framework. To ensure that all externally managed assets (such as fund investments and co-investments) are measured at fair value, both European and US funds carry out their valuations in accordance with IPEV or a similar framework. Furthermore, they prepare their annual reports in accordance with IFRS 13 or the US GAAP requirements stipulated in ASC 830. For direct investments, where AP6 establishes the value through own assessments, all companies are valued in conjunction with year-end. The focus is on companies whose value in relation to the total portfolio is significant. The measurement of unlisted holdings includes a significant degree of judgment, as a result of which any changes in the assumptions made can have a significant impact on results. When AP6 makes its own valuations, it strives to use a combination of the valuation methods most suitable for showing the investment's fair value and thereby providing a true and fair result.

Annual reports are always compiled using the most recent and reliable information. AP6 is required by law to issue its annual report in February of each year. When preparing that report, however, the valuations of fund investments and co-investments as per year-end are not yet available to us. Neither is it possible to make an own assessment of the value of these holdings, which means that, when AP6 prepares the year-end closing, it uses the third quarter reporting from fund managers instead. In all instances, adjustment is made afterwards for the cash flows that occur through to year-end. For its direct investments however, the following valuation techniques are used.

Transaction price as per the latest round of investments

AP6 has investments involving third party transactions. If such

transactions have taken place during the financial year, they form an important part of the valuation. Share issues directed at existing shareholders (so-called internal rounds) must also be taken into consideration. If internal rounds indicate a write-down, a more detailed analysis must be made, and if a company has been unsuccessful in its attempts to attract an external party, this could indicate that interest in the company is minimal. In such cases a write-down of the holding should be considered. In all cases, events that have taken place between the timing of the transaction and the timing of recognition are taken into consideration.

Discounted cash flow

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

Net asset method

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

Valuation using multiples

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

AP6's valuation process includes stress testing of investments in order to show the effect of various scenarios on the valuation range. If an investment is very volatile, AP6 opts for a more restrictive assessment of value.

Other accounting policies

Revaluations of unlisted holdings are recognized in the Income statement under the heading Net gain/loss, unlisted shares and participations, and are also detailed in Note 2. However, in the case of a permanent and significant impairment (e.g. bankruptcy) an impairment loss is recognized, usually for the entire amount of the investment. This impairment loss is recognized in the Income statement under the heading Net gain/loss, unlisted shares and participations, and is also detailed in Note 2.

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

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

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

Changes in the value of unlisted securities, whether realized or unrealized, are recognized in the Income statement under Profit/loss for the year. The realized gain/loss represents the difference between the sales proceeds and the carrying amount on the date of sale. The realized gain/loss also includes any impairment losses on carrying amounts which may arise in the case of bankruptcies, for instance. Impairment losses otherwise only arises when a PE firm in which AP6 has invested declares bankruptcy. It means that bankruptcies or liquidations of the fund's individual portfolio companies are not reported as an impairment loss, since AP6 is not directly invested in them.

AP6 manages some co-investments via dedicated holding companies. When a holding company's holdings are sold, there is revaluation to the transaction value. Once the dividend and payment is received by AP6, realized gain/loss will be recognized. Typically, it takes some time before AP6 receives the dividend, once the holding in the holding company has been sold. So, AP6 may report that a co-investment has been sold before it is able to report the fully realized gain/loss.

Recognition and measurement of listed securities

Assets in which the fund's capital has been invested are recognized in the Annual Report at fair value. Listed assets are comprised of shares, derivative instruments and fund units.

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

For shares and other securities, the cost of acquisition includes brokerage fees and other direct costs relating to the purchase. The realized gain/loss is measured on an average cost basis. The last traded price on the last trading day of the year is usually used for valuation. If the closing price (traded price) is not considered representative because of special circumstances in a particular market, a price quoted at a different time may be used to measure fair value.

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

Changes in value, whether realized or unrealized, are recognized in the Income statement as Profit/loss for the year. Capital gain/loss is the difference between sales proceeds and the cost of acquisition. Capital gain/loss is the gain/loss arising on the disposal of investment assets.

Recognition and measurement of debt securities

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

nized in the Income Statement together with accrued interest in Note 3, "Other financial income and expenses".

Management costs

AP6's management costs are split between external and internal management costs as well as shared costs. External management costs relating to management fees for listed and unlisted holdings are expensed as incurred and reported in the income statement in unrealized gain/loss. There is no capitalization of management fees or acquisition costs for investments.

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

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

Performance-based remuneration is not included in external management costs but instead reduces the capital gain/loss in respect of the asset under management. No such remuneration was paid in 2019.

Other accounting policies

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

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

Receivables are recognized at the net realizable value. Liabilities are measured at amortized cost. Equipment purchases are written off on a continuous basis.

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

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

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

Related parties

Defined as companies or funds in which AP6 has a holding of at least 20% and/or in which it has significant influence. Key individuals in leading positions are also defined as related parties. Participating interests in companies and funds are accounted for in Note 9. Remuneration to senior executives is accounted for in Note 6. Remuneration has been evaluated by an external consultant, who has reached the conclusion that the remunerations are fair and in line with government guidelines. All transactions between companies and funds are conducted on market terms as part of investing activities.

Commitments to investments

With regard to investments in private equity funds, a contractual commitment is made to invest a certain amount of capital. The capital is invested over time and paid out in line with investments. When payment is made, and cost of acquisition is known, the holding is reported in Note 9. The difference between committed capital and capital paid out, plus any amounts to be reinvested, is recognized as a commitment and presented in Note 16.

Note 2 Net profit/loss, unlisted shares and participations

	2019	2018
Realized		
Income from disposals	5,130	5,840
Capital invested	-3,131	-1,848
Reversed value change on divested holdings	-1,750	-3,806
	249	186
Unrealized		
Value change for the year	2,463	3,304
Exchange rate difference	-521	-298
	1,942	3,006
Total	2,191	3,192

Note 3 Other financial income and expenses

	2019	2018
Interest income	30	26
Interest expenses	-3	-30
Exchange rate difference	-13	0
	14	-4

Note 4 Management costs

	2019	2018
External management costs		
Listed holdings	0	8
Internal management costs		
Personnel costs	37	39
Legal consultants	0	0
Other external services	2	3
Travel expenses, etc.	2	2
Charged VAT	1	1
Other costs	2	1
Total	44	54

There were no performance-based costs in 2019 (–).

External management and acquisition costs attributable to holdings in unlisted private equity funds and companies amounted to SEK 514 (367) million and 11 (10) million, respectively. At year-end, all management costs have been expensed and recognized in the income statement. They are reported in the year's value change on unrealized holdings in Note 2.

Liquidity management holdings include listed funds, for which management fees are deducted directly from the holding. Such fees amount to approximately SEK 2.5 (1.5) million and they impact each fund's market value.

Note 5 Shared costs

	2019	2018
Personnel costs	30	29
Premises costs	9	6
IT costs	4	4
External services	1	1
Management costs	1	2
Travel expenses, etc.	1	1
Charged VAT	2	2
Other costs	3	2
Total	51	47

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

Management costs include remuneration to audit firms as follows:

	2019	2018
Audit assignment		
Statutory audit (PwC)	0.8	0.8
Other audit (PwC)	-	0.1
Total	0.8	0.9

Note 6 Personnel

Government guidelines on the terms and conditions of appointment of senior executives

In 2009, the government issued new guidelines on the terms and conditions of employment of senior executives in the AP funds. The guidelines include the withdrawal of variable remuneration, restrictions on pension benefits and regulation of retirement age. The guidelines also apply to other employees with the exception that it is possible to pay variable remuneration to employees other than senior executives; however, this is not implemented in AP6, which does not offer any variable remuneration. Senior executives are defined as employees participating in AP6's senior management team. The Board of Directors' guidelines on the terms and conditions of employment of senior executives and other employees at AP6 are published on www.ap6.se.

Applied regulations for remuneration and benefits in 2019

The Board of Directors decides the total annual salary revision and any variable remuneration. In 2017, a comparison was carried out of remuneration paid by comparable institutions, companies and funds. Follow-up on this occurred in 2019. The Board of Directors' view is that the remuneration and benefits of AP6's senior executives and other staff are fair, moderate and competitive.

All employees are covered by collective agreements between the Employer's Organisation of the Swedish Banking Institutions (Bankinstitutens Arbetsgivareorganisation, BAO) and the Swedish

Union of University Graduates of Law, Business Administration and Economics, Computer and Systems Science, Personnel Management, Professional Communicators and Social Sciences (Jusek) /the Swedish Association of Graduates in Business Administration and Economics (Civilekonomernas Riksförbund)/the Swedish Association of Graduate Engineers (Sveriges Ingenjörer) and the Swedish Confederation of Professional Associations (SACO).

Salaries and benefits

The salaries, fees and benefits of the board, managing director, other senior executives and other staff are shown in the table on page 44. Remuneration to senior executives is accounted for under a separate heading.

Pensions

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

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

Severance pay

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

Incentive schemes

AP6 does not have an incentive scheme, which applies to both senior executives and other employees.

Decisions on fees and remuneration

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

No remuneration other than board fees were paid to AP6's board. Every year, the Board determines the managing director's salary, as well as the general development of salary levels for staff and any incentive schemes. However, AP6 does not have an incentive scheme.

Remuneration to the Board of Directors

In 2019, remuneration to Board members was as follows (SEK/year): Catrina Ingelstam 100,000, Katarina Staaf 33,333 (member until 31 August), Karin Reuterskiöld 50,000, Alexander Ljungqvist 50,000 and Urban Lindskog 75,000.

Remuneration to senior executives

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

The Managing Director and senior executives at year-end 2019

were as follow: Karl Swartling (MD through 31 July), Katarina Staaf (MD as of 1 September) Margareta Alestig Johnson (Acting MD 1 March-31 August), Jonas Lidholm, Karl Falk, Mats Lindahl, Ulf Lindqvist and Henrik Dahl.

The total amount of salaries and remuneration paid were as follows, in the same order as above: SEK 2.2 million, SEK 1.1 million, SEK 2.4 million, SEK 1.9 million, SEK 1.9 million, SEK 2.0 million, SEK 1.7 million and SEK 1.8 million.

Pensions, excluding employer's contribution, are as follows: SEK 0.6 million, SEK 0.3 million, SEK 0.7 million, SEK 0.6 million, SEK 0.6 million, SEK 0.6 million, SEK 0.5 million and SEK 0.5 million.

In addition to salaries, other remuneration and pensions, the following benefits were received: SEK 2 thousand, SEK 4 thousand, SEK 24 thousand, SEK 24 thousand, SEK 27 thousand, SEK 30 thousand, SEK 4 thousand and SEK 30 thousand.

		2019	2018
Average number of employees	Men	15	16
	Women	16	16
		31	32
Number of employees as of 2019-12-31*	Men	13	16
	Women	17	16
		30	32
Board of Directors	Men	2	2
	Women	3	3
		5	5
Senior Management	Men	5	6
	Women	2	1
		7	7

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

	2019	2018
Salaries and fees		
Chairman of the Board	0.1	0.1
Board of Directors, excl. Chairman	0.2	0.2
Managing Director	2.2	3.4
Managing Director as of 1 September	1.1	-
Senior Management, excl. Managing Director	11.9	11.3
Other employees	23.2	23.7
Total	38.7	38.7
Other benefits		
Managing Director	-	-
Managing Director as of 1 September	-	-
Senior Management, excl. Managing Director	0.1	0.1
Other employees	0.6	0.6
Total	0.7	0.7
Pension expenses		
Chairman of the Board	-	-
Board of Directors, excl. Chairman	-	-
Managing Director	0.6	1.0
Managing Director as of 1 September	0.3	-
Senior executives excl. Managing Director	3.5	3.3
Other employees	7.1	7.5
	11.5	11.8
Social security expenses, incl. employers' contribution, excl. pension expenses	15.1	15.3
Personnel costs – Total	66.0	66.5

Note 7 Financial assets and liabilities by category

2019	Measured at fair value via the income statement	Derivatives at fair value via the income statement	Loans and other receivables/liabilities	Total carrying amount	Fair value
Financial assets at fair value	36,606	417	266	37,289	37,289
Other current assets	-	-	110	110	110
Short-term investments	2	-	-	2	2
Cash and bank balances	395	-	-	395	395
Total financial assets	37,003	417	376	37,796	37,796
Accounts payables	-	-	1	1	1
Other liabilities	-	81	206	287	287
Total financial liabilities	-	81	207	288	288

2018	Measured at fair value via the income statement	Derivatives at fair value via the income statement	Loans and other receivables/liabilities	Total carrying amount	Fair value
Financial assets at fair value	33,042	144	349	33,535	33,535
Other current assets	-	-	84	84	84
Short-term investments	760	-	-	760	760
Cash and bank balances	641	-	-	641	641
Total financial assets	34,443	144	433	35,020	35,020
Accounts payables	-	-	2	2	2
Other liabilities	-	209	159	368	368
Total financial liabilities	-	209	161	370	370

Note 8 Shares and participations in listed companies and funds

Holding	Number of shares/ units of participation	Share of equity, %	Share of voting power, %	Fair value, SEK million
Equity				
Castellum	2,135,583	0.8	0.8	470
Tobii	4,000,630	4.0	4.0	150
Asset class and manager for liquidity management				
Index fund				
SEB				452
Swedbank Robur				452
Fixed-income funds				
SEB				1,033
Swedbank Robur				1,037
Mixed funds				
Amundi				1,200
Total				4,794

Brokerage fees paid in 2019 amount to approximately SEK 1.3 (1.1) million.

Note 9 Shares and participations in unlisted companies and funds

Company	CIN	Registered office	Number of shares/ units of participation	Share of voting rights %	Share of equity %
Amplico Kapital AB ²	556703-3161	Gothenburg	5,000,000	100.0	100.0
AP Partnerinvest Sec AB ²	556754-2583	Gothenburg	100,000	100.0	100.0
AP Riskkapital AB ²	556711-0407	Gothenburg	1,000	100.0	100.0
Aumar AB	556631-5932	Gothenburg	16,093	100.0	100.0
Gar Förvaltnings AB ²	556312-2968	Gothenburg	10,000	100.0	100.0
Hist AB	559181-8785	Gothenburg	1,000	100.0	100.0
Industrial Equity (I.E.) AB	556599-9702	Gothenburg	1,000	100.0	100.0
Iqube Holding AB	556676-0764	Stockholm	226,889	13.2	13.2
Johanneberg Campusbo AB	556658-6730	Gothenburg	800	80.0	80.0
Johanneberg Campusbo KB	969704-9451	Gothenburg		n/a	79.2
Krigskassa Blekinge AB	556709-7992	Karlskrona	30,000	50.0	50.0
NCS Invest AB	556914-7530	Stockholm	360,000	36.0	36.0
Neqst 2017 AB	559061-7063	Stockholm	41,493	1.7	4.1
NetSys Technology Group Holding AB ²	556550-2191	Mölnådal	100,000	100.0	100.0
OneMed Top Holding AB	559184-9848	Danderyd	20,487,805	18.6	18.6
Pagero Group AB	559189-9173	Gothenburg	417,906	3.7	3.7
Salcomp Holding AB	556868-7999	Stockholm	225,000	45.0	45.0
SLS Invest AB	556730-2038	Stockholm	500	100.0	100.0
Yanzi Networks Holding AB	559153-7849	Stockholm	2,845	25.7	25.7

Co-investments	Investment	Share of equity, % ⁴
Adagio Co-Invest L.P.	Allegro	5.5
Anticimex New TopHolding AB	Anticimex	4.5
Astorg VII Co-Invest Anaqua	Anaqua	3.9
Atos Medical Co-Invest SCSp	Atos Medical	10.2
BC European Capital X - Navigator Co-Investment (2) LP	Navex	25.2
BKF Co-Investment LP	Burger King	19.0
Carlyle Erpe-Mere Partners, L.P.	Praesidiad	10.7
Cidron Lot Limited	European Dental Group	3.6
Cidron Raft Midco Limited	Orchid	5.9
Cinven Cullinan L.P.	Allegro	5.5
Cinven Envirotainer Limited Partnership	Envirotainer	100.0
Cinven Jumpman L.P.	Jaggaer	2.9
EQT Auris Co-Investment L.P.	WSA/Sivantos	5.1
EQT Auris II Co-Investment L.P.	WSA/Sivantos	5.1
EQT Butterfly Co-Investment SCSp	Bluestep	50.0
EQT Dynamite2 Co-Investment L.P.	Sitecore	5.8
EQT Dynamite Follow-On Limited Partnership	Sitecore	7.7
EQT Infrastructure III Co-Investment (A) SCSp	GlobalConnect	100.0
EQT Kfzteile24 Co-Investment L.P.	Kfzteile24	33.3
EQT Kiwi Co-Investment L.P.	Kuoni Travel	11.0
EQT Mid Market Europe Co-Investment Coöperatief U.A. - Class A	Ellab	100.0
EQT Mid Market US Co-Investment Coöperatief U.A. - Class C	Data Intensity	33.3
EQT Mid Market US Co-Investment Coöperatief U.A. - Class D	Zemax	35.3
EQT Nile Co-Investment Limited Partnership	n/a	87.3
EQT VIII Co-Investment (A) SCSp	SuSe	6.6
EQT VIII Co-Investment (C) SCSp	Cast & Crew	2.2
EQT Yellow Maple Co-Investment L.P.	n/a	11.2
Everest Co-Invest SCSp	Exclusive Group	13.2
Farfalle L.P.	Fläkt Wood Group	100.0

Co-investments (cont.)	Investment	Share of equity, % ⁴
FSN Capital IV Netcompany Co-Investment L.P.	n/a	58.3
FSN Capital Project Growth Co-Investment L.P.	Bygghemma	34.3
HgCapital Gabriel Co-Invest L.P.	Visma	14.4
Hg Vivaldi Co-Invest L.P.	Visma	17.5
Hg Vivaldi 2 Co-Invest L.P.	Visma	2.5
IVC New TopHolding S.A.	Independent Vetcare	6.7
Kite Co-Investment Limited Partnership	Kyriba	32.3
NC Alexander Co-Invest, L.P.	Lindorff/Intrum	13.1
NC Alexander 2 Co-Invest, L.P.	Lindorff/Intrum	30.0
NC Atrium Co-Invest Alpha, L.P.	Alloheim	81.1
NC Mighty Co-Invest Beta, L.P.	eResearch Technology	18.6
Nordic Capital VIII UF Co-Invest Beta, L.P.	n/a	23.3
Red Garden Invest (E) AB	EasyPark	18.1
Roima Intelligence Holding Oy	Roima	3.5
Silverfleet Capital Partners Project Maverick A L.P.	Riviera Travel	80.0
Willa C L.P.	Werner	100.0
Zeus Co-Investment L.P.	Zenith	19.5

Cost amounts reported below have been extracted from AP6's accounting records. They are not based on information from each fund.

Funds	CIN ¹	Registered office ¹	Share of equity, %	Cost of acquisition
Accent Equity 2012 L.P.			10.0	171
AE Intressenter KB	969724-7873	Järfälla	100.0	75
AEP 2003 KB	969694-5196	Stockholm	15.8	0
AlpInvest Co-Investment Fund (Lux Feeder) VII, SCSp			23.6	500
AlpInvest Secondaries Fund (Lux Feeder) VI, SCSp			32.8	429
Andreessen Horowitz LSV Fund I, L.P.			1.2	101
Astorg VII SCSp			0.8	34
Atomico IV (Guernsey) L.P.			21.2	191
Atomico V SCSp			6.1	80
Auvimo AB	556587-9565	Gothenburg	100.0	0
Auvimo KB	969621-7729	Gothenburg	100.0	2
Axcel IV K/S 2			9.7	73
BE VI "D", L.P.			22.2	158
Bridgepoint Europe V C L.P.			16.0	716
CapMan Buyout VIII Fund B KB	969705-5342	Stockholm	100.0	103
CapMan Buyout IX Fund A L.P.			8.5	148
CapMan Equity Sweden KB	969683-1321	Stockholm	96.5	63
CapMan Technology Fund 2007 B KB	969720-4288	Stockholm	100.0	30
Carlyle Europe Partners IV, L.P.			2.7	686
Carlyle Europe Partners V-EU, S.C.Sp.			1.6	149
Chalmers Innovation Seed Fund AB	556759-5003	Gothenburg	23.7	28
Co-Invest Fund 2B L.P.			4.4	15
Creandum Advisor AB	556644-0300	Stockholm	34.0	1
Creandum I Annex Fund AB	556759-5623	Stockholm	49.2	4
Creandum II KB	969708-0274	Stockholm	98.5	68
Creandum III L.P.			18.6	149
Creandum IV L.P.			13.7	172
Creandum V, LP			9.4	29
Creandum KB	969690-4771	Stockholm	49.3	3
Crown Global Secondaries IV PLC			2.7	322
Cubera VI L.P.			9.0	0
Cubera VII L.P.			15.0	0
Cubera VIII L.P.			7.4	176
CVC Capital Partners VII Limited			0.3	242
EQT V (No. 1) L.P.			3.5	73
EQT VI (No. 1) L.P.			1.6	150
EQT VII (No. 1) L.P.			2.3	685

Funds (cont.)	CIN ¹	Registered office ¹	Share of equity, %	Cost of acquisition
EQT VIII (No. 1) SCSp			1.8	499
EQT Expansion Capital II (No. 1) L.P.			4.2	36
EQT Mid Market (No. 1) Feeder L.P.			8.1	314
EQT Mid Market Europe (No. 1) Feeder, L.P.			4.9	352
Equistone Partners Europe Fund VI "A" SCSp			7.1	89
Eurazeo Capital III SCSp			2.9	70
Femfond KB	969687-5062	Stockholm	100.0	0
FSN Capital IV L.P.			7.1	125
FSN Capital V LP			4.4	215
Fysikten KB	969712-1029	Stockholm	100.0	0
General Atlantic Partners (Bermuda) EU, L.P.			0.0	9
General Atlantic Partners AIV-1 B, L.P.			0.1	14
HealthCap Annex Fund I-II KB	969690-2049	Stockholm	38.9	133
HgCapital 8 B L.P.			7.0	86
HgCapital Saturn B L.P.			9.9	182
HitecVision Private Equity IV L.P.			1.4	16
HitecVision V L.P.			0.8	18
InnKap 2 Partners KB ³	969661-4735	Gothenburg	5.4	0
Intera Fund I Ky			12.0	39
Intera Fund II Ky			10.0	99
Intera Fund III Ky			10.0	137
Nordic Capital CV1 Alpha, L.P.			6.7	241
Nordic Capital CV1 Beta, L.P.			1.8	317
Nordic Capital V, L.P.			3.3	0
Nordic Capital VI Alpha, L.P.			5.7	1
Nordic Capital VII Alpha, L.P.			2.6	0
Nordic Capital VII Beta, L.P.			2.8	34
Nordic Capital VIII Beta, L.P.			4.4	620
Nordic Capital IX Alpha, L.P.			4.7	277
Northzone VII L.P.			8.0	129
Northzone VIII L.P.			7.1	182
Northzone IX L.P.			6.2	30
Norvestor V L.P.			8.5	31
Norvestor VII L.P.			7.3	270
Permira VI L.P.			1.4	735
Scope Growth II L.P.			24.1	91
Scope Growth III L.P.			16.7	63
Silverfleet Capital Partners II LP			6.6	294
Sixth Cinven Fund (No.2) L.P.			1.0	459
Southern Capital Fund IIB L.P.			3.4	82
Southern Capital Fund IV L.P.			1.2	6
Sprout Endurance Partners Cayman, L.P.			16.7	68
Strategic Investors Fund IX Cayman, L.P.			22.2	69
Sustainable Technologies Fund I KB ³	969734-9620	Stockholm	100.0	38
TDR Capital IV "A" L.P.			1.8	0
Triton Fund IV L.P.			1.3	243
Triton Fund V L.P.			1.2	66
VEEF I Co-Invest 1, L.P.			71.8	51
VEPF VI Co-Invest 1, L.P.			57.1	84
VEPF VI Co-Invest 2, L.P.			18.3	84
VFF III Co-Invest 1, L.P.			71.9	91
Vista Equity Partners Fund VI-A, L.P.			0.6	207
Vista Equity Partners Fund VII-A, L.P.			0.6	109
Vista Equity Partners Perennial A, L.P.			5.6	237
WPEF VII Feeder LP			2.8	82
Total cost				26,326
Change in value				5,486
TOTAL MARKET VALUE				31,812

1. Corporate identity number and registered office are not shown for foreign holdings.

2. The company is dormant.

3. The company is undergoing liquidation.

4. Refers to the share of equity in the investment.

Note 10 Other interest-bearing instruments

	2019	2018
Short-term interest-bearing securities	2	760
Loans to unlisted companies	266	349
Total	268	1,109

Note 11 Other current receivables

	2019	2018
Transactions not yet liquidated at year-end	48	11
Other	5	5
Total	53	16

Note 12 Prepaid expenses and accrued income

	2019	2018
Accrued interest income	-	3
Prepaid management fee	52	60
Other prepaid expenses and income	5	5
Total	57	68

Note 13 Liabilities to credit institutions

	2019	2018
Confirmed credit limit	1,500	1,500
Unutilized part	-1,500	-1,500
Utilized amount of credit	0	0

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

Confirmed credit limit within the framework of the group account structure amounts to SEK 1.5 billion.

Note 14 Accrued expenses

	2019	2018
Accrued management fee	108	51
Other	6	5
Total	114	56

Note 15 Other current liabilities

	2019	2018
Transactions not yet liquidated at year-end	90	101
Accounts payables	1	2
Other	2	2
Total	93	105

Note 16 Contingent liabilities and commitments

	2019	2018
Contingent liabilities	76	197
Commitments – capital committed, not yet paid out	17,917	16,872
Total	17,993	17,069

Note 17 Significant events after the financial year-end

There have not been any significant events outside the scope of regular operations subsequent to year-end.

Gothenburg, 20 February 2020

Catrina Ingelstam
Chairman of the Board

Urban Lindskog
Deputy Chairman of the Board

Åsa Knutsson
Board member

Alexander Ljungqvist
Board member

Karin Reuterskiöld
Board member

Katarina Staaf
Managing Director

Auditor's report

For the Sixth AP Fund, CIN 855104-0721

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts for the Sixth AP Fund for the year 2019. The annual accounts of the Sixth AP Fund are included on pages 31-49 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Sixth Swedish National Pension Fund Act (2000:193) and present fairly, in all material respects, the financial position of the Sixth AP Fund as of 31 December 2019 and its financial performance for the year in accordance with the Sixth Swedish National Pension Fund Act.

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

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

Basis for opinions

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

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

OUR AUDIT APPROACH

Focus and scope of the audit

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the fund, the accounting processes and controls and the industry in which the fund operates. The Sixth AP Fund invests directly and indirectly in unquoted equity instruments to obtain return on investment, primarily through increase in values. Our audit has focused on the investments in unquoted equity instruments and the matters relating to ensure a fair presentation of investments when they are acquired, at their disposal and during the holding period.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS

This document also contains other information than the annual accounts and is found on pages 1-30. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

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

Auditor's responsibility

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

throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists relate to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinions about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have audited the inventory of assets managed by the Sixth AP Fund. We have also examined whether there are any remarks against the Board of Directors' and the Managing Director's administration of the Sixth AP Fund for 2019.

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of The Sixth AP Fund in accordance

with the professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objective for the audit of the administration is to obtain audit evidence to assess, with a reasonable degree of assurance, whether there are any remarks regarding the Board of Directors' or the Managing Director's administration of the Sixth AP Fund for the year 2019.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

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

Stockholm, 21 February 2020

Magnus Svensson Henryson
Authorised Public Accountant
Appointed by the Swedish Government

Peter Nilsson
Authorised Public Accountant
Appointed by the Swedish Government

Definitions and Glossary

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

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

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

Compliance – Adherence to regulations.

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

Direct investment – With a direct investment, the investor obtains a holding in the form of shares in the unlisted company. This gives the investor direct ownership in the company.

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

ESG – Acronym for environmental, social and corporate governance.

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

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

Fund investment (unlisted assets) – The market for fund investments is comprised of a variety of different private equity firms with different focuses and profiles. A private equity firm that would like to establish a new fund and is seeking investors for that, thus engages in fundraising. The new fund will have a specific size as regards the total amount invested. Investors who have notified that they are interested (such as pension funds, insurance companies, etc.) are then allocated a share of the new fund. The investors make a commitment, which means that they commit to paying in a certain amount corresponding to their share of the fund. If there is much interest from potential investors, they may not be given the opportunity of investing the entire amount that they were willing to commit. It may also be the case that some investors are not given the opportunity to invest at all. That happens when the fund is oversubscribed and there simply aren't enough allotments for all of the investors wanting to participate. Once the shares in the new fund have been allocated, the fundraising stage is officially over. However, the amounts that the various investors have committed are not paid in a lump sum. Rather, payments from investors are made at the rate that the fund acquires companies. A typical fund has a lifespan of about 10 years. During

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

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

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

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

Governance – see corporate governance.

Sustainability Report – A report describing how a company, PE firm, pension funds and other investors work with economic, environmental and social issues.

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

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

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

IPEV – International Private Equity and Venture Capital Valuation Board.

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

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

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

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

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

Unlisted assets – These are primarily unlisted companies, which means companies that are not traded on a stock exchange.

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

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

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

Private Equity Fund – see Fund investment.

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

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

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

Secondary – This is when an investor wants to sell its share before the fund is closed. Typically, this requires a customized solution that brings together several interested investors. With a secondary transaction, a main player typically solves various problems for a number of investors, while simultaneously creating new opportunities.

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

SVCA – Swedish Private Equity & Venture Capital Association.

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

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

Core areas covered by the Code of Conduct are:

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

Committed capital – When an investor decides to invest in a fund, it is for a specific amount (which is the commitment made). That amount is later paid out in installments. It is paid at the rate that the fund invests in companies. See also Fund investments.

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

Fair value – Fair value is defined as the amount at which an asset could be transferred or a liability settled, between parties who are independent of each other but who both have an interest in ensuring that the transaction goes ahead. In normal circumstances this means that listed assets are valued at the purchase price (market value) and that the fair value of unlisted assets is estimated using generally accepted valuation models.

Visit our website for more information

More information about the organization, investing activities, holdings, sustainability, etc. is available on AP6's website. There are also reports and documents that can be downloaded.

www.ap6.se/en



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