



Annual Report
2021

Contents

Operations report

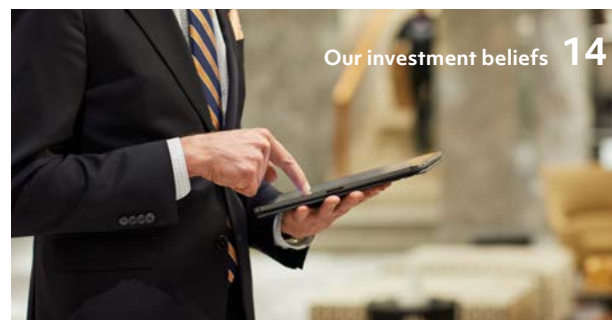
- The year in figures 2
- Comments from the CEO 4
- Our mandate 7
- The Swedish national pension system 8
- External trends 12
- Our investment beliefs 14
- Employees 26

Sustainability reporting

- ESG strategy and summary 30
- Integration into the investment process 32
- Exclusion in line with core values 33
- Investments that promote sustainable development 35
- Active and responsible ownership 36
- Collaborating and influencing with others 38
- Climate work

Director's report

- Ten-year overview 44
- Financial statements and notes 47
- The Board of Directors' Statement of Assurance 48
- Auditor's report 59
- Risks and risk management 60
- Fund governance report 62
- The Board of Directors' Report on Risk Management 65
- Board of Directors and Executive Management Team 69
- Contacts 71
- Contacts 73



Brief facts about Första AP-fonden (AP1)

Första AP-fonden's (AP1's) mandate is to manage part of the capital in the income pension system in an exemplary way, so as to deliver a long-term, high return cost-efficiently.

AP1 helps build pension security for us all, today and for the future. Good performance by the Fund helps create stability for generations.

We are a Swedish government authority that has investments all over the world.

We shall maximise long-term returns while ensuring balanced risk, efficiency and sustainability so as to achieve or exceed the Fund's return target. We promote sustainable development through responsible investments and engaged ownership.

The year in figures

Net investment income
for the year amounted to

SEK **80.7** bn

Total assets amounted to

SEK **465.8** bn

on 31 December 2021

The Fund's administrative
expenses totalled

SEK **0.3** bn

SEK **7.5** bn
was paid into the pension system in 2021.

Return after expenses for
the year amounted to

20.8%

The average real return
after expenses for the last
ten-year period was

9.0%



Celebrating 20 years of the AP Funds!

This year is 20 years since the Swedish National Pension Funds were created in their current form. In fact, it all started back in 1913 when Sweden was the first country in the world to adopt national pension laws for people over 67 years of age. The National Pension Fund was established in 1960, consisting of three fund boards tasked with investing in fixed-income securities. Two further fund boards were subsequently added, and in 2001 the first five fund boards were restructured into our current AP Funds with a new mandate and responsibilities within the new income pension system. The sixth fund board was restructured into the Sixth AP Fund and the Seventh AP Fund was formed and tasked with responsibilities within the premium pension system. At the end of 2020, the total assets of all the buffer funds amounted to **SEK 1,696** billion.

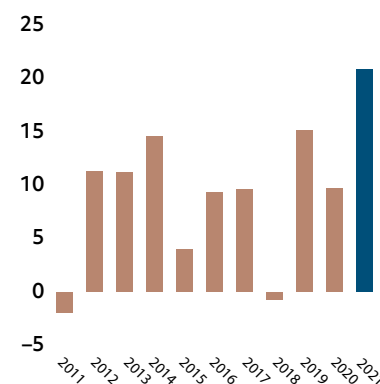
Significant events during the year

- **The asset portfolio performs very strongly during the year** and the return after expenses amounts to **20.8%**. This is the highest return in the history of AP1 since it was established in 2001.
- **Adoption of a new ESG strategy by the Board and continued reduction of the carbon footprint of the equity portfolio** during the year. Read more on page 42.
- **The CEO of the Fund, Kristin Magnusson Bernard, becomes a member of the ECB's Financial Stability Contact Group (FSCG).**
- **The Swedish National Audit Office publishes its audit of the sustainability work of the AP Funds.** According to the audit report, the AP Funds' sustainability work is appropriate to its mandate.
- **4 to 1 Investments is formed, a company co-owned by AP1, AP2, AP3 and AP4. It invests USD 400 million in Northvolt** through a new share issue providing Northvolt a total of USD 2.75 billion.
- As exemplary management becomes an integral part of the AP Funds' asset management strategies and goals, The AP Funds AP1–AP4 review **the mandate of the Council on Ethics.**

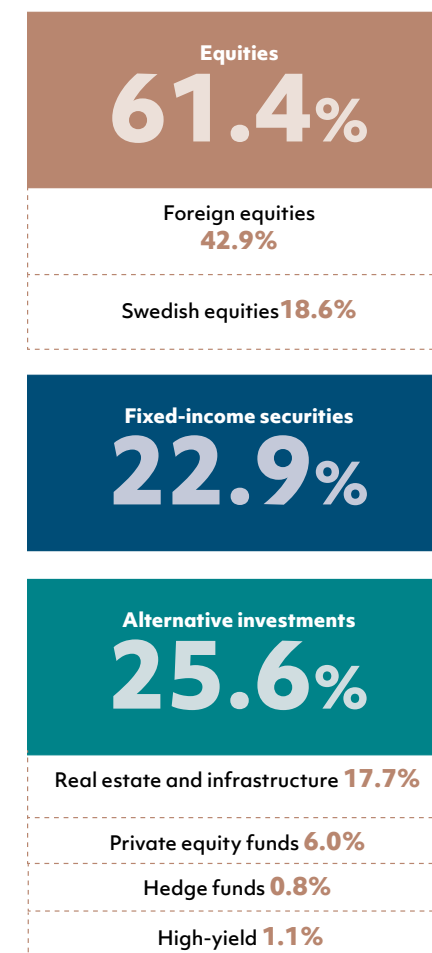
Key ratios

	2021	2020	2019	2018	2017
Return before expenses, %	20.8	9.8	15.3	-0.6	9.7
Expense ratio, %	0.07	0.08	0.12	0.14	0.14
Return after expenses, %	20.8	9.7	15.1	-0.7	9.6
Net investment income after expenses, SEK bn	80.7	34.8	48.6	-2.1	29.3
Net flow pension system, SEK bn	-7.5	-7.9	-6.5	-6.8	-7.4
Closing net assets, SEK bn	465.8	392.6	365.8	323.7	332.5
Share of external management, %	15.9	22.6	31.4	33.5	32.5

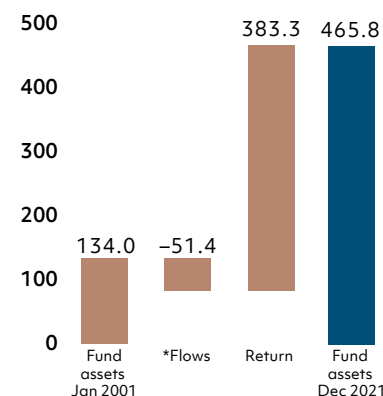
Return after expenses
2011–2021, %



Exposure



Net asset performance
2001–2021, SEK bn



* Incl. flows from liquidation funds/special investments in 2001–2008

See the ten-year overview on page 47 for a complete report on the Fund's exposure.

COMMENTS FROM THE CEO

Our strongest result ever

This year was characterised by strong economic recovery and an increased focus on the climate transition, along with a intense market activity with rapid shifts between a healthy risk appetite and inflation concern. Through active decision-making and well-utilised risk mandates AP1 achieved a return of 20.8 per cent, the highest in its 20-year history, and strengthened the Swedish income pension system by SEK 80.7 bn.

A record contribution to the income pension system with a strong ESG focus

AP1's mandate is to create high returns after expenses, through exemplary asset management. Net investment income for the year amounted to SEK 80.7 bn, or 20.8 per cent, which means the highest ever return in our 20-year history on the capital that is entrusted to AP1 by today's and tomorrow's Swedish pensioners. Assets under management amounted to SEK 466 bn as of 31 December 2021, and during the year AP1 transferred SEK 7.5 bn to the income pension system. We have once again exceeded our target of 3 per cent real return over rolling ten-year periods, with an average return of 9.0 per cent

over the past ten years. The majority of the return contribution has come from equities, real estate and private equity funds. Thanks to a strong focus on cost efficiency we have managed to reduce our expense ratio even further. Since 2017 we have decreased expenses by 34 per cent, leading to an expense ratio of 0.07 per cent in 2021.

Active decision-making and a long-term focus

2021 was an exciting year. The overall direction was upwards, with shorter interruptions when concern about the pandemic flared up. The ensuing movements in the equity market gained a lot of attention, while the equally dramatic evolution of the fixed-income

“ Short-term tactical decision-making enables us to take advantage of long-term opportunities. This requires a clear framework that generates confidence in our actions”.



market created fewer headlines. A long list of factors lay behind these movements, factors that have a significant impact on, for instance, inflation around the world, including bottlenecks in production chains, energy transitions, pent up consumption demand, and changed behaviours in the labour markets. It appeared that the central banks and market players alike agreed that it was difficult to interpret the turn of events, which led to high levels of market activity with rapid shifts between a healthy risk appetite and inflation concerns.

AP1's strategy was to allocate capital actively and act quickly to achieve desired exposures for the Fund as the market sentiment changed. Formulating strong views, daring to act on them, and constantly challenging them have been critical success factors for us during the last year, and will remain so going forward. I am proud of how our teams have constantly challenged each other and questioned strategies and exposures during the year, allowing for continuous adaptation of our risk-taking. This was made possible by our Board setting well-defined strategic frameworks and risk mandates, which enabled us to act confidently both in short-run and long-term decision-making.

Many good business ideas, both early-stage and listed

We welcome that several private equity players that are very experienced in assessing risks and opportunities are now also adding an ESG filter to their investments, which will be a driving force in the climate transition. AP1 initiated several such investment partnerships in 2021. Like the other buffer funds, since 2020 we have been able to join forces with other players to invest in private company opportunities at an early stage, a

longer time before their stock market listing. One example is the joint company, 4 to 1 Investments, that we formed with AP2, AP3 and AP4 this year, through which we invested USD 400 m in Northvolt.

In 2021 we noticed a record level of interest from companies seeking to do IPOs, in particular in Sweden, which accounted for a large portion of the stock exchange listings that took place in Europe. We evaluated many of these and participated in several listings, including that of Volvo Cars. We believe that both Northvolt and Volvo Cars are investments that promote green technology, and may have a positive effect on both the return on pension assets and the climate transition globally and locally. The climate transition also creates a force for change, for instance in infrastructure and commercial real estate companies. One such example that both Ellevio and Vasakronan are part of, is Stockholm Flex, a market-driven collaborative innovation initiative aimed at addressing short-term peaks in energy demand.. Another example is the development of digital solutions that minimise waste from the construction and renovation of real estate.

Influence and evaluation of AP1

We communicate our expectations of the companies in which we want to invest through a clear advocacy agenda and good owner governance, and as a responsible investor we can steer the companies in the right direction. During the year the Fund has participated in nominations committees, voted at AGMs and driven issues related to gender equality in boards and sustainable operations. We also participate in joint initiatives with other investors, such as our partnership with Transparency International whose objective

is to counteract corruption and regulatory non-compliance. We were also pleased that the Swedish National Audit Office's audit of the sustainability work of AP1–4 assessed it to be appropriate.

During the past 15 years, the AP Funds have collaborated through the Council on Ethics of the Swedish National Pension Funds to engage our global portfolio companies in dialogue aimed at improving their environmental, human rights and corporate governance efforts. As exemplary management becomes integrated within the AP Funds' asset management strategies and goals, we have decided, along with AP2–AP4, to review the mandate and strategy of the Council on Ethics. The goal was to further strengthen the AP Funds sustainability efforts, and maximise our ability to have an impact.

Sustainability throughout the transition

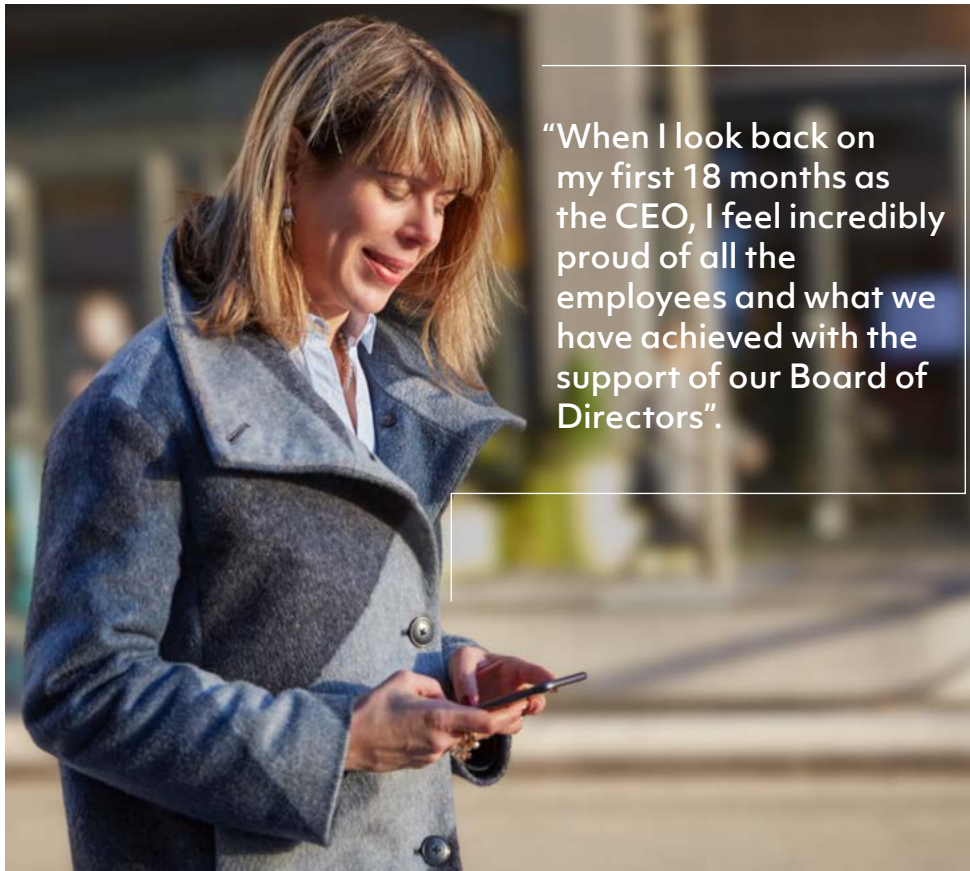
For a progressive investor, understanding how the climate transition will evolve in practice is increasingly important. Political decision-makers may use different tools to achieve the desired results, such as carbon dioxide pricing, limiting the production of fossil fuels and otherwise supporting green investments and new green technology.

Their choice of tools will affect growth and inflation, which will in turn have a decisive impact on the performance of different asset classes. It is not unlikely that such macroeconomic effects will have a greater impact on total portfolio than the differences between various sectors, or companies within the same sectors, that have often been the focus of ESG analyses so far.

Different countries are likely to use the tools to varying degrees on different occasions. The geopolitical dimensions of the



“Enhanced visibility into how the transition is intended to actually be delivered enables investors to contribute to market developments that in themselves are sustainable, profitable and preserve financial stability.”



“When I look back on my first 18 months as the CEO, I feel incredibly proud of all the employees and what we have achieved with the support of our Board of Directors”.

climate transition are gaining greater emphasis. AP1 is monitoring these matters closely so as to position itself correctly for different outcomes.

We strive to be transparent in how we invest to foster sustainable development, without detracting from returns. Our decision to disinvest from fossil fuel companies led to an extensive adjustment of all the Fund's investment strategies. Within certain fossil-fuel-heavy asset classes, such as high-yield bonds, we are proud that we have delivered an equivalent risk profile and return, despite having significantly fewer investment options.

During the year we took further steps towards our goal of a carbon-neutral portfolio by 2050 through the continued reduction of the carbon footprint of our listed equity portfolio, with an 11% decrease to 8.2 tCO₂e/SEK m (9.3).

It is increasingly obvious that the transition might affect various aspects of sustainability, such as climate change, environmental and social sustainability, in different ways. For us as investors as well as for others, it will therefore be important to make the right trade-offs and set priorities to ensure that, as far as possible, achieving one sustainability goal at the expense of another. Major flows of capital

need to be reallocated in a complex and dynamic market in which supporting information and benchmarks are less comprehensive than we are used to. We should not underestimate the risk of incorrect pricing and financial turbulence in this kind of environment. Enhanced visibility into how the transition is intended to actually be delivered, such as guidance from COP26 and the EU taxonomy, enables investors to contribute to market developments that in themselves are sustainable, profitable and preserve financial stability.

The team that creates the results

The key to creating a high, sustainable return cost-efficiently is in our working together towards a shared goal. This requires us to agree on where we are heading and to take advantage of all the knowledge and competence available in our organisation. This year, AP1 has worked with an extensive internal project aimed at increasing our understanding of the very essence of our mandate, and the tools we can use to best deliver on it. This has given rise to a new strategic framework that integrates operational development, the risk appetite in different areas, our investment strategy and ESG matters. The framework was adopted by the Board in December 2021.

Since autumn 2020 we have also worked under a new organisational structure that clarifies how results are created throughout the entire value chain, and strengthens the independence of the control functions.

When I look back on my first 18 months as the CEO of AP1, I feel incredibly proud of all our employees and what we have achieved with the support of our Board of Directors. I am happy to see how our working as a team, and helps us reach our full potential by collaborating across different areas of competence.

Looking forward during the time of transition

If 2021 was the year of recovery, we are now heading towards reductions in monetary and fiscal stimuli around the world. The economic cycle is maturing quickly and central banks have started to unwind their asset purchases in various ways ahead of future interest rate increases. When, and if so by how much inflation falls back will affect both how decision-makers react and risk appetite in financial markets. Geopolitical tensions and energy dependencies are likely to continue to influence markets and investors going forward. We will continue to act both upon unexpected events and long-term trends such as the climate transition and digitalisation in a way that creates value.

This last year has been all about the pandemic, which will probably remain with us during 2022. The ability of humanity to readjust and grow, even in the darkest of times, has continued to impress and gives hope that we can find sensible solutions during future crises too. I will personally take with me how AP1's employees and Board of Directors evolved our operations during occasionally challenging circumstances, with thoughtfulness, humour, open communication and a great sense of responsibility. We are well equipped to fulfil our mandate going forward, with even greater success!

Stockholm, February 2022

Kristin Magnusson Bernard
Kristin Magnusson Bernard
 CEO

Första AP-fonden's mandate

Manage pension capital in an exemplary way for current and future pensioners, so as to deliver long-term high returns.

What we do

On behalf of the Swedish Parliament we manage income pension assets of almost SEK 466 billion. Our target is a return of 3 per cent after expenses in real terms over rolling ten-year periods, and 4 per cent in real terms over 40 years. We invest sustainably and for the long term, and we are an engaged owner. Our exposure in the portfolio consists of equities, fixed-income securities and other alternative investments.

Equities

61.4%

(foreign 42.9% and Swedish 18.6%)

Fixed-income securities

22.9%

Alternative investments

25.6%

(Real estate and infrastructure 17.7%, Private equity funds 6.0%, Hedge funds 0.8%, and High-yield 1.1%)

Purpose

AP1's purpose is to build pension security for us all, today and for the future.

Promise

We promise to maximise long-term return while ensuring balanced risk, efficiency and sustainability.

How we work

- A well-considered investment strategy
- Efficient investment processes
- Independent risk control and compliance
- Competent and talented employees
- Active ownership
- Sustainability integrated into of our operations

6 Our six investment beliefs
read more on pages 15–25.

Our ESG strategy
read more on pages 29–43.

67 Talented and engaged employees

Value created in 2021

SEK **80.7** bn
net investment income 2021

Return after expenses
20.8%

SEK **7.5** bn
was paid into the pension system in 2021

The AP Funds' shared core values

Democracy

Serve the public good and maintain the public's trust.

Legality

Comply with rules and laws, and take into account the international conventions and international agreements backed by Sweden. Not have trade policy or economic policy objectives.

Objectivity

Handle conflicts of interest systematically and transparently. Promote a culture that is free from corruption.

Transparency

Characterised by openness, with objective information.

Respect

Everyone shall be treated with respect, both internally and in relations with the outside world.

Efficiency and good service

Operations shall be run cost-effectively. Service to the public is part of our mandate.

Foundation of the Swedish national pension system

Sweden's national pension system is designed to be stable and reliable. The Swedish National Pension Funds (AP Funds) play an important part in balancing and helping to ensure that all generations are treated equally.

Payments to and from the system

Every year 18.5 per cent of pensionable income, i.e. salary and other taxable remuneration up to 7.5 income base amounts, is paid into the national pension system. Sixteen per cent goes to the income pension and 2.5 per cent to the premium pension. Payments received into income pension are used to pay

out pension to people who are pensioners in that year. People who work have pension rights that are decided by the contributions they make. Pension rights are adjusted upwards annually by the average wage growth in accordance with the income index.

Incoming premium pension is invested in funds, either in the Seventh AP Fund (AP7) or with private fund companies.

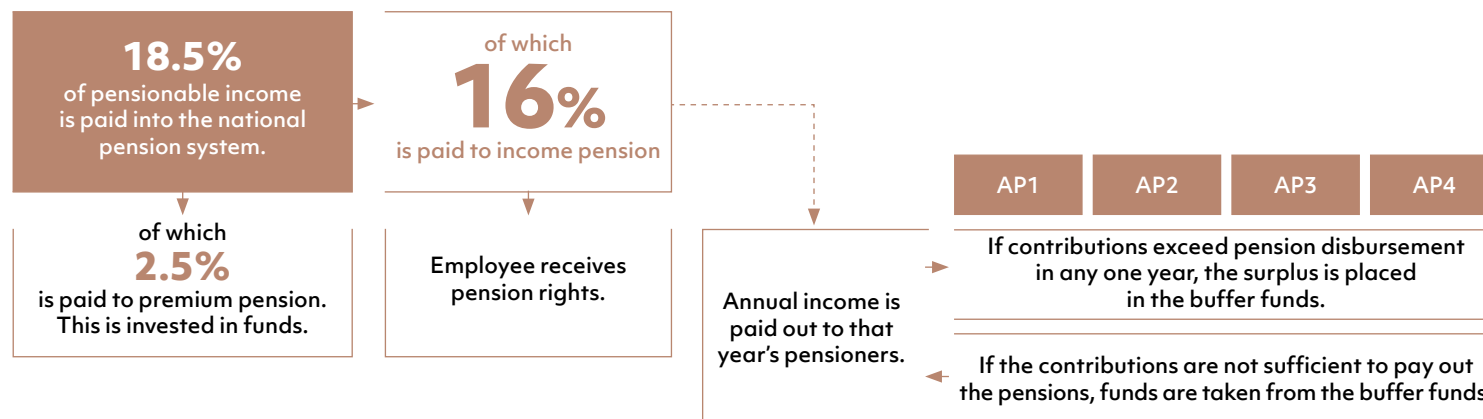
Capital in the buffer funds

If more income pension is received in a year than is needed for that year's pensioners, the surplus is transferred to the First, Second, Third and Fourth AP Funds, which act as the buffer funds of the pension system. If contributions are not sufficient to pay out pension disbursements in a year, the difference comes out of the capital of the buffer funds.

The purpose of the buffer funds AP1–4 is thus to make the pension system more stable and to bridge short-term imbalances over time, primarily due to the demographic composition of pensioners relative to the gainfully employed.

The large number of people born in the 1940s have now retired, which has created a deficit in the system since 2009. The AP Funds are therefore expected to make net disbursements to the pension system until approximately 2040. After that, the buffer funds are expected to once again achieve a net inflow.

The Swedish pension system



The AP Funds' asset management

AP1–4 jointly manage approximately 16 per cent of the assets in Sweden's national pension system. When the National Swedish Pension Funds were first started this figure was 10 per cent, but the share has grown at pace with the high return.

Alongside the other buffer funds, AP1 has to manage the income pension assets for current and future pensioners in an exemplary way, to reap the highest possible benefit so that a high return can be generated at a low risk.

A pension system in balance

If the pension system were to become seriously imbalanced financially, i.e. if total liabilities to pensioners exceeded the assets, including the buffer funds' assets, an automatic balancing mechanism is activated so that income is adjusted upwards more slowly. Assets comprise future pension contributions including the buffer funds' assets, and the liabilities are the value of earned pension rights. Until the system is once again in balance, income pension will be lower as it is not being adjusted upwards using the income index.

The buffer funds help create the right balance

The return on the assets of the four buffer funds means that automatic balancing has not been necessary for several years. The balancing mechanism was last activated in 2009 following the economic downturn in the wake of the global financial crisis.

Nowadays, as the assets of AP Funds 1–4 are so large the risk of such a balancing is very small.

Other pension

In addition to state pension, nine out of ten employees in Sweden have an occupational pension plan as a benefit from their employer. This plan is usually determined under collective agreements, but may also be agreed directly between employer and employee. According to the Swedish Pensions Agency, on average we receive 60–75 per cent of our salary as pension including occupational

pension, depending on the number of years in paid work.

Additional state support, known as the guarantee pension, is available for people who have been on low incomes and have no occupational pension. This is taken from the government budget. An income pension supplement was introduced in September 2021, which is also a form of state support for people who have worked but nonetheless have a small pension.

Increase in pension age

The Swedish Parliament has increased the minimum age for drawing a national pension from 61 to 62 years from 2020. Further, people now have the right to continue working until the age of 68, and until the age of 69 from 2023.

The Swedish Parliament has also introduced a so-called target age to link the age for the national pension, guarantee pension and housing supplement to the average life expectancy. The target age will be established annually and used six years later, and it can only be changed by one year at a time. The target age must also have remained constant for three years before it can be changed. In 2026, when the target age will start to be used, it is likely to be 67 years, which would make the minimum age for drawing a national pension 64 years.

The change in the pension age has major positive effects on the pension system's financial position.





How the AP Funds are governed

THE AP FUNDS ARE GOVERNMENT AUTHORITIES but by law they must be independent of the Swedish government. For example, the Funds must not be influenced by industrial or economic policies. The Fund's Board of Directors is wholly responsible for the operation of the Fund, and is appointed by the Swedish Government. The government evaluates the operations of the AP Funds annually, on behalf of the Swedish Parliament.

The AP Funds' operations are regulated through special legislation: the National Pension Insurance Funds Act (2000:192), the AP Funds Act. The law stipulates that the AP Funds must take a long-term approach and have a good foundation for executing its mandate. The law specifies a number of overarching objectives for the operation, such as:

1 HIGH RETURN –

The funds should be invested with a selected risk level so as to achieve a high return over the long term. There should be a low overall level of risk in the Funds' investments.

2 EXEMPLARY –

The funds are to be managed in an exemplary way through responsible investment and responsible ownership, and foster sustainable development without compromising the objective in point 1.

3 PREPARED –

The Fund should be sufficiently prepared to be able to transfer funds to the Swedish Pensions Agency as required.

Our investment rules under the AP Funds Act

New investment rules were introduced for the AP Funds in 2019 and 2020. For example, the AP Funds have a greater opportunity to invest more in different types of unlisted assets, which may lead to further diversification of the portfolio.

INVESTMENT RULES

Investments may be made in essentially all instruments on the capital market, with the exception of commodities.

The First to Fourth AP Funds should mainly acquire or own liquid assets. The term 'liquid assets' refers to money market instruments or transferable securities that are, or are intended within one year of issue to be, subject to trading in an execution venue or an equivalent marketplace outside the European Economic Area (EEA), etc.

No less than
20%
of the Fund's assets shall be invested in fixed-income securities with low credit and liquidity risk.

No more than
40%
of the Fund's assets may be exposed to foreign exchange risk.

No more than
10%
of the Fund's assets may be exposed to one issuer or group of connected issuers.

Equities in listed Swedish companies may equate to up to
2%
of the total market value.

No more than
10%
ownership in any single listed company.

No more than
40%
may be invested in illiquid assets.

Since 2020, the AP Funds have been allowed make indirect investments in bonds and receivables not issued for public trading, grant loans to real estate companies and unlisted private equity firms owned by the Funds, and retain a holding of more than 10 per cent of the votes upon the listing of a real

estate company or private equity firm in which an AP Fund owns equities or participations prior to listing. The restriction on voting share is 35 per cent for equities or other participations in private equity firms.

AP1's return targets

The AP1 Board of Directors establishes the return target and decides the level of financial risk the Fund should take. The Board also specifies on a general level how much capital should be invested in equities and fixed-income securities respectively. It also establishes the divergences from the targets and the asset classes that are permitted.

The Fund's medium-term target for the real return after expenses on the total portfolio is 3.0 per cent a year, measured over rolling ten-year periods. The long-term return target for 40 years is 4 per cent average real annual return after expenses.

The return should be at least
4.0%
in real terms after expenses,
measured over 40 years.

3.0%
in real terms after expenses,
measured over rolling
10-year periods.



The portfolio management view of external trends

Various external factors affect the return on the Fund's assets, the principal ones being growth and interest rates. The pandemic has fundamentally changed the economic landscape. The 2010s were characterised primarily by moderate growth, modest inflation at below the central banks' target levels, and a low-profile fiscal policy. The 2020s commenced with the complete opposite circumstances, after the initial phase of the pandemic; there is high growth and it looks like this will continue during the coming years, inflation is about to come out of hibernation and fiscal policy is moving towards centre stage in economic developments.

Last year's great conditions for high-risk assets have been tempered in line with the increase during the year. However, over the longer term, the current investment boom may lead to higher productivity and thereby a general improvement in the return on capital.

Magnus Lomakka, Macro-economics strategist

1

Extensive and untested monetary policy measures

The massive stimulus measures taken by central banks at record speed during the outbreak of the pandemic remained throughout 2021 for the most part, despite good growth. The shift to a monetary policy paradigm with central banks announcing that they intend to accept an above-target inflation rate to compensate for the lower previous inflation rate, will mean that tighter measures will come later than would normally be the case. Nonetheless, it is important to keep in mind that not all central banks are alike, and patience for an above-target inflation rate will vary, which may mean that the fiscal policies adopted in the next few years may substantially diverge between countries and regions.

3

Fiscal policy strengthened by monetary policy

Over and above the exceptional monetary policy, fiscal policy incentives have in many cases been bigger than we've seen for a very long time. Major deficits have been eased by low interest rates and central bank asset purchases.

4

The amazing capacity of humanity

Humanity's amazing capacity to adapt meant that the economic recovery from the pandemic slide happened at record speed. The roll-out of a Covid vaccine less than a year after the outbreak of the pandemic, along with remote working being extensively enabled by technology, seems to mean that the dent in the growth curve will be seen as marginal by future generations.

2

Inflation moves towards centre stage

As the economy is firing on all cylinders, there is a major risk that consumer price inflation will be higher than the central banks can accept, which would mean they need to actively slow down demand through noticeably higher interest rates. Inflation is currently higher than it has been for a long time, but it can be expected to fall once the reopening of economies has an impact and bottleneck issues start to abate. 2022 will be crucial to this though, as inflation needs to return to closer to the central banks' goals in order to avoid a heavy wave of tighter measures.



This has had a very positive impact on demand in the short term. At the same time, new questions

have arisen regarding how the changed roles of politicians and central banks affect investors' risk taking.



5

Households have never been richer

The economic situation for households has possibly never been as favourable as it is now. House prices, that were already high, shot up around the world, there has been a bullish equity market, and household incomes have been maintained throughout the lock-downs of the pandemic thanks to transfers from the state and very low real interest rates. Additionally, household savings are clearly high, with plenty of room for reductions in the next few years. All this points to very strong household demand going forward.

6

The Chinese real estate market

The Chinese real estate market could present a potential pitfall for global macroeconomic growth. The excesses have been known for a long time, but it is unclear whether the problems represent a risk or whether the bank system might trip up the global economy in the long run. Chinese government authorities appear to be working hard to dismantle the problems in an organised fashion, but developments should be carefully monitored.

8

Massive company investments and an oncoming boom in productivity

The pandemic opened the world's eyes to the risks of today's (yesterday's) supply chains and companies are investing significantly to reduce these risks. Furthermore, the rate of investment in digitalisation/robotisation/new technologies/green transformation has increased substantially. It is not impossible that we are about to enter the new "roaring 20s" a time when the fruits of today's investment boom can be harvested.

At the same time, the need for investment to enable the transition from a fossil-fuel-dependent economy is still significant, both for the public and private sectors. Just how this transition will take place remains uncertain, even though the COP26 indicated greater decisiveness around delivering on the Paris Agreement.

7



Higher energy prices further complicate the inflation picture

The necessary transition from fossil fuels risks raising consumer prices more permanently, which may become a problem for the central banks if it impacts the long-term inflation expectations. Furthermore, escalation in the energy crisis may give rise to greater friction, resulting in a reduced risk appetite.





Our investment beliefs

Investment beliefs guide the way

AP1's investment beliefs set out frameworks for how the portfolio should be composed. The beliefs are applied both in assessing new investments and in evaluating existing ones.



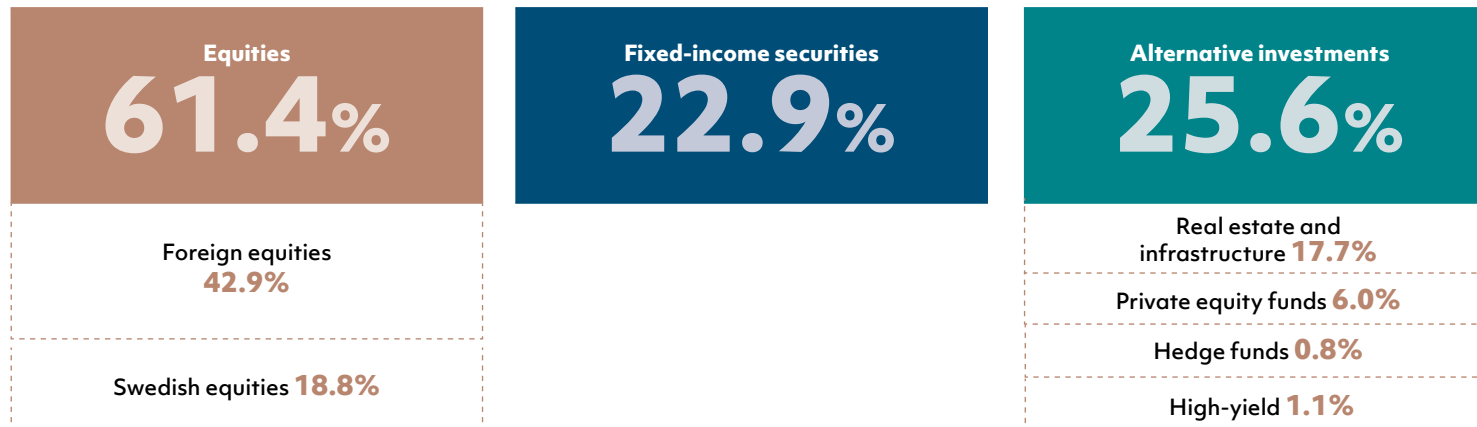
INVESTMENT BELIEF

Diversification

We invest worldwide and in many different types of asset.

The aim is to spread the risks while also creating several options for generating returns.

Exposure



WE INVEST IN SEVERAL classes of assets globally, consisting of equities and fixed-income securities along with alternative investments such as real estate, infrastructure and private equity funds. Various investment aspects and market risks are weighed against each other, based on the investment rules set out in the AP Funds Act and the overall allocation decided by the Board.

The asset classes are affected in varying ways by changes in the market and the wider world. We aim to take market risks to achieve

our return target and spread risk through diversification. The liquidity of the different asset classes – i.e. the ability to sell them quickly to take advantage of new investment opportunities or make disbursements into the pension system – varies.

Our asset managers strive to achieve a better result than would otherwise be possible by simply following the Board's general investment allocation between different asset classes. In our day-to-day asset management we work with a wide range of asset

classes of different character, on different markets, and with varying time horizons.

The Fund uses derivatives to make management more efficient and to manage risks. A derivative position can affect the Fund's exposure and lead to the exposure to an asset class differing from the contributed capital.

Equities entail taking risk

During the year, the proportion of equities has increased. Investing in equities entails a risk, but it also enables high returns. The

Fund's equities portfolio includes a selection of companies in Sweden and developed foreign markets, primarily the US and Europe, but also some in Asia. We also invest in equities in emerging markets. We mainly take a long-term perspective on equities. All Swedish equities and the majority of those in Europe and the US are managed internally.

Equities in emerging markets are managed in collaboration with selected external business partners.

Bonds reduce the risk

Fixed-income securities lower the risk in the total portfolio, while usually contributing to the Fund's return. After a decline spanning almost three decades, we think that global market rates have reached the end of the road, which is why the future outlook for significant return contributions from fixed-income instruments to the total portfolio looks limited.

The foundation of the Fund's fixed-income securities is nominal and real government bonds, with a high credit rating and high liquidity, supplemented by mortgage bonds and corporate bonds with a limited risk level. The vast majority of the holdings are foreign. Apart from balancing the risk in the total portfolio, the fixed-income portfolio is a key component of the Fund's liquidity management as these bonds can, relative to other assets, readily be converted into means of payment. The proportion of fixed-income securities in the Fund has decreased during the year as a result of the Board adopting a larger risk appetite.

Alternatives to equities and fixed income

Apart from equities and fixed-income assets, the Fund also spreads its assets across alternative investments. Alternative investments encompass real estate, infrastructure, private equity and foreign exchange.

Real estate and infrastructure

Real estate and infrastructure often provide good protection against inflation in the longer term. We make direct investments in Sweden and invest via private companies and funds abroad. Our long-term approach means that these investments are a good fit for AP1. Our equity portfolio also includes listed real estate equity.

Private equity

AP1 invests globally in private equity funds and, as a rule, the investments are carried out together with other major investors. Managers of private equity funds invest in unlisted companies, where they serve as active owners with a clear strategic agenda for the company's development.

Investments in private equity funds as an asset class require a long-term approach because most portfolio company strategies take at least five to seven years to materialise. Sustainability has become more a more important component of our investment strategy, and it is given greater weighting than before in investment assessments. This means that we have gone further than most other investors in private equity when it comes to sustainability.

Foreign exchange

We also diversify the asset portfolio by not hedging all investments in foreign securities.

A complete list of AP1's listed and unlisted shareholdings at year-end is available on our website, www.ap1.se.



Mikael Angberg, CIO

2021 from a total portfolio perspective

2021 has been a fantastic year from the point of view of returns and if one takes a step back to look at the development of the portfolio's return during the year, it looks fairly simplistic: with the exception of some market adjustments in August, September and December the return has made its way steadily upwards.

Behind that high-level view though, reality looks quite different. Tension has grown, and the markets have become more and more nervous as the initial recovery after the corona pandemic has passed into a more mid-cycle phase. The speed of shifts between the different phases of the economic cycle has been the subject of much debate.

The allocation group, which is responsible for the Fund's dynamic allocation process and decides what the Fund's overall market exposure should be at any given time, has met frequently through many changes in the portfolio and managed to keep its cool: the group has stuck by its underlying belief in high exposure to financial risk, primarily in equities, throughout most of the year, which has paid off.

Our work methods and supporting analyses have also been refined during the year, with a major focus on risk budgeting and liquidity. These continuous improvement efforts mean that we are confident about next year. It will most likely contain a great deal of interesting market movements and other headaches, but the dynamic allocation process that we have developed and refined over several years will steady us against these challenges too.

Mikael Angberg, Chief Investment Officer

INVESTMENT BELIEF

Risk premiums

Risk-taking on the financial markets is assumed to yield a positive return over time.

ONE OF OUR CORE investment beliefs is that risk-taking on the financial markets is assumed to yield a positive return over time. The reason for this is that financial market players, that can largely be considered as being rational over a longer time, require compensation for taking financial risks, ie. the risk of a loss in value. As an investor, compensation comes in the form of financial risk premiums.

A risk premium is the extra return, over and above the risk-free interest, that is retained by the investor who takes a market risk in some form of asset class. The Fund has to take market risks to achieve a return. In each situation we choose what we consider to be the most effective and attractively priced risk premiums in order to achieve our objectives. AP1's potential to benefit from risk premiums is closely linked to our long-term approach. There is no guarantee that the Fund will be paid for its exposure to risk premiums every year, but over time the Fund expects to achieve a good return on average.

The equities market has the largest financial risk

The largest financial risk to which the Fund is exposed is that of the equities market. Accordingly, the equities premium is the most significant risk premium in terms of expected compensation. Through our increasing systematic asset management in developed foreign equities markets we can identify

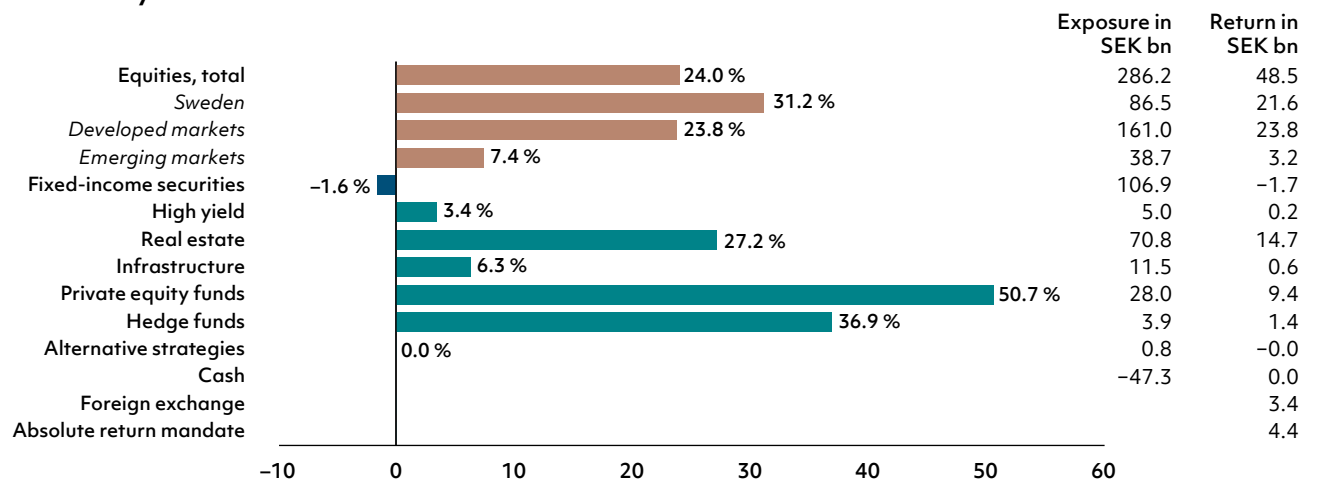
and take advantage of equity risk premiums in different equities markets around the world, and do so cost-efficiently.

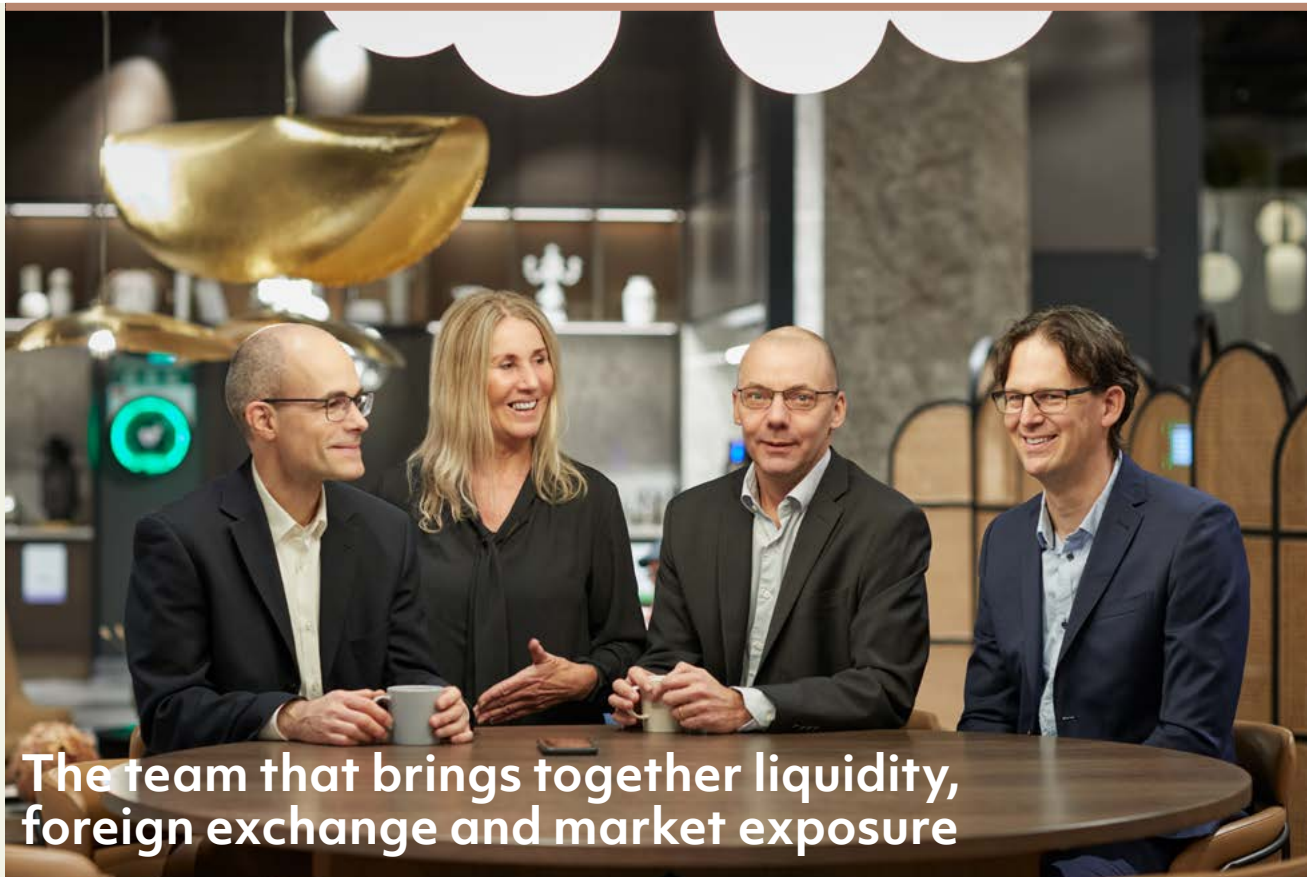
2021 – a good year for equities

AP1 entered 2021 with a positive view of market risk (read more on about our view of external trends on pages 12–13). Despite a great deal of turbulence due to the Corona pan-

dem, this year indeed became a very good year for AP1 as we were able to significantly increase our exposure to the equities market at the same time as the equities market went up substantially. The return after expenses for the year was 20.8 per cent, and for the last ten-year period the average real return is 9.0 per cent, compared to our return target of 3.0 per cent.

Return by asset class in 2021





The team that brings together liquidity, foreign exchange and market exposure

JUAN SUAREZ, CARIN MÅNSSON, PER NIRING AND FREDRIK STARENIUS FORM AP1'S EXPOSURE UNIT, which executes the Fund's investment decisions, amongst other things. The Allocation group, which is made up of a number of different managers and specialists from the Fund, make the decisions that the Exposure unit then implements, at the right time. This may sound simple, but when some SEK 466 bn is involved this is an incredibly big responsibility and everything has to be done right.

The Exposure group is also responsible for the internal foreign portfolio management, and for keeping the proportion of foreign exchange (Swedish crowns) within the rules of the AP Funds Act and having the correct currencies for disbursements, but also for

active positioning to generate more returns. Their role is also to ensure that good liquidity is maintained, both for doing reallocations and to be able to meet the payment commitments that arise every day. That means anything from the derivative positions to paying capital to the pension system every month. To succeed in this, the right tool has to be chosen between derivatives or underlying assets, at any one time.

Everything has to add up at the end of the day

"AP1 has to have a long-term approach, and naturally so do we, but our focus and responsibility is making sure that everything balances, every day. Things often happen quickly and we have to ensure that everything adds up at the end of the day, which flows

we need, what we are meant to have sold or bought during the day, which liquid funds are needed and in which currency", says portfolio manager Per Niring.

"All internal trading goes via us and when, for instance, we are given a mandate to sell certain equities it's about finding the right buyer at the right time. We naturally have to take rapidly changing external factors into consideration. Both share prices and foreign exchanges shift and we want to create the best return possible on each occasion", says Fredrik Starenius, equities and derivatives dealer.

Thorough planning even if the market can change quickly

"Being thorough and having the ability to keep your eye on several matters at once is essential in our group. Furthermore, good system support is absolutely critical. We process extremely large sums of money every day and nothing can go wrong. One develops a fairly large need for control so we plan each day meticulously, even though we know that it can all change on the markets in the blink of an eye. Every day is different, which is what makes the job so incredibly enjoyable and interesting. We are long-term investors, but to succeed in that we must have good control over the short term and manage the portfolio across the short and long term", says Carina Månsson, Head of the Exposure group.

"As we work very tightly with each other with a short planning horizon, we were a little stressed when the pandemic and working from home became the norm, but it has gone very well. Everybody in the group has plenty of experience and we quickly found the best ways to collaborate digitally", says Juan Suarez, portfolio manager.

INVESTMENT BELIEF

Long-term approach

Taking a long-term approach creates opportunities for taking risks. This in turn creates returns, since the risks can be expected to be balanced over time.



The Fund's long-term investment approach gives AP1 an edge over other investors. It opens up options and enables us to take a long-term approach to our investments. Even though the focus is long term, this does not mean that the Fund foregoes tactically interesting investments in the short term.

Stable strategies open up opportunities

Our long-term approach means that unlike many other investors, we can ride out short-term volatility. In turn, this means we can have a higher risk tolerance. A higher level of risk gives us more opportunities for a higher return.

Investments in real estate

Our long-term perspective enables us to capitalise on competitive advantages and invest in assets that are not liquid, for example. A significant proportion of our illiquid holdings comprise investments in real estate, which are long term in nature.

The largest real estate holdings are Vasakronan, Wilhelm and Cityhold. In addition to these three holdings, which make up the majority of the real estate portfolio, we have a number of smaller real estate investments in Sweden, the rest of Europe and Asia. Over time the Fund's investments in real estate have generated a good return, partly through continuous rental income and partly through an increase in the value of real estate, which has meant our real estate holding has gradually grown.

Investments in infrastructure

The least liquid assets include infrastructure, in which ownership is generally very long term. Infrastructure is often publicly regulated and a natural monopoly, which can provide stable, predictable cash flows. In the long term, income follows growth in society. The idea behind investments in infrastructure is not only to earn a high return in relation to risk, but also to contribute to sustainable value creation.

AP1, together with AP3 and AP4, owns the company Polhem Infra, which invests in and manages unlisted infrastructure assets, primarily in Sweden. These assets can include renewable energy production, energy storage, energy distribution and digital infrastructure.

We also own 12.5% of the power company Ellevio AB, which owns, runs and develops regional and local power grids and distributes electricity to over 960,000 customers in Sweden via a 77,500-kilometre power grid. Most of the power grid is in rural areas but the majority of the customers are in Stockholm.

Long-term and sustainable real estate investments

The return on AP1's investments in real estate during the year totalled 27.2 per cent (9.2 per cent). In addition to the directly owned companies below, the asset portfolio was supplemented with fund investments in Asia and Europe. We stipulate that all holdings in our real estate portfolio must report in accordance with GRESB (Global Real Estate Sustainability Benchmark) and steadily improve their GRESB score.



CITYHOLD OFFICE PARTNERSHIP (VIA CHAPONE S.Å.R.L)

Holding: 25 per cent

Cityhold's real estate portfolio is valued at approximately EUR 3.1 billion, and consists of high-quality office real estate in excellent locations in London, Paris, Munich, Amsterdam and Hamburg. Nuveen Real Estate manages the company.



VASAKRONAN

Holding: 25 per cent

Vasakronan is one of Sweden's largest real estate companies with 170 commercial properties. Vasakronan owns and manages office and retail real estate with central locations in Stockholm, Gothenburg, Malmö and Uppsala. The market value of the real estate is SEK 173 billion. Vasakronan is highly ambitious regarding sustainability and is one of the world's highest ranking real estate companies for sustainability.



WILLHEM

Holding: 100 per cent

Willhem owns rental real estate in growth areas across Sweden. In total, it has around 27,000 apartments in Borås, Eskilstuna, Gothenburg, Halmstad, Helsingborg, Jönköping, Karlstad, Linköping, Malmö, Skövde, Stockholm, Trollhättan and Västerås.



Willhem celebrates 10 years of success

Willhem, AP1's first wholly-owned company, is celebrating ten years as a housing company. The company's goal is to continue expanding from its almost 27,000 apartments in 13 towns across Sweden.

"We are very focused on superb customer service and a safe living environment. Developing and improving ourselves is part of our culture. Once all the company parameters come together, I see no limits to our future progress."

Mikael Granath, CEO

INVESTMENT BELIEF

Inefficient markets

An information edge and meticulous analysis provide opportunities for higher returns on less analysed markets.

IF A MARKET were completely efficient, all the available information via the collective analysis of all investors would be rationally reflected in the correct price of an asset. This is based on the assumption that all investors are logical and have all the information. The finance market does not always work in this way, even though the majority of it is well analysed. Through active asset management on well-selected, less analysed markets, AP1 can gain an analytical edge. We also reallocate between asset classes if we think that assets have been incorrectly priced.

Swedish companies

We potentially have an analytical edge over foreign investors when it comes to Swedish companies. This is one of the reasons why we have invested more heavily in Sweden than

required of the AP Funds Act, even though Swedish equity trading represents such a small share of global trading. Another reason is the lower foreign exchange risk.

Small caps

There are also better opportunities to identify gems among small caps. In the past year, we have increased our exposure to small caps in Sweden, Europe and globally. These investments take place internally and externally via active mandates. Our aim is to increase the proportion of small caps over the long term. Through the derivatives capacity we have built up, which streamlines active management, for example in small caps, we are also able to take positions that would not otherwise be possible.



Long-term scenario analyses and many criteria ensure the right choice of equity investments

Mats Larsson, Head of Equities and Anette Dahlberg, portfolio manager are part of AP1's Equities group. The group manages the Fund's Swedish equity holdings, which amounted to SEK 87 billion at year-end. The portfolios include small caps and large companies.

Choosing a company

"We use several criteria when choosing companies: a strong position in a profitable, growing market, barriers to entry for competitors, sustainability and a stable and high return on capital. We also prefer capital-light business models, a CEO that can lead the business and allocate the investors' capital and more, but you always have to make compromises. It's easier to find these types of companies amongst Swedish small caps or in other Nordic countries, where there is more to choose from than amongst larger Swedish companies, which are progressive but relatively few in number", says Mats Larsson.

Changing business models

"We try to assess the future through our equity analysis and identify some sort of potential that hasn't been priced by the market. If a business model is undergoing change it simply makes the analysis a bit harder. We perform long-term scenario analyses in which we vary the factors we believe to be

most important for the future, and generate different share values, which we then compare with the price. The best thing is when there is attractive asymmetry.

Short and long term

"Our individual investments have different time horizons, for a valuation case it's a couple of years, while we like to own high-quality growth companies for as long as possible. But everything depends on the price and if the share price reflects the future we expect sooner, then we might to choose to sell. We can gain from a long-term approach in different ways. Either by, managing to retain a constantly high shareholding in spite of major swings, by daring to buy more attractive equities during a stock market crash, or by tying up capital in illiquid equities. These methods often work against each other though, so you have to choose", explains Mats.

Discussions with the companies

"We try to meet the Executive Management of the companies every quarter, and the Fund is on a number of nominations committees. We also meet with the ESG managers. As an owner we can also support the growth of the company through new share issue capital, and we also want to be a good sounding board", concludes Anette.

INVESTMENT BELIEF

Cost efficiency

AP1 should act on a commercial basis and have low costs in relation to the income it makes. Our focus on cost is an integrated approach that permeates all of the Fund's activities.

RESPONSIBLE MANAGEMENT calls for high cost efficiency and stable costs over time, which is why cost efficiency is a natural part of our mandate. Cost efficiency does not necessarily need to mean the lowest costs, but the costs must be appropriate in relation to expected activities and results.

Administrative expenses in 2021

We have an efficient cost structure and the Fund's expense ratio (operating expenses and commission expenses) has fallen from 0.12 per cent to 0.07 per cent in the period 2019–2021. In 2021, the Fund continued to decrease its costs and the Fund's administrative expenses totalled SEK 293 million (302), equalling 0.07 per cent (0.08) of assets under management. The administrative expenses comprise operating expenses and commission expenses. Operating expenses are primarily personnel, IT and premises costs. Commission expenses mainly comprise fees for external managers and custodian fees at banks.

During the year we have continued to work with our asset management model and the related expenses. We have also updated our cost management framework, in order to create clarity in cost management.

Working with the other AP Funds

Cost efficiency is also achieved by the AP Funds collaborating in areas outside of investment, such as procurement, new technology and conducting stakeholder dialogue. Collaboration between the Funds leads to resource efficiencies and enables experience and knowledge-sharing.

International comparison

AP1 monitors its costs in a number of different ways to ensure good cost control. The Fund is transparent with its costs through different reports and other forms of communication.

Since 2014, cost efficiency has been measured annually by the market-leading Canadian company CEM Benchmarking. All the measure-



"FOR AP1, COST EFFICIENCY means constantly striving to get the maximum exchange for our costs, without detracting from quality. We always try to challenge our existing cost structure and review our processes. How we do our activities and not simply what we do is highly relevant in this.

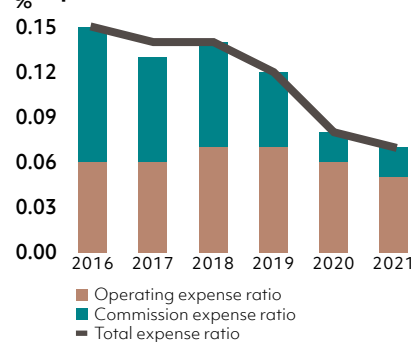
The road to cost-efficient operations is mostly a matter of the right mindset and governance, i.e., cost awareness in everything we do lays the foundation for achieving sustainable cost development, and thereby cost-effective operations. We constantly challenge each other and our partners.

We have achieved a good basic level for the Fund's costs and over the long term it will be important to maintain healthy cost management. We are currently working with a number of activities to expand and further improve our analytical abilities. We hope that these will provide greater insight into the different areas of our operations. Given that cost efficiency requires ongoing efforts, we are continuing with our overhaul of the areas we have already identified."

Henrik Dubois

CFO and Head of Business Support and Development

Development of administrative expenses 2016–2021



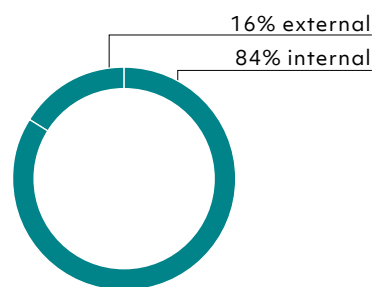
ments have shown that AP1 is cost efficient by international comparison. Comparison is made against 19 asset managers with a similar distribution of assets. The aim is to consider differences that may be attributable to different asset classes having different levels of cost demand.

Internal versus external management

Where possible, we aim to manage assets internally, partly because this has a positive impact on costs. On 31 December 2021, we managed 84.1 per cent (77.4) of our assets internally. Internal asset management also increases the control we have over our investments and makes us more flexible. Increased internal asset management often entails a slight increase in operating expenses, but this is offset by lower commission expenses.

Sometimes external asset management is more efficient, such as on emerging markets. Then we focus on competitive fees for a

Internal and external management



chosen asset management strategy, investment style, quality, analytical methodology, sustainability and historical return.

Increased systematic portfolio management

During the past two years, we have gradually increased the proportion of systematic, quantitative rule-based investments, while reducing the proportion of active fundamental asset management. Systematic asset management, which is scalable and cost effective, is generated by the models we create based on our strategies.

We have also increased our internal derivatives capacity. For example, we have developed procedures for CDS (Credit default swap), which is a cost-effective and flexible way to create exposure that is good in terms of liquidity.

Helen Idenstedt, Head of External partnerships & Innovation, Patrik Nyman Head of Asset allocation & Quantitative analysis and Patrik Lundborg, System administrator



INVESTMENT BELIEF

Sustainable value creation

Focus on sustainable value creation makes it possible to increase returns and reduce the financial risk in the long term.

AP1 is convinced that we are best placed to deliver the Fund's long-term return target by considering sustainability aspects in our investment decisions. A broader perspective gives us greater knowledge about our investment objects, and puts us in a better position to generate returns at a well-balanced level of risk.

Different aspects of sustainability vary in importance

The aspects of sustainability that are most relevant to different investments vary in their importance. The markets are not always efficient when it comes to ESG information, and the pricing of different aspects of sustainability varies, in terms of scope and over time. Our asset management is therefore guided by the fact that we are looking for investments that contribute to long-term sustainable value creation.

Focus on resource efficiency

We believe that over time, investing in resource-efficient businesses will better position us to succeed in our mandate to

deliver a long-term, high return. We define resource-efficient businesses as those that are efficient and responsible in their use of natural resources, human capital and financial capital, across their entire value chains.

We should set clear expectations

One of the prerequisites to sustainable value creation is that the businesses in which we invest act responsibly. That is why we expect the companies to respect human rights and other areas covered by the international conventions and international agreements backed by Sweden. Setting clear expectations of the businesses in which we invest is an important component of AP1's sustainability work.

By being engaged, responsible owners, we encourage the companies in which we invest to take responsibility, understand how different aspects of sustainability affect their business model, and actively manage relevant risks and opportunities to engender greater sustainability.



“When we work to enhance the ESG aspects of our investments we promote sustainable development and good risk management, in accordance with our mandate.”

Magdalena Håkansson,
Head of Sustainable Value Creation, AP1

Employees

Our employees are our most important resource and the focus of everything we do. Working at AP1 means being a positive force in the community through our important social mandate that engages our employees. The Fund is a relatively small, knowledge-intensive organisation in which each employee plays a key role. This is why it is extremely important that we can attract, retain and further develop our employees. We want to create an encouraging, inclusive environment with equal opportunities for everyone. A place where employees feel pride, motivation and joy, and are given scope to take responsibility and develop. Collaboration and cooperation are crucial to enabling us to achieve our goals.

The Fund's purpose is to build pension security for us all, today and for the future, and this is the foundation for everything we do. Our core values, which are forward-thinking, open, responsible and considerate lay the foundation for how we work and our culture, and guide our behaviour. Together they act as motivation and inspiration for employees, managers and the organisation as a whole.

New employee value proposition, new core values and new work practices

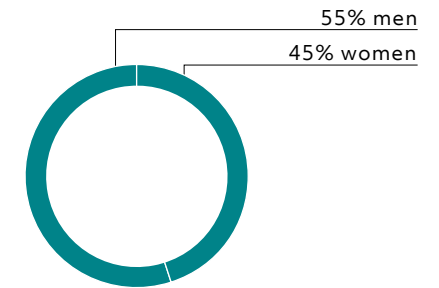
To keep up with the complex, constantly changing world we live in, the Fund reviewed its fundamental building blocks this year – our core values, purpose, promise to the external world and employee value proposition. They are of great significance to our being able to

deliver on our mandate. Our core values are at the heart of our identity and provide the basis for our corporate culture. The new building blocks are the foundation for the Fund's strategy and should clarify our mandate and how we are to fulfil it, and help support our role as an attractive employer. It is important that the Fund is trusted by society, and one way of helping to achieve this is to have proud employees and create ambassadors, both internally and externally. The Covid-19 pandemic has further accelerated the speed of change in our working practices. As many people have worked from home, managers have quickly adapted their leadership and found new ways to work and lead effectively remotely through digital tools, but with continuous personal contact.

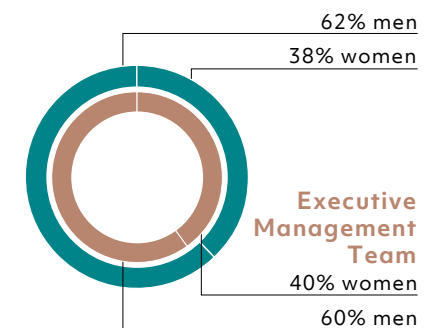
Diversity for innovation and growth

Inclusion and diversity are essential for driving innovation and growth at AP1. We believe that diversity helps to create an attractive workplace, provides valuable perspectives and increases creativity, as well as supporting sound risk management and good decision-making. The level of education among AP1's employees is generally high. Many have various qualifications in economics, or a background in mathematics/engineering or IT. The diversity perspective permeates our recruitment processes and we work proactively to achieve an equal gender distribution, partly by setting targets via key ratios.

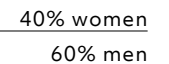
Gender distribution



Board of Directors



Executive Management Team



Personal development and great responsibility

Many of our employees find it stimulating that each of them are given great responsibility and that strict demands are placed on our operation. We work with some of the world's leading investors and in some areas, such as sustainability, we are at the forefront globally. Every employee's competence is essential to our operation and each individual is given great responsibilities through which they develop and grow. We are a team that cooperates to take advantage of our differences and utilize everybody's competences. Our social mandate requires us to have a long-term approach and a large global portfolio which everybody can influence. We are eager



for our employees to enjoy working at AP1 and feel proud to do so.

We give all our employees an opportunity to increase their knowledge of various subjects through so-called teach-ins, lectures from external partners and from our employees in selected subjects. As we are a small organisation, our employees gain insight into many aspects of the asset management operation. We also encourage active further training, both internally through, for example, collaboration between junior and senior employees, and externally. We engage our employees through a culture of value creation and inclusion, and by giving them great responsibility and plenty of opportunity to grow.

Well-being and a safe working environment

AP1 has a long-term, preventive approach to ensure that we offer a healthy and safe workplace, support the well-being of our employees, and enable a good balance between work and private life. We still have a low level of sick leave, which was at 1.7 per cent in 2021.

As we know that healthy employees perform better we take care of our employees' health and well-being. We offer them tailored benefits, preventive health benefits and exercise time to support a healthy and balanced lifestyle. All employees are also offered regular health check-ups.

During the Covid-19 pandemic the Fund further strengthened its efforts related to employee health and well-being, even for remote working.

Key ratios for employees

	2021	2020	2019	2018	2017
No. of employees, average	66	66	65	61	61
of whom women, %	45	44	40	37	39
No. of executive management members	5	5	7	7	8
of whom women, %	40	60	71	57	63

Employee survey

Our annual employee survey shows that our employees are engaged and feel that they have the opportunity to grow and develop. The survey also shows that our employees feel that they have the chance to influence their work and express their opinions. Our key ratios for employee engagement remain high and are above average for comparable companies. Areas for development that have been identified include communication and cooperation between different units within the Fund. From an employee perspective the year has been characterised by the Covid-19 pandemic, but it has also involved great progress in terms of learning, inclusion and new work practices.

Ethics and core values

Our culture is firmly anchored in the AP Funds' core values. Clear values and policies guide employees in their day-to-day work. In 2021 we held a joint Ethics day online, along with several different online nano-learning lessons.

WE PROMISE

Challenges, responsibility and security in a goal-oriented team with a meaningful mandate.

IN A WAY THAT IS

Forward-looking, Open, Responsible, Considerate

SO THAT WE BECOME

A world-class, highly trusted pension fund where employees are proud to work, can continuously develop and have the possibility to make a difference.



Emelie Beijbom, Jan Rådberg and Malin Johansson.

Meet our employees

We are a team of some 70 employees with different experiences, backgrounds, skills and perspectives. Through these we create long-term success and thus help to drive development forward in society.

We have a dynamic area of responsibility

WE ARE THREE SENIOR LAWYERS in AP1's Legal and Archives unit. We have different backgrounds and legal expertise.

As lawyers at the Fund we cooperate in the unit and work across a wide range of legal fields: financial market law, alternative investments, public law, tax law and more. There is an extra layer of complexity since the Fund is a global asset manager. Law in itself is not global, instead laws and regulations are specific to each country. For this reason, the requirements of us as lawyers are high but it's also what makes the job so interesting as we have such a dynamic area of responsibility. It is very challenging and professionally rewarding to work for such a large and wide asset manager as AP1. As a company lawyer I get plenty of opportunity to expand my knowledge, which I find very stimulating after working many years as a fund specialist in a range of legal roles at a Swedish bank. Here I learn something new from my colleagues every day and I am very grateful to be part of such a highly qualified team.

EMILIE BEIJBOM

Company lawyer since 2021 and previously, a consultant to the Fund since 2018

I can't imagine a more interesting job

AP1 currently has about SEK 27 bn invested in private equity funds and we delivered the highest ever return in 2021. Creating a successful, diversified portfolio means we have to place great importance on every investment decision, which we do. It has always been important to us to invest with the best asset managers, regardless of which part of the market we invest in, which

JAN RÅDBERG

Responsible for private equity fund investments since 2011

is especially important considering ESG factors. I have been doing this for twenty years and I know that it takes time to find the best asset managers in the various areas. I therefore spend a lot of my working hours on the road meeting asset managers and trying to understand and get to know the people behind the funds. It involves a lot of building personal networks to get access to the most attractive investments.

I have always enjoyed working at AP1, I've been given a lot of freedom and I can't imagine a more interesting job

There is a real sense that we all have an important part to play

AS A BACK-OFFICE UNIT we are involved in most of the Fund's investments. We administrate, monitor and check all transactions and process all the other flows and business transactions linked to our positions. A major part of our day-to-day work consists of solving problems and improving existing processes. We do this in close collaboration with our custodian bank, clearing agent and many other teams in the Fund. We are also part of many of the Fund's shared projects and going forward, we hope to have the opportunity

to put more time into finding better solutions for the manual processes we still have today.

I think that the main reason I so enjoy working at AP1 is that there is enormous engagement and a great desire to improve across the entire organisation, in everything however big or small. There is also a real sense that we all have an important part to play if we are to achieve that.

MALIN JOHANSSON

Back office employee in Operations, since 2017



Helena Ring, Chief Legal Adviser

Sustainability reporting

Our mandate

AP1's sustainability work takes its lead from the mandate we have been given by the Swedish Parliament via the AP Funds Act; to manage part of the buffer capital in the national pension system so as to deliver long-term, high returns.

The mandate stipulates that asset management should be performed in an exemplary way via responsible investments and responsible ownership. Special emphasis is to be given to how sustainable development can be promoted without compromising the overall return target.

We share our mandate with AP2, AP3 and AP4 which allows cooperation in a range of areas. As part of our mandate, today the AP Funds share common core values, common guidelines for the assets in which we are not to invest, and common guidelines on how we are to report on the goal of exemplary asset management. Furthermore, we collaborate in the sustainability area when relevant, for instance via the Council on Ethics of the Swedish AP Funds.

ESG strategy

AP1's ESG STRATEGY provides the framework for how the Fund's sustainability work is to be conducted, through responsible investments and responsible ownership, to deliver on our mandate. The Fund's strategy provides the direction of our sustainability work and covers all asset classes, as well as both the internal and external mandates. The strategy is implemented by the asset management team based on the unique conditions that each asset management model entails.



Through responsible investments



Integration of sustainability aspects into the investment process

We consider how material aspects of sustainability affect our investments over time. Well-informed investment decisions better position us to generate high returns at a well-balanced level of risk. **Read more on page 32.**



Exclusion in line with core values

We expect the companies we invest in to comply with the international conventions signed by Sweden. When we identify companies that act contrary to these core values, and we believe that our ability to influence them via active ownership is limited, we can choose to sell our holding in the company. **Read more on page 33.**



Investments that promote sustainable development

We are particularly focused on investment opportunities that promote sustainable development, and simultaneously meet our overarching return target, within those asset classes where we believe our investment can have some impact. **Read more on page 35.**

Through responsible ownership



Active and responsible ownership

We are engaged and responsible in our ownership with the goal of influencing companies in a positive direction, reducing risk and fostering sustainable development, in Sweden and internationally. **Read more on page 36.**



Collaborating and engaging with other investors

To strengthen our ability to influence others, we have joined a number of international and Swedish partnerships and initiatives. **Read more on page 38.**

Focus area Climate change



Climate action

We believe that both climate change and the transition to a less fossil-fuel dependent world impact the Fund's opportunity for long-term value creation over generations. The Board of Directors has therefore identified climate change as a specific priority area, and has set an ambition for the portfolio to be carbon-neutral by 2050, with an interim goal of halving our carbon footprint by 2030. **Read more on page 40.**

Evaluation and sustainability reporting

THE GOVERNMENT EVALUATES how well the Fund lives up to its statutory mandate on an annual basis. The most recent evaluation of AP1's operations stated that the Fund had managed the net flow between contributions into and disbursements to the income pension system appropriately. The Fund has generated a return that contributes to the income pension system's long-term funding and has worked actively with sustainability matters. Furthermore, the Government considers that the Fund is exemplary in its monitoring of the consequences of the current transition to a less fossil-fuel-dependent economy, and the higher financial risks that this may entail for the Fund's investments in companies within the coal, oil and gas industries. In 2019 the Board took a decision to divest from companies with fossil-fuel businesses. Overall, AP1 has fulfilled the Swedish government's expectations of the Fund.

In June, the Swedish National Audit Office also published its audit of the AP Funds' sustainability work. The report stated that the AP Funds have well-established processes and that our sustainability work is appropriate to the mandate we have.

Stakeholder dialogues and materiality analysis

Continuous dialogue with stakeholders provides important guidance in the Fund's sustainability efforts. To examine how stakeholders view the mandate and operation of the AP Funds in relation to sustainability and returns, AP1, AP2, AP3 and AP4 together with the Council on Ethics engage in stakeholder dialogue. The most recent results show that stakeholders have a good level of awareness of the AP Funds' operations and a high level of confidence that the Funds fulfil their mandate. Stakeholders also have a high level of confidence in the AP Funds' efforts to integrate sustainability matters into our asset management. The dialogues also highlighted that the AP Funds can be better at managing and communicating sustainability-related risks and opportunities in their investments.

Common guidelines

As part of our mandate, AP1, AP2, AP3 and AP4 have developed common guidelines for how to report progress towards the goal of exemplary asset management. Those guidelines cover this sustainability reporting, which follows GRI stand-

ards and includes reporting in accordance with TCFD (Task Force on Climate-related Financial Disclosures) recommendations. Our GRI report is available on www.ap1.se.

Greater reporting requirements

Both within the EU and internationally, there are increasing requirements for reporting sustainability-related information as well as for more standardised sustainability data. One such development is the Sustainable Finance Disclosure Regulation (SFDR), referred to as the Disclosure regulation, which came into effect in March 2021. The main purpose of the Disclosure regulation is to increase transparency surrounding sustainability matters, and increase the comparability of different financial market participants and financial products regarding how they integrate sustainability risks and consider negative consequences on sustainable development in processes.

AP1, AP2, AP3 and AP4 are not directly subject to the Disclosure regulation, but since it is expected to become the new standard, the AP Funds are discussing the extent to which the Funds will align their reporting to it. During the coming year the AP Funds will develop their reporting in this area.

RESPONSIBLE INVESTMENTS

Integration of sustainability aspects into the investment process

We are convinced that the best way for the Fund to achieve its overarching goal of delivering the best possible return is to consider sustainability aspects in our investment decisions.

Access to accurate data

The aspects of sustainability that are most relevant to our mandate tend to vary in significance and over time. To be able to take well-informed decisions, it is essential that we have access to accurate and comparable data that enables us to measure, analyse and evaluate different aspects of sustainability. This applies to risks and opportunities, and to factors that are relevant now and that may be so in the future.

Increased understanding of the impact of sustainability aspects

How and how much we integrate sustainability into our investment process is also influenced by the asset class and chosen asset management model. For example, we use a selection of factors focused on resource efficiency for a systematic global equities strategy, while our Swedish small cap strategy includes a more fundamental sustainability analysis of each company. We work to improve our understanding of how sustainability aspects affect returns and risk for various asset classes and asset management strategies, so that we can better adapt and further develop how we integrate sustainability into our asset management.

Companies with greater sustainability risk

We have special guidelines and processes related to investments in companies that we assess as having a particularly high level of sustainability risk. These may be companies that do not adequately address their most relevant environmental, social and corporate governance risks, or companies where serious incidents have occurred in their operations, for instance related to health and safety, environmental pollution or corruption. We use information and analyses from MSCI ESG Research and Sustainalytics to support our assessments.

Climate risks

We have also spent quite some time identifying and analysing climate risks in the Fund's asset management strategies, and we consider climate-related aspects in a range of different investment decisions, from asset allocation to investments in individual companies. As part of managing the financial risks related to the portfolio's climate risk exposure, since 2020 we no longer have any investments in companies in the fossil-fuels sector.

Activities in 2021

During the year, all of the asset management teams have continued to work with sustainability in their respective mandates, starting from the overarching goal of creating a high return in the long run at low costs. Since 2020 all internally managed equity strategies have integrated aspects of sustainability. We have continued to make progress with sustainability in both systematic equity strategies, wherein we actively select equities based on clear, quantitative rules, and in the index-linked portfolio management.

Within the management of the fixed-income strategy, work has involved integrating ESG analyses for the credit portfolio. Here the Fund has collaborated with a research project that has examined the link between ESG factors and credit risk, which can be used to develop a more efficient ESG model for the credit market.

Our view still remains that active systematic, and index-linked asset management alike can be both fossil-free and have a better sustainability profile than the market index, without compromising on the return.

Investments in new instruments

A greater focus on sustainability gives rise to the development of new instruments and products in the capital market. Sustainability Linked Bonds (SLB) are one such example, through which the issuer ties the interest to various sustainability-related targets. How well the company fulfils the targets determines the interest that is paid.

This is a way for credit investors to hold the company accountable for its sustainability targets, and at the same time provides an incentive to the companies to deliver on their targets. We made our first SLB investments this year and we continue to monitor the development of this instrument.

During the year the Fund also increased trading with so-called ESG equity futures. The returns from ESG equity futures reflect returns from sustainability-linked equity indices rather than from a regular market index. In the future, the Fund aspires for a larger proportion of its equity derivative transactions to be done in sustainability-linked derivatives.

Investments in new products

The Fund's external asset management team often collaborates with external managers to create new, innovative products that meet AP1's expectations. After the Fund reduced its exposure to fossil fuels last year, a new credit fund was launched this year, Hermes Climate Change HY Fund. The goal of this fund is to generate a long-term, risk-adjusted return by investing in companies that contribute to creating a carbon-neutral future by transitioning their operations. By monitoring the companies' climate risk management as part of our investment decisions, and placing clear requirements on the companies in which this new fund invests, our investment in the fund forms part of our climate efforts to achieve net-zero.

RESPONSIBLE INVESTMENTS

Exclusion in line with core values

We expect the companies we invest in to respect human rights and other areas covered by the international conventions and international agreements signed by Sweden.

THE FIRST, SECOND, THIRD AND FOURTH AP FUNDS have defined common guidelines on the assets in which capital should not be invested. These are based on the AP Funds' common core values and primarily relate to the international conventions and international agreements signed by Sweden. We expect the companies we invest in to respect these conventions and national legislation, and that their operations adhere to the UN Global Compact's ten principles for responsible business, as well as the UN's Guiding Principles on Business and Human Rights.

Engagement is important

Dialogue and advocacy represent a key opportunity for us as a responsible owner to promote sustainable development, by helping to create better companies with good return

potential in the long run. In many cases the Fund therefore remains an owner even if the company does not currently meet our expectations, with the aim of trying to influence the company in a desirable direction. This is particularly relevant to AP1, as a long-term investor with a global, well-diversified portfolio.

Sometimes we choose to sell our holding in a company though. Nonetheless, exclusion of the company from the Fund's investment universe is a last resort and only occurs when it is deemed that our chances of influencing the company are very small. If we end our ownership, however, this does not automatically contribute to change. Read more about our dialogues with foreign companies at www.etikradet.se and at www.ap1.se.

Outcomes in 2021

TO IDENTIFY ANY COMPANIES that may be linked to violations of international conventions, AP1 along with AP2, AP3 and AP4, has its holdings regularly screened by an external provider.

During the year, incidents that were assessed as being a possible or confirmed violation of an international convention were identified in 112 of more than 3,000 companies. The AP Funds' Council on Ethics have held dialogues with all the identified companies during the year.

In 2021 the Council on Ethics commenced five dialogues and were able to close twelve dialogues as the objectives were achieved. At the year-end, 85 dialogues were still active.

Audit of the holdings of the AP Funds

	2021	2020	2019
Number of companies in the AP Funds' portfolios	3,168	2,430	3,557
– of which, confirmed violations	23	22	29
– of which, risk of violations	89	72	91
– of which, no remarks were made during the audit	3,056	2,336	3,437

Sometimes we refrain from investing

In accordance with our core values, AP1 does not invest in companies that are associated with the following products or businesses:



Cluster munitions and land mines

The Anti-Personnel Mine Ban Convention and the Convention on Cluster Munitions provides that states which have signed and ratified the treaty must stop producing, trading in and using anti-personnel mines and cluster bombs. We therefore do not invest in companies that manufacture or market cluster bombs or land mines.

Nuclear weapons

We do not invest in companies with operations that are not in line with the spirit of the Non-Proliferation Treaty, the aim of which is to eventually rid the world of nuclear weapons. We include the modernisation and upgrading of existing nuclear weapons in this category.



Tobacco and cannabis for non-medical use

We do not invest in companies that are involved with tobacco production as this is not compatible with the spirit of the Framework Convention on Tobacco Control, which aims to significantly reduce tobacco consumption and the harmful effects of smoking tobacco.

Neither do we invest in companies that operate in the area of cannabis for non-medical use on the basis of the UN conventions on narcotic drugs.

Individual companies can also be excluded.

When we identify companies that act contrary to the international conventions that Sweden has signed, and we believe that our ability to influence them is limited, we can choose to sell our holding in the company.

The current exclusion list is available on our website, www.ap1.se.

RESPONSIBLE INVESTMENTS

Investments that promote sustainable development

AP1's goal is to increase our investments in assets that promote sustainable development and contribute to the UN's global goals. We focus on investments that fulfil the Fund's overarching return target and simultaneously lead to major sustainability outcomes in relation to the capital invested.

AS PART OF OUR MANDATE AP1 is to give particular weighting to how sustainable development can be fostered, without compromising on the overarching return target. Since different investments have varying degrees of impact on the underlying asset we invest in, we focus on investments that promote sustainable development where we believe an investment can have the greatest impact.

During the year we have identified several interesting investment opportunities that foster sustainable development while also meeting AP1's requirements on risk and return. For instance, we have invested in green and social bonds and in private companies. In 2020 the Fund decided to increase this type of investment in private equity funds and during the year all new investments in this asset

class have been implemented in strategies that foster sustainable development. Some examples of such investments include two funds that are specialised in the health and medical care sector and one fund targeting investments in early stages of companies within IT, food and life sciences.

The AP Funds invest in Northvolt

AP1, AP2, AP3 and AP4 jointly invested in Northvolt during the year. We believe this investment will have a positive contribution to both the pension system and our society due to the important role Northvolt has in mitigating global climate change. The investment took place via the AP Fund's jointly-owned company, 4 to 1 Investments.

"Given the AP Funds' long-term mandate and Northvolt's important role as a transformational player in mitigating global climate change, our goal is for this investment to have a positive contribution to both the pension system and our society."

Peter Carlsson, CEO Northvolt

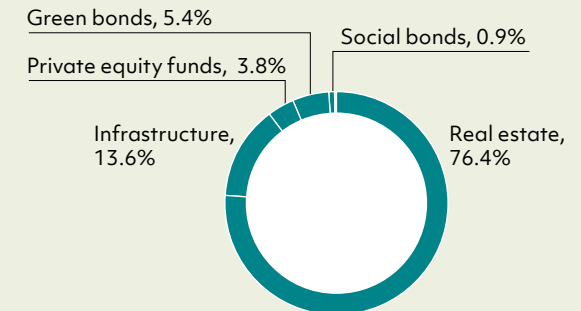


northvolt

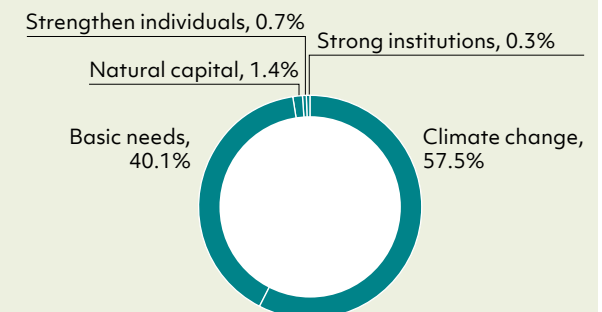
Outcome 2021

Assets that fulfil the Fund's criteria for investments that promote sustainable development amount to SEK 84,476 m (63,048).

Distribution per asset class



Distribution per development goal area



THE GLOBAL GOALS

RESPONSIBLE OWNERSHIP

Active and responsible ownership

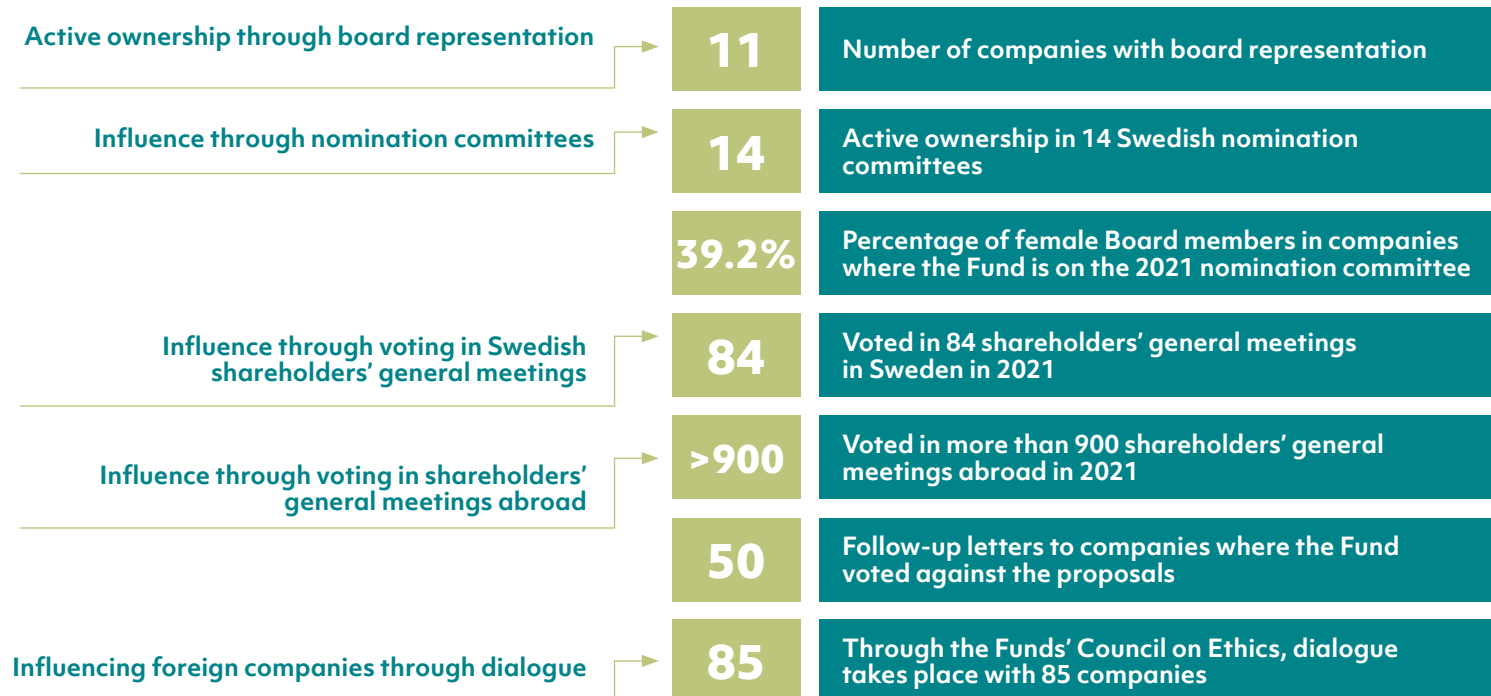
By being a business-oriented, long-term, engaged and transparent owner with high integrity, we help to create a high return and strengthen trust in the Fund.

Ownership strategies and goal attainment for active ownership

Active ownership increases the return

The aim of active ownership is to increase returns and reduce financial risk in the long run. AP1 is convinced that well-managed companies have a greater potential to generate profits and avoid risks. For this reason, they may also give us a higher return. We want to make responsible use of the position afforded us through our ownership, so as to be a positive influence on the companies we own.

Many risks and opportunities relating to sustainability lie a number of years ahead. As a long-term owner, we need to be able to understand and respond to them. We do this via dialogue with the companies in nomination committees and by voting at shareholders' general meetings.



Shareholders' general meetings in 2021

AP1 puts great efforts into participating in shareholders' general meetings and voting on various decisions at meetings in Sweden and around the world, both by taking action itself and through representatives. In 2021 the Fund voted at 1,037 general meetings. To increase transparency and also to put additional pressure on the companies we would like to influence, we have brought together the data in an open report on our website, www.ap1.se.

AP1 votes at general meetings in 27 markets. Most companies that the Fund votes upon are located in the US, with 38 per cent of the general meetings, followed by Japan with 22 per cent of the meetings. Swedish companies account for some 6 per cent of the general meetings at which the Fund votes.

On our website, www.ap1.se, we have reported on how the Fund has voted in diverse matters, both at Swedish and foreign general meetings. The tables show the voting on proposals from the companies as well as proposals from shareholders. In Sweden, there is plenty of opportunity for discussions with company boards and thus influence the shareholders' general meetings. It is therefore very unusual that institutional shareholders in Sweden need to forward their own proposals for the general meetings. It is also rare for the Fund to vote against the proposals of the Boards of Swedish companies as compromises can be reached before the proposal is tabled at the general meeting. Should this occur, the Fund clearly reports its standpoint.

Shareholder proposals

In many other countries, in particular in the US, shareholder proposals are often the only way for shareholders to influence the

general meeting of shareholders. It is worth noting that shareholder proposals regarding the climate area, for example, are not always intended to reduce the company's climate impact, or render the reporting of the company's climate action more transparent. It can happen that shareholders submit a proposal aimed at reducing the company's climate action. AP1 has voted against these types of proposals.

The Fund reports its standpoints regarding foreign companies by writing some fifty letters to the companies' Boards.

The pandemic continued to affect AGMs in 2021

The 2021 AGM season was characterised by great uncertainty due to the pandemic, and many companies therefore chose to postpone their dividend decisions to an extraordinary general meeting in the latter half of the year. To reduce the spread of the virus, almost all of the AGMs were held

through postal voting, in accordance with temporary legislation that applied in 2020 and 2021. However, many companies have chosen to change their articles of association so that in the future physical meetings with a possibility for postal voting will be allowed for those who prefer.

New rules for remuneration of senior executives

Prior to 2021 the Swedish Corporate Governance Board led an initiative to collate all the applicable rules governing the remuneration of senior executives in one place (see www.bolagsstyrning.se). To emphasise the importance of this issue, AP1 wrote a letter to all of its portfolio companies suggesting that a decision on remuneration be included in their shareholders' general meetings. We can report that all companies followed the recommendations of the Swedish Corporate Governance Board.

RESPONSIBLE OWNERSHIP

Collaborating and engaging with other investors

As a major individual investor we have a great ability to influence and together with others we become even stronger in our dialogues. To further strengthen our ability to influence others, we have joined a number of international and Swedish collaborations and initiatives, such as Climate Action 100+ and Swesif. Our advocacy work also takes place via the AP Funds' Council on Ethics and through participation in nominations committees.

On the nominations committee in fourteen Swedish companies

Swedish companies that are listed on a regulated market in Sweden have a nominations committee. The nominations committee is generally comprised of the major shareholders and its most important task is to propose members of the company's Board of Directors to the AGMs. As a major shareholder the Fund participates in this important process. Ahead of the 2021 AGMs, the Fund participated in 14 nominations committees to help the companies establish the best possible Boards of Directors. Nominations committee work focuses on finding candidates with the right competence. What the right compe-

tences are varies between companies and sectors, and different phases of the company's development. Research shows that groups and thus Boards are more effective if they are composed of a wide diversity of people. Above all, it is important that Board members contribute different ways of thinking, referred to as cognitive diversity. An equal gender distribution also helps to create diversity. The goal of the Swedish Corporate Governance Board is that the proportion of the least represented gender on Swedish listed companies' boards should be at least 40 per cent. We provide information on the nominations committees we have participated in on www.ap1.se.

For more information about the international and national collaborations and initiatives that AP1 has joined, go to www.ap1.se.

Clear expectations are part of our advocacy strategy

As a guide for our stakeholders, we have summarised our view of sustainability and the expectations we have on the businesses we invest in, in a brochure which is available on our website www.ap1.se



We expect companies to adhere to the following principles:

The ten principles for corporate sustainability (UN Global Compact) in, for example

- Human rights and labour
- The environment
- Corruption

Applicable sanctions lists (e.g. from the UN, EU and US)

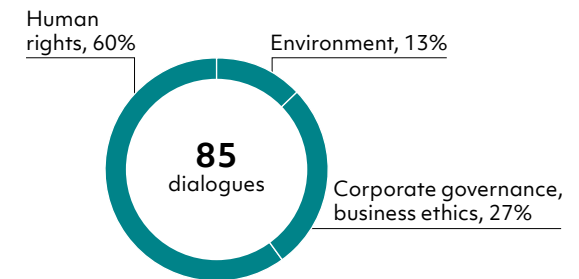
Transparent tax policy

Local laws and regulations

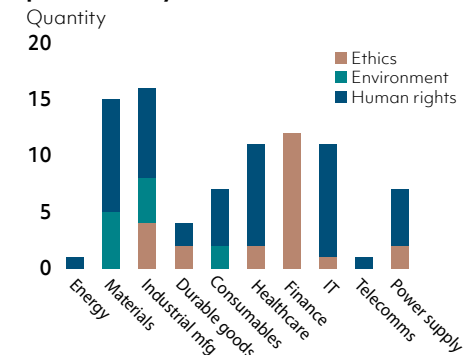
- Shareholder rights
- Voting rights
- Equal treatment
- Board of Directors
- Capital structure

Relevant corporate governance codes

Advocacy dialogues by sustainability area – ESG*



Council on Ethics' dialogues per industry



The Council on Ethics of the Swedish National Pension (AP) Funds

The Council on Ethics was formed in 2007 by the First, Second, Third and Fourth AP Funds. On behalf of the AP Funds, the Council's work centres on ensuring that the companies in which we invest comply with the international conventions that Sweden has signed. The Council on Ethics does this by setting requirements for positive change in foreign companies owned by the Funds, either individually or as an industry. Through these efforts the companies can improve within important areas and thus better position themselves to generate good results. The AP Funds are relatively small owners of foreign companies,

and the Council on Ethics therefore focuses its work on the dialogues and projects that are deemed to make the most positive difference. The goal is to influence the companies to work systematically, in a structured and transparent way to prevent violations of international conventions signed by Sweden. The Council on Ethics' experience to date shows that dialogue is an effective tool that produces results.

The AP Funds invest a lot of their capital in globally diversified equity portfolios. The total number of companies can be up to around 3,200 listed companies. The Council on Ethics holds dialogues with companies when violations have been confirmed or when there is a risk of violations. These dialogues take place across an even distribution of companies in

different sectors, geographical areas and sustainability matters. Approximately 60 per cent of the dialogues are about human rights, 13 per cent are about the environment and climate and 27 per cent are about corporate governance or business ethics.

Read more on the Council on Ethics' website, www.etikradet.se and on www.ap1.se.

As exemplary management becomes integrated within the AP Funds' asset management strategies and goals, AP1-AP4 decided in autumn to review the mandate of the Council on Ethics.

Fighting corruption together

Corruption and non-compliance complicate all forms of progress and they are a challenge

for many companies as they jeopardise companies' opportunities to create value and profitability. As a major investor, AP1 can help by influencing the companies and placing requirements on them.

To further enhance the role of the investor as an active owner, AP1 has joined forces with Transparency International Sweden and five other Swedish investors to form Investors Integrity Forum. This is a platform where we can collectively drive important matters related to corruption risks, obtain and share knowledge, and foster transparency, integrity and accountability, and thereby create better conditions for sustainable and profitable investments.

FOCUS AREA CLIMATE CHANGE

Climate action

Climate change is one of the biggest challenges of our time and is a key element to sustainable development and future economic outcomes. AP1 considers the climate issue to be an exceptionally large risk that affects our ability to create value in the long term.

Climate action

AP1's climate action is based on understanding, identifying and analysing climate risks and how they may affect the value of the Fund's investments, and the Fund's ability to mitigate these risks. The analysis lays the foundation for how we integrate and address climate risks in the Fund's different investment decisions and in our active ownership work.

Governance

AP1's Board of Directors has adopted a climate target for the portfolio's carbon emissions to be net zero by 2050, mainly by ensuring that the companies we own adjust so that they reduce their carbon footprints. We also have an interim target of halving the portfolio's footprint by 2030. The goal is to be achieved without compromising on the Fund's overarching mandate of attaining a high return in the long run. The Board's sustainability committee regularly monitors the Fund's progress and targets.

Strategy

Climate risk is usually broken down into:

TRANSITION RISK – for instance how our portfolio or an individual investment is affected by a transition in line with the Paris Agreement. This may be due to technical developments, regulatory changes and new consumption patterns that may impact anything from a company's costs for input goods to the demand for their products

PHYSICAL RISKS – for instance how our portfolio or an individual investment is affected by the consequences of climate change. This may be due to gradually rising temperatures, water shortages and extreme weather conditions that may affect the company's operations and its value chain.

Different regions, industries and thus individual companies will be affected to different degrees depending on the scenario. Climate scenario analyses are used to increase our understanding of how potential scenarios

might affect the Fund's assets and to inform the Fund's strategic asset allocation.

AP1 considers that transition risk is the primary risk to its portfolio in coming years. At the same time, it is important that we give greater consideration to the physical risks in long-term and less liquid investments.

Risk management

The Fund has developed a tool for identifying the most material transition risks in the internally managed mandates, and regularly follows up how these are developing over time. The tool was developed to increase our understanding of the risk exposure in the portfolio, and has also provided support in prioritising efforts to integrate climate risks in the investment process and in the Fund's active ownership activities.

As a result of this work we have gradually reduced our exposure to companies in the fossil fuels industry. We believe that the transition to a less fossil-dependent

economy involves major changes and therefore great uncertainty in particular for companies operating in the coal, oil and gas industries, and investments in these companies may entail a higher financial risk for the Fund.

Furthermore, we integrate climate-related factors in the majority of the internal and externally managed mandates, often in combination with active ownership. This work needs to be regularly updated as our understanding of different climate-related risks changes and as better and more relevant information becomes available.

In addition to considering climate risks in our investment decisions, through our active ownership we can influence the companies to manage their climate risks for the long term and in a sustainable manner. We also have an opportunity to invest in businesses that can make a positive contribution to both returns and the transition.

Climate-related goals and important activities in 2021

- AP1s Board of Directors adopted a new ESG strategy which better positions the Fund to fulfil its mandate on exemplary asset management even more successfully.
- Along with Hermes, launched a new credit fund Hermes Climate Change HY Fund, which actively finances companies with clear plans to transition.
- Carried out new investments in businesses we believe will benefit from the climate change transition. For example, battery manufacturing via Northvolt, a private equity fund specialised in renewable energy, energy efficiency and development of new energy systems, and green bonds.
- The climate goals of the Fund's wholly-owned real estate company Willhem were approved by the Science Based Targets Initiative.
- The Fund signed an investor petition to the world's leaders ahead of COP26, in which we encouraged countries to strengthen their commitments by setting relevant climate targets with clear policies for how these will be achieved.
- Through our investor collaboration with Climate Action 100+, we have contributed to the development of sector-specific transition plans for air travel, foods and the steel industry.
- AP1 became a member of the Transition Pathway Initiative's Advisory committee.



Carbon footprint reporting

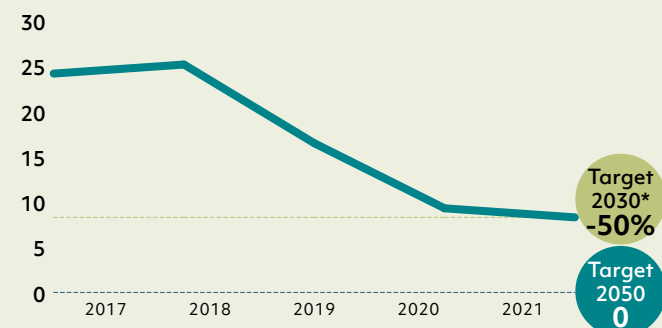
The AP Funds report the carbon footprint of their portfolios according to mutually developed guidelines, see www.ap1.se.

In 2021, the listed equity portfolio's carbon footprint, measured as weighted average carbon intensity according to TCFD's recommendations, decreased by 11% to 8.2 tCO₂e/SEKm (9.3). The reduction was mostly due to the carbon intensity of the portfolio companies being lower than in the prior year, while other factors such as exchange rate fluctuations also attributed to the change in 2021.

The carbon footprint of the Fund's holdings in real assets, such as real estate and infrastructure holdings and its holdings of credit bonds amounted to 5.2 tCO₂e/SEKm (5.6) and 13.0 tCO₂e/SEKm (15.9) respectively.

The carbon footprint provides a basis for assessing certain climate-related financial risks, such as a price on carbon, and enables AP1 to engage with companies on reducing emissions, for instance through expectations on emission reduction targets, risk management, business strategies and transparency. The metric should be viewed in the context of the Fund's overall sustainability work. The carbon footprint provides a historic snapshot of the emissions from the companies in the Fund's portfolio. The numbers will vary as the companies' emissions change, but also as the composition of the portfolio is changed. Fluctuations in the exchange rate also affect this metric.

Weighted average carbon intensity (TCFD)(tCO₂e/SEKm)



* The base year is 2019, which means that 50% corresponds to 8.25 tCO₂e/SEKm

Carbon footprint of the listed equity portfolio

	2021	2020	2019	2018	2017
Total carbon emissions (million tCO₂e) ¹⁾	0.93	0.87	1.60	1.80	1.60
Change in the portfolio's total carbon intensity in relation to last year, (%)	7	-46			
- of which change due to changes in portfolio holdings, percentage points	14	-45			
- of which change due to changes in the companies' emissions, percentage points	-7	-1			
Relative carbon emissions (tCO₂e/SEKm) ²⁾	3.9	4.8	13.0	16.1	12.8
Carbon intensity (tCO₂e/SEKm) ³⁾	9.2	10.7	18.9	24.8	20.6
Weighted average carbon intensity (TCFD) (tCO₂e/SEKm) ⁴⁾	8.2	9.3	16.5	25.2	24.2
Change in the portfolio's carbon intensity (TCFD) compared to last year, %	-11	-44	-34		
- of which change due to changes in portfolio holdings, percentage points	1	-52	-29		
- of which change due to changes in the companies' emissions, percentage points	-12	8	-5		
Mapped market value as a percentage of total net assets, %	51	47	34	34	39
Percentage of market value for which reported emission data exists, %	79	72	68	71	59

1) Total of the owned share of portfolio companies' individual carbon emissions.

2) Total of the owned share of portfolio companies' individual carbon emissions in relation to the portfolio's market value.

3) Total of the owned share of portfolio companies' individual carbon emissions in relation to the total of the owned share of the portfolio companies' turnover.

4) The metric adds together each portfolio company's carbon intensity, i.e. a company's carbon emissions in relation to its turnover, weighted according to each company's share in the portfolio.

AP1's direct environmental impact

	2021 ¹⁾	2020 ¹⁾	2019	2018
Power consumption in own offices, MWh	141.7	137.5	148.7	164.9
District cooling consumption in own offices, MWh	96.4	101.7	132.8	130.9
Heating consumption in own offices, MWh	45.8	41.5	48.5	55.5
Water consumption, m ³	488.2	530.0	725.6	660.4
Paper consumption, tonnes	0.3	0.3	0.8	1.0
Percentage of eco-labelled paper out of total paper consumption, %	100	100	100	100
Business travel by air, tens of thousands of km	0.1	6	52	81
Business travel by air, emissions in CO ₂ tonnes	0.1	16	69	96

1) The pandemic has affected the results.

The auditors' statement regarding AP1's sustainability reporting

org.no 802005-7538

Engagement and responsibility

The Board of Directors has been responsible for the sustainability reporting for 2021 and for ensuring that it has been drawn up in accordance with AP1's principles for sustainability reporting, which correspond to those set out in the Swedish Annual Accounts Act.

Focus and scope of the audit

Our examination of the statutory sustainability report has been guided by FAR's auditing standard RevR 12, Auditor's report on the statutory sustainability reporting. This means that our examination of the statutory sustainability reporting is different and substantially less in scope than an audit

conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

Sustainability reporting has been prepared.

Peter Nilsson

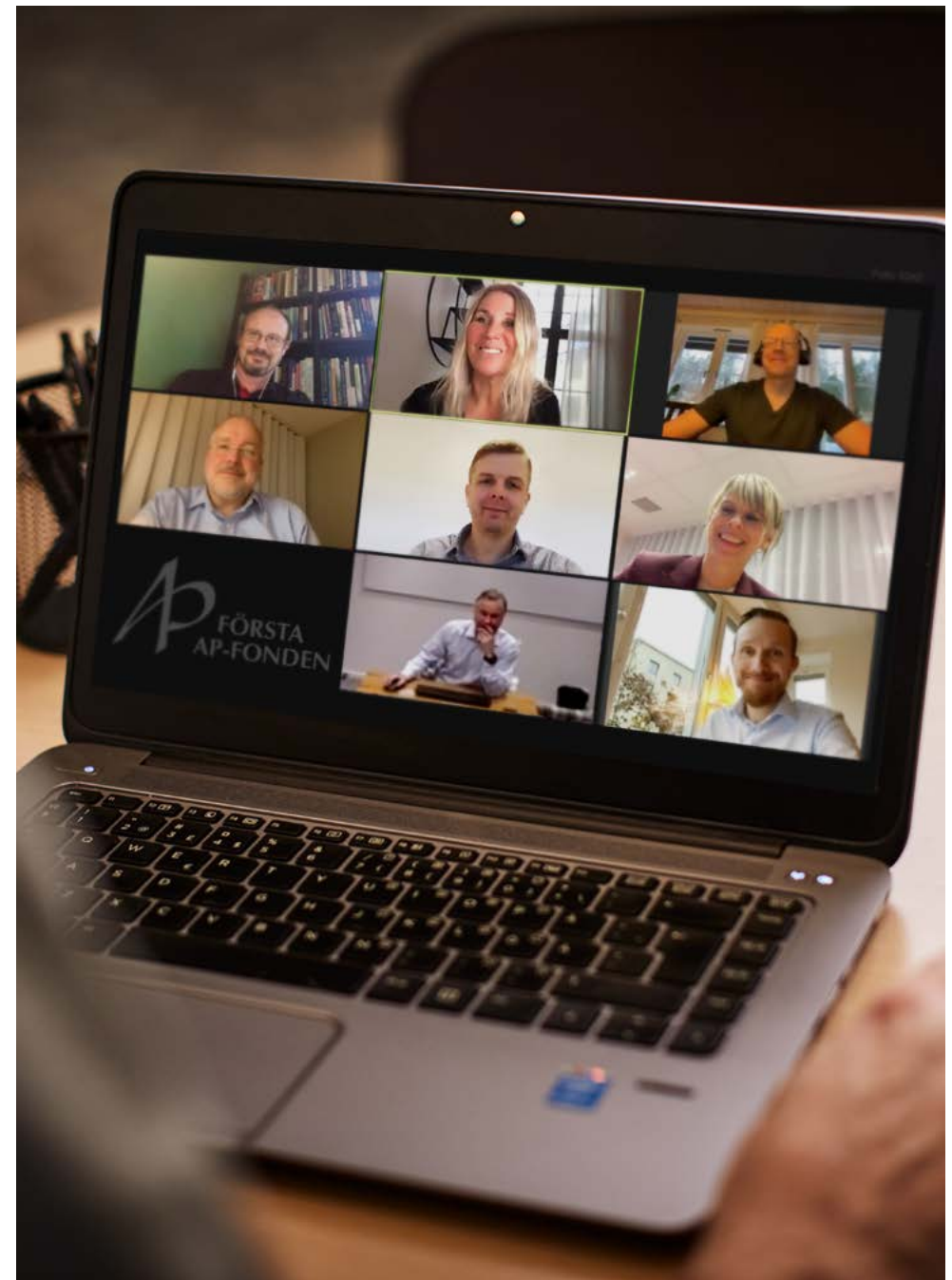
Authorised Public Accountant

Appointed by the Swedish Government

Helena Kaiser de Carolis

Authorised Public Accountant

Appointed by the Swedish Government



Director's report

The Board of Directors and the CEO of Första AP-fonden hereby submit their Directors' Report for 2021. The Directors' Report, together with the annual accounts and notes, has been reviewed by the auditors of the Fund. The review covers pages 44–62.

Första AP-fonden's (AP1's) net investment income for 2021 was SEK 80.7 billion (34.8), which means a return after expenses of 20.8 per cent (9.7). Measured over the last ten-year period, the return was 10.3 per cent. This equates to an average real return of 9.0 per cent a year, exceeding the medium-term target of a real return after expenses of 3.0 per cent over rolling ten-year periods.

Net investment income for 2021 before expenses

	Exposure SEK bn	Return %	Return contribution %	Return contribution SEK bn
Equities	286.2	24.0	12.5	48.5
<i>Sweden</i>	86.5	31.2	5.6	21.6
<i>Developed markets</i>	161.0	23.8	6.1	23.8
<i>Emerging markets</i>	38.7	7.4	0.8	3.2
Fixed-income securities	106.9	-1.6	-0.4	-1.7
High-yield	5.0	3.4	0.0	0.2
Real estate	70.8	27.2	3.8	14.7
Infrastructure	11.5	6.3	0.2	0.6
Private equity funds	28.0	50.7	2.4	9.4
Hedge funds	3.9	36.9	0.4	1.4
Alternative strategies	0.8	-0.0	-0.0	-0.0
Cash	-47.3		0.0	0.0
Foreign exchange			0.9	3.4
Absolute return mandate			1.1	4.4
Total	465.8	20.8	20.8	81.0

Transfer to the Swedish Pensions Agency

In 2021, the Fund transferred SEK 7.5 billion (7.9) to the pension system to cover the deficit in pension contributions in relation to pension disbursements. Since 2011, the Fund has paid SEK 64.6 billion net to the Swedish Pensions Agency to cover the deficit in pension disbursements.

Control and mandate

The Board of Directors of AP1 bears full responsibility for the operations of the Fund and is responsible for the Fund's organisation and management of Fund assets. The Board's work is regulated by the AP Funds Act (the National Pension

Insurance Funds Act (2000:192)). The Board has delegated a management mandate to the CEO, which establishes the asset management framework. The mandate is expressed in a risk tolerance. This is manifested in an overarching asset allocation and limitations as to how much the asset allocation can be deviated from. The limitations are expressed both as exposure limits and limitations in terms of forecast tracking error.

Asset allocation

Within the framework of the management mandate, the CEO of AP1 decides on the management orientation and asset allocation in the form of a strategic asset allocation. The CEO's strategic asset allocation forms the basis of the management organisation's work on allocation and management.

Collaboration and cooperation with other AP Funds

The AP Funds' Council on Cooperation was set up in 2016 to develop collaboration and cooperation between the First, Second, Third, Fourth and Seventh AP Funds. The aim is to collaborate on areas outside of investment with the goal of achieving cost efficiency, efficient utilisation of resources, and an exchange of experience and knowledge. The work takes place in different established forums in the shape of cooperation groups, with a varying composition of representatives from the various AP Funds. The common denominator in these collaborations is that they are run based on the added value created by the collaboration, both for each individual Fund and for the Funds together. Each liaison group formulates its own mandate description and action plan annually, and these are monitored and reported to the Council on Cooperation every six months. At the end of the year, the year's work is summarised in a report to the CEOs of the Funds, which is also

used as a basis for the Government's annual assessment of the AP Funds.

In 2021, cooperation between the Funds largely took place via digital platforms as a result of the pandemic. It has been valuable for the Funds to be able to share experiences and learn from each other in the situation we find ourselves due to Covid-19. Examples of areas where the Funds have cooperated during the year are on procurements, innovation and new technology, and in the field of information security. Joint communications initiatives have been carried out, giving good results. In addition to the regular joint meetings in each liaison group, much of the cooperation takes place in the ongoing contacts between employees at the different Funds, where they can discuss issues with others in the same area.

Sustainable value creation

AP1 is ambitious when it comes to sustainability. The Fund is convinced that investments in well-managed companies entail a lower risk and probably generate a higher return in the long run. ESG aspects are integrated into investment decisions and the Fund's work as an engaged owner. AP1's entire asset management is steeped in its ambition to generate long-term sustainable value growth. The Board adopted a new ESG strategy in 2021. AP1's sustainability reporting can be found on pages 29–43 of this annual report.

Asset classes

Shares

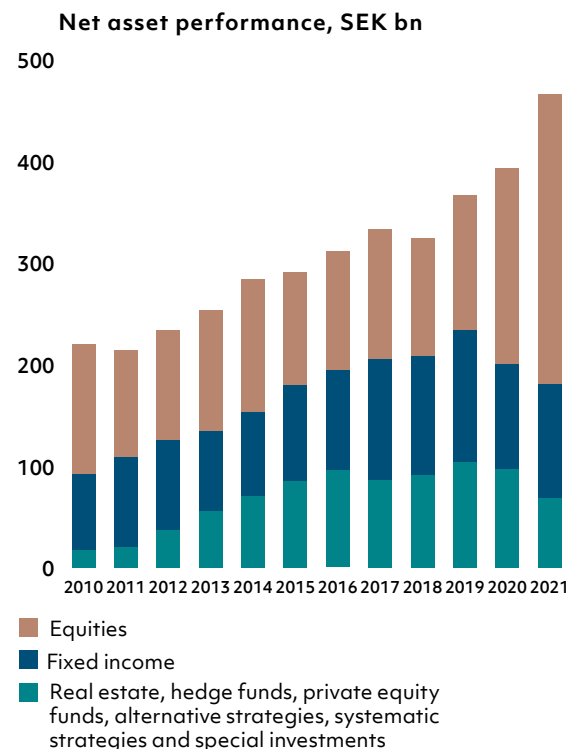
The equity exposure of AP1's portfolio was SEK 286.2 billion at year-end, equating to 61.4 per cent of the total portfolio. The equity portfolio comprises SEK 86.5 billion in Sweden, SEK 161.0 billion in foreign developed markets and SEK 38.7 billion in emerging markets. Swedish equities and equities in foreign developed markets are chiefly managed internally, while emerging markets are handled by external managers. The return on the equity portfolio for 2021 was 24.0 per cent, which equates to SEK 48.5 billion.

Fixed-income securities with a higher credit rating

AP1's fixed-income portfolio had a market value of SEK 106.9 billion at year-end, equalling 22.9 per cent of net assets. The majority comprise investments in foreign bonds. The return on the Fund's fixed-income portfolio in 2021 was -1.6 per cent, which equates to SEK -1.7 billion.

Fixed-income securities with a lower credit rating

AP1's exposure to bonds with a lower credit rating (high-yield investments) amounted to SEK 5.0 billion or 1.1 per cent of the total portfolio on 31 December 2021. The return on the high-yield portfolio for 2021 was 3.4 per cent, which equates to SEK 0.2 billion.



Alternative investments

Real estate

AP1's real estate holding had an exposure of SEK 70.8 billion at year-end, equalling 15.2 per cent of net assets. The main long-term focus of the Fund's real estate investments is running return from rent payments, and to some extent expected value appreciation. The return on the real estate portfolio in 2021 totalled 27.2 per cent, equalling SEK 14.7 billion.

Infrastructure

The Fund's investments in infrastructure amounted to SEK 11.5 billion at year-end, equalling 2.5 per cent of net assets. The return on the infrastructure portfolio was 6.3 per cent, which equates to SEK 0.6 billion.

Hedge funds

Certain hedge funds have been shut down during the year, which has contributed to the reduction in exposure of the total hedge fund portfolio. It amounted to SEK 3.9 billion at year-end, equalling 0.8 per cent of net assets. Investments in hedge funds are designed to generate a more diversified, robust portfolio, which tones down the effects of sharp price volatility in the rest of the portfolio. The return on the hedge fund portfolio in 2021 was 36.9 per cent, equalling SEK 1.4 billion.

Private equity funds

AP1's investments in private equity funds amounted to SEK 28.0 billion at year-end, equalling 6.0 per cent of net assets. The Fund invests globally in private equity funds. The return on this asset class is expected to be higher than for listed equities over time. The return on the private equity portfolio for the year was 50.7 per cent, equalling SEK 9.4 billion.

Proportion of internal and external management

At the end of 2021, 84.1 per cent of the assets were managed internally and 15.9 per cent of the assets were managed externally. AP1 manages assets internally when an overall assessment indicates that internal management can achieve an equal or better return at a lower cost.

Expenses in 2021

To gauge the Fund's cost efficiency, the Fund takes part in international cost benchmarking conducted by CEM Benchmarking. The Fund is compared against a group comprising 19 global pension funds with approximately the same portfolio breakdown and size. None of the other AP Funds are in the comparison group. The analysis for 2021 showed that the Fund's costs are still lower than those of the comparison group. Operating expenses for 2021 amounted to SEK 231 million (226). Commission expenses amounted to SEK 61 million (76). Over the past two years, the Fund has actively worked to reduce its commission expenses, which is now having an impact on how expenses look overall. The Fund's total expense ratio has dropped from 0.14 per cent to 0.07 per cent since 2017. When measured in Swedish kronor, this equates to a reduction in expenses of SEK 153 million in the same period.

Significant events after the end of the reporting period

No significant events have taken place since the year-end 2021/2022.

Expenses and expense ratio 2021

Asset class	2021		2020		2019	
	Cost SEK m	Cost level, %	Cost, SEK m	Cost level, %	Cost, SEK m	Cost level, %
Personnel costs	139	0.03	134	0.04	149	0.04
Other administration expenses	93	0.02	92	0.02	90	0.03
Operating expense	232	0.05	226	0.06	239	0.07
Commission expenses	61	0.02	76	0.02	186	0.05
Total expenses	293	0.07	302	0.08	425	0.12

Currency exposure, 31/12/2021

SEK m	USD	GBP	EUR	JPY	Other	Total
Shares and participations	144,601	7,809	19,381	8,397	23,468	203,656
Fixed-income securities	47,413	7,672	19,474	8,143	1,648	84,349
Other assets	2,064	72	358	55	381	2,930
Derivatives	-94,949	-22,976	-39,193	12,631	-5,208	-149,695
Total	99,129	-7,424	20	29,226	20,289	141,241
Currency exposure, 31/12/2020	50,480	-9,938	10,058	19,747	20,713	91,060
Currency exposure, 31/12/2019	34,063	379	1,129	26,473	31,792	93,836
Currency exposure, 31/12/2018	22,349	-1,456	-3,689	32,051	34,939	84,194
Currency exposure, 31/12/2017	32,198	6,406	7,057	8,103	30,244	84,008

Ten-Year Overview

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net investment income and inflow, SEK bn										
Net assets, at 31 December	465.8	392.6	365.8	323.7	332.5	310.5	290.2	283.8	252.5	233.7
Net flow pension system	-7.5	-7.9	-6.5	-6.8	-7.4	-6.6	-4.9	-5.1	-6.9	-3.8
Net investment income for the year	80.7	34.8	48.6	-2.1	29.3	27.0	11.3	36.4	25.7	24.2
Return, expenses and risk, %										
Return before expenses	20.8	9.8	15.3	-0.6	9.7	9.5	4.1	14.8	11.3	11.4
Operating expenses, % of AUM	0.05	0.06	0.07	0.07	0.07	0.06	0.06	0.07	0.07	0.08
Commission expenses, % of AUM	0.02	0.02	0.05	0.07	0.07	0.09	0.11	0.10	0.07	0.06
Return after expenses	20.8	9.7	15.1	-0.7	9.6	9.3	4.0	14.6	11.2	11.3
Net investment income and expenses in total portfolio, SEK bn										
Net investment income before expenses	81.0	35.1	49.0	-1.6	29.8	27.4	11.8	36.9	26.0	24.5
Operating expenses and commission expenses	-0.3	-0.3	-0.4	-0.5	-0.4	-0.5	-0.5	-0.5	-0.3	-0.3
Exposure, %										
Equities	61.4	49.2	36.3	34.1	37.9	34.1	34.7	48.9	49.2	47.4
Sweden	18.6	17.3	10.5	11.2	12.9	12.3	12.3	11.6	12.0	11.4
Developed markets ⁽¹⁾	34.6	21.8	11.9	8.8	10.7	12.5	14.4	27.1	27.5	25.0
Emerging markets	8.3	10.2	13.9	14.1	14.2	9.2	8.0	10.1	9.7	11.0
Fixed-income securities ⁽²⁾	22.9	24.2	32.3	33.3	31.7	29.8	30.2	30.9	31.2	36.4
Cash ⁽⁵⁾	-10.1	-0.2	-0.3	-2.5	-2.4	-1.1	-0.1	-1.1	-0.7	
Real estate	15.2	14.1	14.8	14.3	12.8	12.6	11.5	8.8	8.8	7.7
Infrastructure	2.5	2.1	3.0	3.7	3.4	3.0	2.9			
Hedge funds	0.8	3.8	4.3	4.6	4.0	5.0	4.8	5.9	4.9	4.3
Private equity funds	6.0	4.9	5.4	5.5	4.6	4.7	5.0	4.4	3.3	3.2
High-yield	1.1	1.9	3.0	2.8	4.5	4.5	2.9			
Alternative strategies	0.2	0.0	1.1	0.9	1.0	5.0	4.4			
Systematic strategies				3.2	3.0	4.5	5.2	5.6	4.8	0.7
Special investments						0.5	0.7			
Foreign exchange	30.3	23.2	25.7	26.0	25.3	22.1	31.3	35.1	29.2	27.4
Risk										
Risk, % ⁽³⁾	6.4	10.6	3.8	4.9	3.6	6.4	8.1	5.4	5.0	5.9
Sharpe ratio	3.3	0.9	4.2	0.0	2.9	1.5	0.5	2.6	2.1	1.9
External management, %										
Share of total portfolio as of 31 December ⁽⁴⁾	15.9	22.6	31.4	33.5	32.5	31.8	31.0	34.6	37.1	39.3

1) Starting in 2019, systematic strategies are included as a part of Equities in developed markets.

2) Investment grade bonds (fixed income incl. cash funds in accounts = 23.6% for 2021).

3) Standard deviation calculated on daily return in 2021.

4) In accordance with a joint decision, the AP Funds report wholly or partially owned real estate companies as being internally managed.

5) Cash exposure includes commitments related to certain equity derivative instruments

Income Statement

SEK m	Note	31/12/2021	31/12/2020
Operating income			
Net interest income	2	1,236	1,568
Income from equity shares		5,790	2,932
Net gains/losses, listed shares and participations	3	39,391	25,829
Net gains/losses, unlisted shares and participations	4	24,458	7,708
Net gains/losses, fixed-income assets		-806	2,968
Net gains/losses, derivative instruments		5,304	2,701
Net gains/losses, foreign exchange movements		5,593	-8,624
Commission expenses	5	-61	-76
Total operating income		80,905	35,006
Operating expenses			
Personnel costs	6	-139	-134
Other administrative expenses	7	-93	-92
Total operating expenses		-231	-226
Net investment income		80,674	34,780

Balance Sheet

SEK m	Note	31/12/2021	31/12/2020
Assets			
Shares and participations, listed	8	239,965	185,645
Shares and participations, unlisted	9	107,957	92,145
Bonds and other fixed-income assets	10	119,085	102,386
Derivatives	11	1,838	7,595
Cash and bank balances		5,121	4,689
Other assets	12	505	344
Prepaid expenses and accrued income	13	569	646
Total Assets		475,040	393,450
Liabilities			
Derivatives	11	6,396	763
Other liabilities	14	2,851	31
Deferred income and accrued expenses	15	9	19
Total liabilities		9,256	813
Net assets	16		
Opening net assets		392,637	365,759
Net payments to/from the pension system		-7 528	-7 902
Net investment income for the year		80,674	34,780
Total net assets		465,784	392,637
Total net assets and liabilities		475,040	393,450
Memorandum items	17	40,130	40,111

Notes to the accounts

Note 1 - Accounting policies

The National Pension Insurance Funds Act (2000:192) sets out that the annual report shall be prepared in accordance with generally accepted accounting principles, whereby the assets in which the Fund invests shall be entered at market value. In light thereof, the First to Fourth AP Funds (AP1, AP2, AP3 and AP4) have developed joint accounting and valuation policies which have been applied and are summarised below. The Funds' accounting and valuation policies are being gradually adapted to International Financial Reporting Standards, IFRS. Complete adaptation to IFRS would have no material impact on the reported net investment income and net assets. AP1 meets the requirements to be defined as an investment entity under IFRS 10. Compared to the currently applicable IFRS, the only major difference is that a cash flow statement has not been prepared and IFRS 16 has not been applied.

Trade-date accounting

Transactions in securities and derivative instruments in the money, bond, equity and foreign exchange markets are recognised in the balance sheet at the trade date, i.e. the time at which material rights and hence risks are transferred between the parties. The receivable from or liability to the counterparty between the trade date and settlement date is recognised in "other assets" or "other liabilities". Other transactions, primarily those relating to unlisted equities, are recognised in the balance sheet at the settlement date, which is consistent with market practice.

Netting

Financial assets and liabilities are recognised net in the balance sheet when there is a legal right to net transactions and there is an intention to pay net proceeds or realise the asset and simultaneously settle the liability.

Translation of foreign currencies

Transactions in foreign currencies are translated to SEK at the exchange rate on the transaction date. In the balance sheet, assets and liabilities in foreign currencies are translated to SEK at the exchange rates on the balance sheet date. Changes in the value of assets and liabilities denominated in foreign currency are broken down into the part attributable to the change in the value of the asset or liability in local currency and the part caused by fluctuations in the exchange rate. Foreign exchange gains/losses arising from changes in foreign exchange rates are recognised in the income statement in the line Net gains/losses, foreign exchange movements.

Shares in subsidiaries/associated companies

In accordance with the National Pension Insurance Funds Act, shares in and loans to subsidiaries/associated companies are both stated at fair value. Fair value is determined using the same methods that apply for unlisted shares and participations. There is no requirement to prepare consolidated accounts.

Loans to subsidiaries and associated companies that are intended to be held until their maturity are measured at fair value via the fair value option in IFRS 9. However, the total change in value is recognised as part of the shareholding in the line net gains/losses, unlisted shares and participations.

Valuation of financial instruments

All of the Fund's investments are measured at fair value, and both realised and unrealised changes in value are recognised in the income statement. Consequently, the lines for net gains/losses per asset class include both realised and unrealised gains/losses. Equity instruments are held for trading and therefore measured at fair value through profit or loss. Debt instruments are held for trading and therefore measured at fair value through profit or loss. Loans to subsidiaries and associated companies are intended to be held until their maturity, but the fair value option is applied here so that the National Pension Insurance Funds Act's requirement on measurement at fair value is met. The AP Funds monitor all of their assets based on fair value. A description of how the fair values of the Fund's various investments are determined is provided below.

Listed shares and participations

For shares and participations that are admitted to trade on a regulated market or trading venue, fair value is determined based on official quoted market prices on the balance sheet date according to the Fund's designated index supplier, most often the average price. Holdings that are not part of an index are valued at quoted prices observable in an active market. Paid brokerage commissions are recognised in net gains/losses on listed shares.

Unlisted shares and participations

For shares and participations that are not admitted to trade on a regulated market or trading venue, fair value is determined based on the valuation provided by the counterparty or other external party. This valuation is updated when a new valuation has been obtained and is adjusted for any cash flows up to the close of accounts. In cases where the Fund has reasonable grounds to consider the valuation to be incorrect, the valuation received is adjusted. Valuations of unlisted participations comply with International Private Equity and Venture

(IPEV) Capital Valuation Guidelines or equivalent valuation policies and should be primarily based on arm's length transactions, although other valuation methods can be used. Unlisted real estate shares are valued based on the net worth method to the extent that the share has not been subject to transactions in a secondary market. Holdings in unlisted real estate companies are measured taking into consideration deferred tax liabilities at a value that is used in real estate transactions, which differs from the valuation performed in the annual accounts of the real estate companies.

Bonds and other fixed-income assets

For bonds and other fixed income assets, fair value is determined based on the official quoted market prices on the balance sheet date (most often the bid price) according to the Fund's designated index supplier. Holdings that are not part of an index are valued at quoted prices observable in an active market. For an instrument that is not traded on an active market and for which no reliable market prices are available, the instrument is valued using generally accepted valuation models in which cash flows are discounted to the applicable valuation curve. Interest income is recognised as interest calculated according to the effective interest rate method based on amortised cost. Amortised cost is the discounted present value of future payments, in which the discount rate is the effective rate of interest on the acquisition date. This means that acquired premiums and discounts are apportioned to periods over the remaining maturity or until the next interest adjustment date and are included in recognised interest income. Changes in value resulting from interest rate movements are recognised under Net gains/losses for fixed-income assets, while changes in value resulting from foreign exchange movements are recognised under Net gains/losses on foreign exchange movements.

Derivative instruments

For derivative instruments, fair value is determined based on quoted market prices at year-end. For an instrument that is not traded on an active market and for which no reliable market prices are available, the value of the instrument is established using generally accepted valuation models in which input data consists of observable market data. Derivative contracts with a positive fair value on the balance sheet date are recognised as assets, while contracts with a negative fair value are recognised as liabilities. Changes in value resulting from foreign exchange movements are recognised in the income statement under Net gains/losses on foreign exchange movements, while other changes in value are recognised under Net gains/losses on derivative instruments.

Repurchase transactions

In a true repo (repurchase) transaction, the sold asset remains in the balance sheet and the proceeds received are recognised as a liability. The divested security is recognised in the balance sheet as a pledged. The difference between proceeds in the spot and forward legs is apportioned to periods over the maturity of the security and recognised as interest.

Securities lending

Securities on loan are recognised in the balance sheet at fair value, while compensation received for securities on loan is recognised as interest income in the income statement. Collateral received for securities on loan may consist of securities and/or cash. AP1 has a right of disposal over the received cash collateral, this is recognised in the balance sheet as an asset and a corresponding liability. In cases where the Fund does not have a right of disposal over the collateral, the collateral received is not recognised in the balance sheet but is stated separately in a note under the heading 'Pledged assets, contingent liabilities and obligations'. The value of securities on loan, as well as collateral for these, are also recognised under this heading.

Items recognised directly in net assets

Payments to and from the national pension system are recognised directly in the Fund's net assets.

Commission expenses

Commission expenses are recognised in the income statement as a deduction under operating income. These consist of external costs for management services, such as custodian bank fees and fixed fees for external managers, as well as fixed fees for listed funds. Performance-based fees, which are payable if the manager achieves a return over a predetermined level at which profit-sharing applies, are recognised as a deductible item from net investment income for the relevant asset class in the income statement. Management fees for unlisted shares and participations are recognised at cost and therefore included in unrealised gains/losses

Operating expenses

All administrative expenses, excluding brokerage fees, fees for external managers and custodian bank fees, are recognised in Operating expenses. Investments in equipment and software developed or acquired by the Fund are normally expensed as incurred.

Taxes

AP1 is exempt from all income tax on domestic investments in Sweden. The dividend and coupon taxes imposed in certain countries are recognised net in the income statement under the relevant income item. With effect from 2012 the Fund is registered for value added tax and is therefore liable for VAT on acquisitions from outside Sweden. The Fund does not have the right to recover paid VAT. Expensed VAT is included in the relevant expense item. Amounts are in SEK million (SEK m), unless otherwise stated.

Note 2 – Net interest income

SEK m	2021	2020
Interest income		
Bonds and other fixed-income securities	882	1,292
Other interest income	367	294
Total interest income	1,249	1,586
Interest expenses		
Other interest expenses	-13	-18
Total interest expenses	-13	-18
Total net interest income	1,236	1,568

Note 3 - Net gains/losses, listed shares and participations

SEK m	2021	2020
Net gains/losses	39,441	25,876
Less brokerage commissions	-51	-47
Net gains/losses, listed shares and participations	39,391	25,829

Note 4 – Net gains/losses, unlisted shares and participations

SEK m	2021	2020
Capital gains/losses	6,222	3,288
Unrealised value changes	18,236	4,420
Net gains/losses, unlisted shares and participations	24,458	7,708

External management fees for unlisted assets are recognised as part of the cost of the asset and therefore burden the unrealised net gains/losses for unlisted assets. Refunded management fees accordingly have a positive effect on unrealised gains/losses.

During the year, a total of SEK 110 million (111) was paid in management fees for unlisted assets, of which SEK 110 million (111) permit refunds. Furthermore, SEK 0 million (0) was repaid during the year and the unrealised net gains/losses for unlisted shares and participations were therefore positively affected by SEK 0 million net (by SEK 0 million net).

Note 5 – Commission expenses

SEK m	2021	2020
External management fees, listed assets	-48	-59
Other commission expenses, incl. custodian bank expenses	-13	-17
Commission expenses	-61	-76

Commission expenses do not include performance-based fees. During the year, performance-based fees amounted to SEK 66 million (103) and reduce net investment income for the respective asset class.

Note 6 – Employees

Number of employees	2021			2020		
	Total	Men	Women	Total	Men	Women
Average no. of employees	66.3	37.1	29.2	65.8	38.1	27.7
Closing no. of employees	67	38	29	66	37	29
No. of executive management members at year-end	5	3	2	5	2	3

Personnel costs 2021, SEK thousands	Salaries and remuneration	Pension costs	Social security costs	Total
Board Chairman	207		65	272
Other Board members (8 people)	856		254	1,110
CEO	3,788	1,872	1,368	7,028
<i>Executive management team, excl. CEO</i>				
Chief Investment Officer	3,366	1,021	1,182	5,569
Head of Communications	1,308	457	454	2,219
Head of Operations	2,178	869	740	3,787
Head of Business Support & Development (Apr onwards)	1,310	322	440	2,073
Other employees**	63,825	21,442	26,030	111,297
Total	76,838	25,983	30,532	133,353
Other personnel costs				5,189
Total personnel costs				138,542

* Payroll overheads also include the cost of payroll tax.

Personnel costs 2020, SEK thousands	Salaries and remuneration	Pension costs	Social security costs	Total
Board Chairman	207		65	272
Other Board members (8 people)	949		270	1,219
CEO (August onwards)	1,559	717	638	2,914
Acting CEO (to end July)	1,186	321	452	1,959
<i>Executive management team, excl. CEO</i>				
Chief Investment Officer	3,316	1,006	1,288	5,610
Head of Communications	1,303	428	517	2,248
Head of Business Support (to end Sep)	895	907	503	2,305
Head of Operations	1,748	681	717	3,146
Head of Middle Office & Risk (to end Sep)	1,159	286	434	1,879
Head of Business Support & Development (Aug onwards)	544	179	215	938
Head of HR (to end Sep)	1,098	717	521	2,336
Other employees**	62,329	18,747	24,181	105,257
Total	76,293	23,989	29,801	130,083
Other personnel costs				4,085
Total personnel costs				134,168

* Payroll overheads also include the cost of payroll tax. ** Other employees include salary during the notice period, pension provision and severance pay for three individuals. This amounts to SEK 6.0 million.

AP1's remuneration policy for senior executives is based on the Government's guidelines for remuneration to senior executives and other employees. There were no divergences from the policy or guidelines in 2020 or 2021.

Salaries and other benefits

Board fees are determined by the Government. The Fund governance report provides information about fees and attendance for each Board member. The Board of Directors determines the terms of employment for the CEO, following preparation in the remuneration committee. All employees have individual employment contracts. Since 1 January 2010, AP1 has no variable remuneration. In the event of termination on the part of the employer, the notice period for the CEO is 12 months. For members of the executive management team and other employees it is between 2 and 6 months. A few agreements entered before April 2009 contain divergences. For cost-related reasons, these agreements are not being renegotiated. In the event of the Fund issuing notice of termination of employment, severance pay can equal a maximum of 18 months' salary. The severance pay shall only consist of the fixed monthly salary, without the addition of benefits. Both salary during the notice period and severance pay shall be reduced by an amount equal to any income from new employment or business activity during the pay-out period. Severance pay is never paid out beyond 65 years of age.

Pensions and similar benefits

The employment contract of the CEO includes an obligation for the Fund to pay pension premiums equal to 30 per cent of salary. For the portion of salary granting entitlement under the national pension, the pension premium is reduced to 11.5 per cent. As of 1 February 2013, AP1 has switched to a defined contribution pension plan, BTP1, for newly hired employees. The pension agreement has been signed and agreed on between the parties. This means that the Fund has two occupational pension plans – BTP1, which is a defined contribution plan, and BTP2, which is a defined benefit plan. All employees have the option of participating in a salary exchange scheme in which gross salary is exchanged for pension premiums. The pension premium is then increased by 5.8 per cent, which corresponds to the difference between payroll tax and social security fees. The premium exchange is therefore cost-neutral for the Fund. Other benefits are taxable and amount to smaller amounts.

Note 7 – Other administrative expenses

SEK m	2021	2020
Cost for premises	-17	-14
Purchased services	-20	-19
Information and data expenses	-50	-55
Other administration expenses	-5	-4
Other administrative expenses	-93	-91
The amount for purchased services includes remuneration for the Fund's auditors, broken down into the following assignments, SEK thousands:		
<i>PWC</i>		
Audit services	-774	-851
Other assignments, primarily tax related	-41	-75
	-765	-926

Note 8 – Listed shares and participations

Fair value, SEK m	31/12/2021	31/12/2020
Equities, Swedish	78,377	61,824
Equities, foreign	137,644	91,833
Participations in Swedish funds	520	1,035
Participations in non-Swedish funds	23,424	30,953
Total fair value	239,965	185,645

Five largest Swedish equity holdings

Name	Number of shares	Fair value
Atlas Copco A	8,723,764	5,459
Investor B	23,641,136	5,384
Volvo B	21,461,657	4,499
Hexagon B	27,515,825	3,953
Ericsson (LM) B	39,338,051	3,926
		23,221

> Note 8 continued

Five largest non-Swedish equity holdings

Name	Number of shares	Fair value
Apple	3,835,300	6,166
Microsoft Corp	1,697,500	5,169
Nordea Bank	42,028,702	4,644
Amazon.com	104,900	3,167
Tesla	195,300	1,869
		21,132

A complete list of all listed holdings at 30 June and 31 December is available on the Första AP-fonden website, www.ap1.se.

Note 9 – Unlisted shares and participations

Fair value, SEK m	31/12/2021	31/12/2020
<i>Swedish unlisted shares and participations:</i>		
Subsidiaries and associated companies	62,045	45,341
<i>Non-Swedish unlisted shares and participations:</i>		
Subsidiaries and associated companies	6,602	5,763
Other unlisted shares and participations	39,310	41,041
Total	107,957	92,145

Subsidiaries and associated companies	Domicile	Corp. ID No.	Number of shares	Holding, %:	Net investment income	Equity	Fair value
Swedish shares and participations, subsidiaries and associated companies							
Aros Bostad IV AB	Stockholm	559032-9503	14,747	29	68*	1,166*	437
Ellevio Holding 1 AB	Stockholm	559005-2444	6,250	13	-776*	8069*	1,350
Secore Fastigheter AB	Stockholm	559018-9451	25,000	50	41*	788*	673
Polhem Infra AB	Stockholm	559183-3917	20,000	33	-0	1	0
Polhem Infra KB	Stockholm	969789-2413		33	405	8,541	2,949
Urbanea Fastigheter AB	Stockholm	559201-2008	93,575	99	7*	198*	385
Vasakronan Holding AB	Stockholm	556650-4196	1,000,000	25	16,421	85,290	25,253
Willhem AB	Gothenburg	556797-1295	770,236,076	99	7,281	24,759	30,168
4 to 1 Investment AB	Stockholm	559313-2490	6,250	25	-1	2	1
4 to 1 Investment KB	Stockholm	969795-3033		25	-0	3,314	828
							62,045
Foreign shares and participations, subsidiaries and associated companies							
First Australian Farmland Pty Ltd	Australia	155,718,013		100	28**	426**	397
Chapone S.à.r.l	Luxembourg	B 200297		100	146**	2,642**	3,348
Jutas Invest Finland OY	Finland	2793175-3		100	-19**	180**	143
OMERS Farmoor 3 Holdings B.V.	Netherlands	699691750000		100	-96**	2,532**	2,308
ASE Holdings S.à.r.l	Luxembourg	B 169327		38	-210**	325**	51
ASE Holdings III S.à.r.l	Luxembourg	B 207618		35	-79**	854**	356
							6,602

*Pertains to figures released 31/12/2020 **Refers to 31/12/2020 translated at the exchange rate on 31/12/2020

> Note 9 continued

Five largest holdings, unlisted shares and participations

	Domicile	Holding, %	Cost
Fourth Stockholm Global Private Equity L.P., Hamilton Lane	USA	100	8,898
Fifth Stockholm Global Private Equity L.P., Hamilton Lane	USA	100	6,076
Idiosyncratic AI L.P Class C	Cayman	100	1,579
WP North America Private Equity II L.P.	USA	99	64
First Private Equity Investments II, L.P. Inc	Guernsey	100	936

A complete list of all unlisted shares and participations is available on the AP1 website www.ap1.se

Note 10 – Bonds and other fixed-income assets

Fair value, SEK m	31/12/2021	31/12/2020
Breakdown by type of issuer		
Swedish state	24,759	24,316
Swedish municipalities	210	2,339
Swedish mortgage institutions	2,147	3,257
Other Swedish companies:		
Financial companies	759	1,422
Non-financial companies	5,850	6,675
Foreign states	18,365	45,329
Other foreign issuers	66,994	19,048
Total	119,085	102,386
Breakdown by type of instrument		
Inflation-indexed bonds	17,599	9,997
Other bonds	100,161	85,071
Treasury bills		132
Certificates		
Other instruments	1,324	7,186
Total	119,085	102,386

Note 11 – Derivatives

Fair value, SEK m	31/12/2021		31/12/2020	
	Derivative instruments with: Positive fair value	Negative fair value	Derivative instruments with: Positive fair value	Negative fair value
Equity-linked instruments				
Options				
Held	762			-17
Issued		-508		
Swaps	21	-129	339	-134
Futures				
Total	783	-637	339	-151
Interest-linked instruments				
Swaps	166	-6	90	-171
Futures				
Total	166	-6	90	-171
Currency-linked instruments				
Swaps	889	-5,753	7,166	-441
Futures				
Options				
Total	889	-5,753	7,166	-441
Total derivative instruments	1,838	-6,396	7,595	-763

Derivative positions with a negative value amounting to SEK -105 million (-243) have a maturity exceeding 12 months. For maturity analysis thereof, see Note 19.

Note 12 – Other assets

SEK m	31/12/2021	31/12/2020
Incoming payments, unsettled transactions	4	28
Receivables from foreign tax authorities	336	159
Other assets	166	157
Total other assets	505	344

Note 13 – Prepaid expenses and accrued income

SEK m	31/12/2021	31/12/2020
Accrued interest income	467	565
Accrued dividends	97	80
Other prepaid expenses and accrued income	5	1
Prepaid expenses and accrued income	569	646

Note 14 – Other liabilities

SEK m	31/12/2021	31/12/2020
Incoming payments, unsettled transactions	35	3
Other	2,815	28
Other liabilities	2,851	31

Note 15 – Deferred income and accrued expenses

SEK m	31/12/2021	31/12/2020
Accrued management fees	4	13
Other accrued expenses	5	6
Deferred income and accrued expenses	9	19

Note 16 – Net assets

SEK m	2021	2020
Opening net assets	392,637	365,759
Net flow to/from the pension system:		
Incoming pension contributions	75,597	73,872
Outgoing pension disbursements	-82,886	-81,564
Transfer of pension rights to the EC	-1	-2
Settlement of pension rights	-3	2
Outgoing administrative contribution to the Swedish Pensions Agency	-236	-210
Total net outflow to the pension system	-7,528	-7,902
Net investment income after expenses for the year	80,674	34,780
Closing net assets	465,784	392,637

Note 17 – Memorandum items

SEK m	31/12/2021	31/12/2020
Pledged assets and equivalent collateral for own liability	2,763	None
Collateral provided for futures transactions	4,839	7,722
Collateral provided for OTC transactions*	4,868	113
Other pledged assets and equivalent collateral	12,470	7,835
Investment commitments, unlisted holdings	27,660	32,276
Undertakings	27,660	32,276
Total memorandum items	40,130	40,111
* Collateral received for OTC transactions	51	5,776

Note 18 – Financial instruments, price and valuation hierarchy

This Note provides disclosures about how fair value is determined for the financial instruments used by the AP Funds. The Funds' accounting and valuation policies are in accordance with the international reporting standard. The objective is to present information about the fair values of financial assets and liabilities and to ensure transparency and comparability between different companies. This means that the disclosures about valuation of assets and liabilities in the balance sheet take account of whether trade occurs on an active or inactive market and whether quoted prices are available at the time of valuation.

Valuation of the Fund's net assets – market-listed assets

The majority of the Fund's assets are market listed, which means that they are traded on an active market at prices that represent actual and regularly occurring market transactions. The majority of the Fund's market listed assets are valued daily at their quoted market prices and consist of equities, bonds, derivatives, funds and foreign exchange. Some Fund holdings with listed holdings in underlying securities are valued less frequently than daily, e.g. weekly or every other week. A handful of Fund holdings with listed holdings in underlying securities are valued only once a month.

For OTC derivatives the valuation is based on either theoretical modelling or on a valuation from an external party. For the Fund's holdings of currency futures the valuation is based on theoretical modelling, whereby the model's subjective feature at present consists exclusively of the choice of yield curve and methodology for calculating and forecasting future value (interpolation and extrapolation). The same methodology is applied for deposits, short-dated commercial papers and similar instruments. For other OTC derivatives, valuation is performed exclusively by an external party as a comparison to the Fund's own valuations. In periods when the market lacks liquidity for market listed securities, a higher degree of subjectivity is required in the valuation process. At such times, the market features sharply increased spreads between bid and ask prices, which can also differ substantially between market participants. At such times, Funds have used a conservative approach to valuation.

Valuation of net assets – alternative investments

For assets that are not valued in an active market, different valuation methodologies are applied to determine fair value. Fair value equals the price that would have been received or paid in an orderly transaction between two independent parties. AP1's unlisted investments consist of investment in hedge funds, risk parity funds, private equity funds, real estate companies and real estate funds. Investments in unlisted hedge funds and risk parity funds are normally valued with a one-month lag. These funds invest primarily in market listed securities. Valuation of fund participations is based on the same principles as for market listed assets. Investments in private equity funds are valued according to the IPEV (International Private Equity and Venture Capital Guidelines) or similar principles. According to IPEV, the valuation can be based on completed transactions, market multiples in valuation, the net asset value or discounting of future cash flows. Valuation of the Fund's investments in private equity funds is based on the most

> Note 18 continued

recent available reporting. Since reporting from private equity funds is received with a lag, the Fund's annual accounts are generally based on reports at 30 September adjusted for cash flows for the subsequent period and up to the closing date. In a situation with rising returns in the equity markets, this means that the Fund has a lower valuation in the annual accounts than that which is later reported by private equity fund managers and vice versa.

Investments in real estate companies are valued in accordance with IFRS and industry practice as established in IPD's recommendations. The valuation is based on discounting of future rental income, operating expenses and sales prices by market-based return requirements. With regard to valuation of deferred tax in a real estate company, this is measured at fair value, i.e. a discounting of future tax effects by an interest rate that is relevant for the individual company. Investments in real estate funds are valued according to recommendations from industry organisations such as INREV.

Fair value

The fair value of a financial instrument is defined as the amount for which an asset could be transferred or a liability settled between knowledgeable and willing parties in an arm's length transaction. Depending on which market data is available for valuation of the financial instruments, these are broken down into three levels:

Level 1: Financial instruments traded in an active market. The market is deemed active if there are quoted prices that are regularly updated with a greater frequency than once a week and if the prices are used unaltered to settle trades in the market.

Level 2: Financial instruments* traded on a market that is not considered active but for which there are quoted prices that are used unaltered to settle trades, or observable input data that is regularly updated for indirect valuation using generally accepted models.

Level 3: Instruments belong to level 3 if they cannot be included in level 1 or level 2. In such cases, no observable market data can be used for valuation. Valuations are based on information with consideration to the circumstances, and may require a significant element of estimation from the Fund's management.

Active market

An active market is one in which quoted prices are readily and regularly available from an exchange, a trader or similar and where transactions are priced on commercial terms. It is virtually only equities for listed companies, currencies and fixed-income securities issued by governments, municipalities, banks or major corporations that are traded on an active market and can thus be included in level 1. For example, currency derivatives are traded on very active markets, but are classified at level 2 since the value must be derived from prices of other instruments.

Inactive market

An inactive market features a low trading volume and a much lower level of trading activity than on an active market. Available prices vary sharply over time or between market participants. In most cases, the prices are not current.

*In classification to an appropriate level in the valuation hierarchy, financial instruments shall be assessed without screening.

Financial assets and liabilities, closing balance 31/12/2021, SEK m	Level 1	Level 2	Level 3	Total
Financial assets				
Shares and participations, listed	239,961	1	3	239,965
Shares and participations, unlisted			107,957	107,957
Bonds and other fixed-income assets	108,237	2,671	8,177	119,085
Derivatives		1,838		1,838
Total assets valued at	348,198	4,510	116,137	468,845
Financial liabilities				
Derivatives		-6,396		-6,396
Total liabilities valued at	0	-6,396	0	-6,396
Financial assets and liabilities	348,198	-1,886	116,137	462,449

Financial assets and liabilities, closing balance 31/12/2020, SEK m	Level 1	Level 2	Level 3	Total
Financial assets				
Shares and participations, listed	184,270		1,375	185,645
Shares and participations, unlisted			92,145	92,145
Bonds and other fixed-income assets	90,057	5,097	7,232	102,386
Derivatives		7,595		7,595
Total assets valued at	274,327	12,692	100,752	387,771
Financial liabilities				
Derivatives		-763		-763
Total liabilities valued at	0	-763	0	-763
Financial assets and liabilities	274,327	11,929	100,752	387,008

Change, level 3	Shares and participations, listed	Shares and participations, unlisted	Bonds and other fixed-income assets	Derivatives	Total
Value reported, opening balance	1,375	92,145	7,232	0	100,752
Invested	0	6677	1,265		7,942
Sold/repaid during the year	-1,449	-14,971	-567		-16,987
Realised change in value	136	2,142	71		2,349
Unrealised change in value	-59	22,571	176		22,688
Transfer from level 1 or 2					0
Transfer to level 1 or 2		-607			-607
Value reported, at year-end	3	107,957	8,177	0	116,137

Of the change in value reported above, SEK 60,769 million (-3,339) was unrealised on the balance sheet date. The Fund has the majority of its investments at level 1 where the valuations are obtained from independent and reputable valuation sources. Level 3 listed equities refer to listed fund participations, for which prices are updated less frequently than every seventh day.

Note 19 – Financial risks**Sensitivity analysis: Reporting of market risk****Forecast risk**

The assets' expected market risk is presented in the sensitivity analysis according to the table below. The calculations are based on the Fund's portfolio composition at 31 December 2022 and historical market returns. The sensitivity analysis is carried out through simulation of return outcomes for the Fund's assets. By using the historical return break-down in the simulation, any extreme outcomes are taken into account. Hence, no assumptions about normal distribution are necessary. The simulations shown in the table are created for a short-term risk perspective. The simulation uses a one-year data history and risk is presented for a horizon of a one-day change in value.

The simulation is based on a joint standard that has been agreed on by the First, Second, Third and Fourth AP Funds. The simulation is shown with two different but related risk measures. Value at risk shows the outcome exceeded by the Fund with 95 per cent probability. Expected shortfall shows the expected loss given that the loss is greater than the value at risk measure. The Fund's risk measured as forecast volatility amounted to 9.6 per cent annualised for the Fund's total portfolio at 31 December. The foreign exchange asset class shows the Fund's total currency risk, while the other assets in the table are hedged for currency risk. The table shows the diversification gain achieved through the Fund's investment in different assets, which together reduce the Fund's risk of loss compared to the risks specific to each individual asset.

Realised risk

Average realised risk is calculated based on a joint standard that has been agreed on by the First, Second, Third and Fourth AP Funds and which is founded on the principle that calculation of risk shall reflect the market valuation of the Fund's total assets. The valuation frequency is established as quarterly and the period for calculation is established at ten years. Consequently, for the total portfolio the realised standard deviation for the past ten years has been expressed at an annual rate based on quarterly data.

AP1's average realised risk for the past ten-year period was 6.8 per cent based on this calculation methodology. The First, Second, Third and Fourth AP Funds have also agreed to report average realised risk for the past year both for the total portfolio and for the assets for which a market value is obtained daily. For this calculation of standard deviation, daily data is used. The average realised risk during the year was 6.4 per cent for the total portfolio and 8.4 per cent for the part of the portfolio for which a market value is obtained daily. The share of the portfolio for which a market value is obtained daily was 75 per cent at the end of the year.

Financial risks**Sensitivity analysis, market risk, at 31 Dec**

	Volatility annualised %		Value at risk annualised, SEK m		Expected shortfall annualised, SEK m		Value at risk one day, SEK m		Expected shortfall one day, SEK m	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Equities	10.9	25.6	-51 567	-78 419	-71 804	-130 666	-3 198	-4 863	-4 453	-8 104
Fixed income	2.4	2.5	-4 406	-4 183	-5 949	-9 210	-273	-259	-369	-571
Alternative investments	12.5	30.4	-23 792	-48 921	-35,800	-79,718	-1,476	-3,034	-2,220	-4,944
Foreign exchange	7.1	9.0	-12,630	-7,555	-15,175	-9,622	-783	-469	-941	-597
Contribution from Diversification	-2.4	-3.4	18,545	22,211	27,135	26,842	1,150	1,377	1,683	1,665
Liquid portfolio	8.7	13.1	-50,428	-66,522	-70,924	-126,958	-3,127	-4,125	-4,399	-7,874
Total portfolio	9.6	18.0	-73,850	-116 867	-101,593	-202,374	-4,580	-7,248	-6,301	-12,551

Liquidity risk, at 31 Dec

	< 1		1 < 3		3 < 5		5 < 10		> 10		Total balance, SEK m	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Maturity structure, Maturity in years, SEK m												
Nominal, government	729	4,648	19,582	20,154	6,668	11,965	29,368	13,719	14,708	11,838	71,056	62,323
Nominal, credit	1,464	4,627	3,018	4,716	5,851	5,225	7,941	8,954	4,954	3,852	23,228	27,375
Inflation-indexed	3,377	0	164	632	2,661	1,287	5,219	5,696	6,205	5,262	17,627	12,877
Total portfolio	5,570	9,275	22,764	25,502	15,180	18,477	42,529	28,369	25,867	20,952	111,910	102,575

Derivative positions with a negative fair value, maturity exceeding 12 months, at 31 Dec

	1 < 3		3 < 5		5 < 10		> 10		Total balance, SEK m	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Maturity structure, Maturity in years, SEK m										
Equity-linked instruments	-105	-134							-105	-134
Interest-linked instruments				-109					0	
Currency-linked instruments										
Total	-105	-134	0	-109	0	0	0	0	-105	-134

Credit risk, at 31 Dec

	AAA		AA		A		BBB		<BBB		Total balance, SEK m	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Rating SEK m*												
Nominal, government	16,798	27,655	42,924	23,590	6,973	7,078	4,361	4,000	0	0	71,056	62,323
Nominal, credit	3,430	4,937	1,877	5,441	5,120	3,734	5,092	3,909	7,709	9,354	23,228	27,375
Inflation-indexed	9,296	4,538	6,305	6,358	2,025	1,981	0	0	0	0	17,627	12,877
Total	29,524	37,130	51,106	35,389	14,118	12,793	9,453	7,910	7,709	9,354	111,910	102,575

* Reporting of credit risk for fixed-income securities based on ratings issued by reputable rating agencies.

Note 20 – Financial assets and liabilities that are netted or governed by netting agreements

31/12/2021, SEK m	Gross amount	Netted amount in balance sheet	Net amount in the balance sheet	Related amounts that cannot be netted			Other*	Total in the balance sheet
				Framework agreement on netting	Collateral received	Net amount		
Assets								
Unsettled assets							4	4
Derivatives			1,838	1,838	51	-51		1,838
Total Assets	0	0	1,838	1,838	51	-51	4	1,842
Liabilities								
Unsettled liabilities							35	35
Derivatives			6,396	1,838	4,868	310		6,396
Repurchase transactions			2,763		2,763			2,763
Total liabilities	0	0	9,159	1,838	7,631	310	35	9,194

31/12/2020, SEK m	Gross amount	Netted amount in balance sheet	Net amount in the balance sheet	Related amounts that cannot be netted			Other*	Total in the balance sheet
				Framework agreement on netting	Collateral received	Net amount		
Assets								
Unsettled assets							3	3
Derivatives			7,595	763	5,776	1,056		7,595
Total Assets	0	0	7,595	763	5,776	1,056	3	7,598
Liabilities								
Unsettled liabilities							2	2
Derivatives			763	763				763
Total liabilities	0	0	763	763	0	0	2	765

* Other instruments in the balance sheet that are not governed by netting agreements

The table above shows the financial assets and liabilities that are presented net in the balance sheet, or that carry rights associated with legally binding framework agreements regarding netting or similar agreements. Financial assets and liabilities are recognised net in the balance sheet when the Fund has a legal right to perform netting in normal business conditions and in the event of insolvency, and if there is an intention to pay net proceeds or realise the asset and simul-

taneously settle the liability. Financial assets and liabilities that are governed by legally binding framework agreements regarding netting or similar agreements that are not presented net in the balance sheet are arrangements that commonly come into legal effect in the event of insolvency, but not in normal business conditions or arrangements in which the Fund does not intend to settle the positions simultaneously.

Note 21 – Related parties

The table shows AP1's transactions, outstanding dealings and obligations with related parties in accordance with definitions in IAS 24. Related parties to AP1 are considered to be subsidiaries and associated companies in which the Fund's ownership is a minimum of 20 per cent, and the Fund's Board members and executive management team.

See Note 6 for information regarding salaries and remuneration for Board members and the executive management team.

Counterparty	31/12/2021	31/12/2020	Counterparty	31/12/2021	31/12/2020	Counterparty	31/12/2021	31/12/2020
AROS Bostad IV AB			ASE Holdings S.à.r.l			Polhem AB		
Shareholder contribution during the year		28	Interest income	33	29	Shareholder contribution during the year	0	
Investment commitments	36	36	Proprietary loans	259	253			
			Shareholder contribution during the year			Polhem KB		
Chapone S.à.r.l			ASE Holdings III S.à.r.l			Shareholder contribution during the year	2,320	90
Interest income	44	52	Interest income	19	15	Investment commitments	353	2,597
Proprietary loans	2,177	1,561	Proprietary loans	250	195	Urbanea Fastigheter AB		
Shareholder contribution	310	132	Shareholder contribution during the year	35	18	Shareholder contribution during the year	117	187
Investment commitments	1,233	2,023	Investment commitments	113	170	Investment commitments	187	304
			Jutas Invest Finland OY			4 to 1 Investment AB		
Secore Fastigheter AB			Interest income	33	29	Shareholder contribution during the year	1	
Shareholder contribution during the year			Proprietary loans	498	453			
Investment commitments	608	608	Shareholder contribution during the year			4 to 1 Investment KB		
			Investment commitments	515	503	Shareholder contribution during the year	828	
Vasakronan Holding AB			First Australian Farmland Pty Ltd					
Rent for premises*	12	12	Interest income	20	18			
Interest income	9		Proprietary loans	526	486			
Shareholder contribution during the year			Shareholder contribution during the year					
Undertaking, on the request of Vasakronan, to purchase commercial papers in the company, up to the highest total settlement amount at any time of:	4,500	4,500	OMER Farmoor 3 Holdings B.V.					
			Shareholder contribution during the year					
Willhem AB								
Interest income	18							
Shareholder contribution during the year								
Undertaking, on the request of Willhelm, to purchase commercial papers in the company, up to the highest total settlement amount at any time of:	6,000	6,000						

* AP1 rents office premises from Vasakronan on market terms.

Statement of assurance from the Board of Directors and the CEO

We hereby give our assurance that, to the best of our knowledge, the annual accounts have been prepared in conformity with generally accepted accounting principles in Sweden and with the joint accounting and valuation policies developed by the AP Funds, that the information therein gives a true and fair presentation of the actual conditions, and that nothing of material significance has been omitted that could affect the presentation of the Fund created by this annual report.

Stockholm, 22 February 2022

Urban Hansson Brusewitz
Chairman

Anna Nilsson
Vice Chairperson

Kent Eriksson
Member of the board

Peter Hansson
Member of the board

Åsa-Pia Järliden Bergström
Member of the board

Per Klingbjer
Member of the board

Charlotte Nordström
Member of the board

Erik Rosenberg Sjöström
Member of the board

Our audit report has been submitted on 22 February 2022

Peter Nilsson
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

Appointed by the Swedish Government Appointed by the Swedish Government

Auditor's report

For Första AP-fonden, Corp. ID No. 802005-7538

Report on the annual report

Opinion

We have audited the annual accounts of Första AP-fonden for the year 2021. The Fund's annual accounts are on pages 44–62 of this document.

In our opinion the annual accounts have been prepared in accordance with the National Pension Insurance Funds Act (2000:192) and present fairly, in all material aspects, the financial position of Första AP-fonden as of 31 December 2021 and its financial performance for the year then ended in accordance with the National Pension Insurance Funds Act. The statutory administration report is consistent with the other parts of the annual accounts.

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

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Första AP-fonden in accordance with generally accepted auditing standards in Sweden and we have otherwise fulfilled our professional ethical responsibility 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.

Information other than the annual accounts

This document also contains information other than the annual accounts, and this can be found on pages 1–43 and 62–73.

The Board of Directors and the CEO are responsible for this other information.

Our opinion regarding the annual accounts does not extend to this information, and we do not provide any opinion with assurance regarding this other information.

In connection with our audit of the annual accounts, it is our responsibility to read the information identified above and to consider whether or not the information is, to a material extent, inconsistent with the annual accounts. During this review, we also take into consideration the knowledge we have otherwise gained during the audit and assess whether the information otherwise seems to contain material misstatement.

If, based on the work carried out regarding this information, we conclude that the other information contains a material misstatement, we are obliged to report it. We have nothing to report in this respect.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and for ensuring that they provide a true and fair presentation in accordance with the National Pension Insurance Funds Act. The Board of Directors and CEO are also responsible for such internal

control as the Board of Directors and the CEO deem necessary for the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

While preparing the annual accounts, the Board of Directors and the CEO are responsible for assessing the Fund's ability to continue its operation. They disclose, where applicable, conditions that could affect the Fund's ability to continue its operation and to apply the going concern assumption.

The going concern assumption, however, is not applied if the Board of Directors and the CEO intend to liquidate the Fund, close down the operation or do not have a realistic alternative to one of these options.

Responsibility of the auditor

Our goals are to express an opinion with reasonable assurance on whether the annual accounts as a whole contain any material misstatements, whether due to fraud or error, and to provide an auditors' report containing our opinions.

Reasonable assurance is a high degree of certainty, but it is no guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always discover a material misstatement should one exist. Misstatements can occur due to fraud or error, and are deemed to be material if individually or jointly they can reasonably be expected to affect the financial decisions made by users based on the annual accounts.

As part of an audit performed in accordance with ISA, we use professional judgement and we take a professionally sceptical approach during the entire audit. Furthermore:

- We identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, we design and perform audit procedures, partly based on these risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. There is a higher risk of not discovering a material misstatement due to fraud than one due to error as fraud may entail acting in collusion, falsification, intentional omissions, incorrect information or disregarding internal control.
- We acquire an understanding of the part of the Fund's internal control that is important to our audit in order to design audit procedures that are appropriate taking into account the circumstances, but not in order to express an opinion on the efficacy of the internal control.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and pertaining disclosures made by the Board of Directors and the CEO.
- We conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern assumption in preparing the annual accounts. Based on the audit evidence obtained, we conclude on whether there are any material uncertainties relating to any events or conditions that could result in significant doubt about the Fund's ability to continue the operation. If we conclude that there is a material uncertainty, we must draw attention in the auditors' report to the disclosures in the annual accounts about the material uncertainty, or, if such disclosures are insufficient, we must modify our opinion of the annual accounts. Our conclusions are based on the audit evidence obtained up until the date of the auditors' report. Future events or conditions may, however, mean that the Fund is no longer able to continue its operations.
- We evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts render the underlying transactions and events in a way that provides a true and fair presentation.

We must inform the Board of Directors of the planned scope and direction of the audit, as well as the timing of the audit, for example. We must also provide information about significant observations during the audit, including any significant shortcomings we identify in the internal control.

Report on other legal and regulatory requirements **Opinion**

In addition to our audit of the annual accounts, we have examined the inventory of the assets managed by Första AP-fonden. We have also examined whether there are any comments in general concerning the Board of Directors' and the CEO's administration of Första AP-fonden for 2021. Our audit has not resulted in any comments concerning the inventory of assets or in general regarding the administration of the Fund.

Basis for our opinion

We have conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility as set out in these standards is described in more detail in the section on "The auditor's responsibility". We are independent of Första AP-fonden in accordance with generally accepted auditing standards in Sweden and we have otherwise fulfilled our professional ethical responsibility 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.

Responsibility of the Board of Directors and the Chief Executive Officer

The Board of Directors and the CEO are responsible for the preparation of the accounting documents and for the management of the Fund's assets in accordance with the National Pension Insurance Funds Act.

The Board of Directors is responsible for Första AP-fonden's organisation and for the management of Första AP-fonden's affairs. This includes, for example, continuously assessing Första AP-fonden's financial situation and ensuring that Första AP-fonden's organisation is designed so that accounting, asset management and Första AP-fonden's financial affairs are otherwise controlled in an adequate manner. The CEO

shall manage the ongoing administration in accordance with the Board of Directors' guidelines and instructions and, for example, take the necessary measures to ensure that Första AP-fonden's accounting is fulfilled in conformity with legislation and to ensure that asset management is handled in an adequate manner.

The auditor's responsibility

Our goal regarding the audit of the administration, and thereby our opinion on the administration, is to obtain audit evidence in order to assess with reasonable assurance whether or not there is any comment concerning the Board of Directors' and the CEO's administration of Första AP-fonden for the 2021 financial year.

Reasonable assurance is a high degree of certainty, but it is no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always discover measures or omissions that can result in comments.

As part of an audit performed in accordance with generally accepted auditing standards in Sweden we use professional judgement and we take a professionally sceptical approach during the entire audit. The review of the administration is primarily based on the audit of the annual accounts.

Decisions regarding additional audit procedures carried out are based on our professional judgement with the starting points of risk and materiality. This means that we focus the review on such procedures, areas and conditions that are material to the operation and where deviations and non-compliance would have particular significance for Första AP-fonden's situation. We review and test the decisions made, bases for decisions, measures taken and other conditions that are relevant to our opinion of the administration.

Stockholm, 22 February 2022

Peter Nilsson

Authorised Public Accountant
Appointed by the Swedish Government

Helena Kaiser de Carolis

Authorised Public Accountant
Appointed by the Swedish Government

Risks and risk management

API's mandate to create returns on pension assets means that the Fund is naturally exposed to different risks, both internal and external, that affect our ability to achieve our return target. The Fund works regularly, and in a structured manner, to identify and monitor the risks our operation may be exposed to. The Fund's key risks are financial risk, management risk, strategic risk, operational risk, political risk and reputational risk.

New risk appetite framework

In mid-2021, the Board adopted a new risk appetite framework that provides guidelines for how the operation is to manage and work with the key risks identified by the Board. The risk appetite framework is based on the Fund's strategy, and along with the Fund's investment strategy and ESG strategy, it builds on the organisation's purpose, goals and growth potential in risk management, in the investment operations and the ESG area. The risk appetite framework identifies six key risk areas as well as principles for the proper management of each risk. The framework is an important tool for the Board and management in weighing up how much risk is acceptable to create the value the Fund wants to achieve. Read more on how the Fund manages different risks in The Board of Directors' Report on Risk Management on pages 69–70.

Risk management plan

The Board of Directors annually adopts a risk management plan that sets out guidelines and limitations for the risk mandate delegated by the Board to the CEO. The plan sets out limits for financial risk-taking and stipulates well-defined decision-making structures for operating activities. More detailed instructions for managing and following up risks can be found in the instructions from the CEO. Frameworks for risk-taking are specified for individual management mandates in an investment instruction, with accompanying risk mandates based on a number of assumptions regarding long-term market development and risk levels for different asset classes. Read more about the Fund's risk function on pages 69–70.

Financial risk

Consciously taking financial risks is the Fund's core business. The AP Funds have been set up to manage and be compensated for financial risk, to the benefit of the income pension system. By performing financial transactions, the Fund can mitigate or replace risks that are more difficult to manage, with financial risk.

Given the objectives of the pension system and the Fund's role within it, the Fund's total level of risk should be low. The Fund's primary task is to deliver returns in line with the income index, and thereafter the Fund aims to strengthen and stabilise the system by delivering higher returns than the income index. At the selected risk level, the Fund's assets are to be invested so as to achieve long-term high returns over time, as the focus of such investments is the long-term growth of pensions. Higher expected returns can often be achieved for the price of higher financial risk. Returns and financial risk-taking must always be considered in relation to the mandate. The investment operations of the Fund shall always be sufficiently prepared with the necessary liquidity to be able to transfer funds to the Swedish Pensions Agency.

Management

SELECTED RISK APPETITE: OPTIMISE FOR SELECTED RISK LEVEL The Fund works constantly to deepen our understanding of financial risk through proper analyses and appropriate systems, while being mindful to keep asset management cost-efficient. We have agreed policies, investment beliefs and accompanying limits that guide our management practices. Fund assets are allocated according to our long-term strategy, and we aim for a good level of diversification and to take advantage of risk premiums in order to generate higher returns over time. In some cases we use inefficient markets, for instance for unlisted assets. Furthermore, we believe that sustainable value creation provides opportunities to increase returns and reduce financial risk in the long term. If the Fund uses external management mandates, strict requirements are placed on partners in terms of management outcomes and how the mandate is to be performed. Our strategy and processes are designed to help us take conscious risks, which includes carefully following up and understanding risks and evaluating investment strategies. We shall not invest in asset classes or strategies for which the Fund does not possess the requisite knowledge and/or resources. Further, we shall not invest in unnecessarily complex or opaque products and strategies for which the financial risk is difficult to quantify. We also endeavour to not be unduly influenced by market trends and to maintain our strategic focus.

Management risk

The Fund has a very clear statutory mandate, to manage the funds so that they reap the highest possible benefit for the income pension system. We define management risk as the risk of diverging from this mandate. Management decisions are taken for the best of the beneficiaries, which is defined as the highest possible benefit for the income pension system. In all situations, the Fund and the Board of Directors adhere to good management practices and the Fund's conflict of interest policy. Asset management must be conducted in an exemplary fashion and particular emphasis is given to promoting sustainable development, without compromising on the return. Swedish law also states that AP1-AP4 are to mutually develop shared core values for asset management, shared accounting principles, and shared guidelines for assets in which funds are not to be invested.

Management

SELECTED RISK APPETITE: MINIMISE Dealing with management risk properly means that the Fund focuses on its mandate, creates and complies with principles and processes that govern decision-making, and actively uses our investment beliefs for support. Further, it is important to ensure that our core values and expectations are understood and integrated into the Fund's work. The Fund will also abide by good practice for the markets and asset classes in which it invests. Under no circumstances is it acceptable for anybody to make a decision that is for their own gain, or to allow external pressure to influence investment decisions.

Strategic risk

Strategic risk arises when the decisions necessary to fulfil our mandate are not taken. This risk is limited through clear requirements from the Board, a competent and decisive management team, efficient operations planning and the necessary resources.

We take conscious decisions based on a strategic framework to achieve the highest possible value in a changing world, in which the Fund makes the most of its circumstances, resources and operational capacity. A well thought-through strategy supports our brand, enabling the Fund to attract and retain very competent employees with high integrity.

All of the Fund's employees endeavour to give each other and the Board the best possible basis for good decision making.

Management

SELECTED RISK APPETITE: LIMIT AND MANAGE In order to manage strategic risk properly, we are clear in how we interpret our mandate, we have a well-defined vision and a well-developed strategy to achieve it. This also means that we adapt and develop our plans according to changing circumstances, resources and new information. Our way of working aims to challenge our assumptions and help us learn from our mistakes. It also ensures we employ the right people and give our employees the greatest possible freedom to perform within the set frameworks, and that we develop our leaders and our employees and enable accountability in everything we do. We aim to manage strategic risk such that it enables us to dare to make decisions, in the knowledge that the absence of decisions is also an active position to take.

Operational risk

While financial risk is risk that the Fund has been appointed to manage, operational risk is often the result of how we choose to manage that financial risk. Our operational risk is therefore linked to how we do transactions and the instruments we use to expose ourselves to financial risk. Given that our administrative capacity is limited by our size, we cannot always take full advantage of our detailed knowledge of the financial markets without it having an effect on the operational risks to which we expose ourselves. Financial and operational risks are therefore not independent variables, rather optimizing one set of risks will have an impact on the other.

By operational risks we mean the risk of losses as a consequence of inappropriate or faulty internal processes, human error, incorrect systems or external events. Through efficient processes and optimisation of limited resources, the Fund is run to its best capacity. We naturally follow all laws, regulations, and agreed processes procedures. The Fund and its employees are transparent regarding incidents and mistakes and see them as an opportunity to learn and improve.

Management

SELECTED RISK APPETITE: LIMIT AND MANAGE The Fund follows the Three Lines of Defence principles with the accompanying roles and division of responsibilities (risk owner, internal control and independent audit). We shall establish and comply with processes and procedures that are independently audited. We endeavour to minimise third-party risk. We continuously look for ways to improve our operational capacity and precision, for instance through automation. We carefully consider our resource needs so that we can fulfil our mandate yet know what we can refrain from doing in order to run operations cost effectively. We put precision before speed and introduce innovation and new technologies in a secure manner. We believe incidents, mistakes and recommendations from the audit functions provide an opportunity to improve. We set up continuity and crisis plans so that we can fulfil our mandate even under extraordinary circumstances.

Political risk

The Fund is a government authority whose mandate is regulated by special regulation and whose Board members are appointed by the Swedish Government. For instance, the Fund must not be influenced by industrial or economic policies. Political risk arises if, for instance, the Fund submits to political pressure that we believe diverges from the intention of the law, or does not reflect governing laws and regulation, including good financial market practices. The Fund fulfils the expectations and commitments required of a Swedish government authority and an asset manager responsible for the general public's pension funds. This includes complying with the contracts and agreements entered into by the Swedish government, including international agreements. In accordance with our mandate, the Fund shares its core values and its view on excluded assets with AP2, AP3 and AP4. The Fund is transparent which enables accountability.

Management

SELECTED RISK APPETITE: LIMIT AND MANAGE We manage political risk by reflecting over the expectations and commitments that our mandate entails, and by ensuring that the external demands that may be placed on the Fund are supported by our principal and comply with applicable laws and regulations. We proactively seek dialogue with external stakeholders, and provide our knowledge and perspective on the frameworks in which the Fund operates. Further, we endeavour to meet the requirement for exemplary performance through ethical conduct at all times, and we do not chase publicity at the cost of the Fund's integrity. The Fund's obligations to the income pension system must not be sacrificed for political pressure that we believe diverges from the intention of the law, and we do not act outside the boundaries of the agreed corporate governance.

Reputational risk

Reputational risk refers to risks that, should they arise, would seriously or permanently damage the level of trust in the Fund.

Reputational risk arises if the Fund as an organisation or any of its employees in their activities act in such a way as to damage the Fund's external credibility or trust. The Fund endeavours to be credible at all times and to retain the trust of all of its stakeholders. This is essential for us to be able to fulfil our mandate and retain the confidence of our principal.

Management

SELECTED RISK APPETITE: MINIMISE Proper management of reputational risk means that the Fund has zero tolerance for corruption, conducts itself in line with the general public's expectations of a state pension fund, and strives for the highest level of transparency (and avoids unnecessary complexity) concerning investments and our activities. Furthermore, it means that we act in a cost-efficient manner and proactively try to reach out to the general public, for example via the media, to show what the Fund is, what it does and how it does it. This means that we make the Fund's expert knowledge available to create greater trust in the Fund, as and when appropriate given the Fund's mandate and our core values. To maintain trust in the Fund we avoid investing the fund's assets unless we have performed thorough due diligence, nor do we invest in asset classes or strategies for which the Fund does not have the appropriate knowledge. No activities can take place outside the boundaries of our ethical frameworks.

Första AP-fonden's Fund Governance Report 2021

The Board of Directors of AP1 publishes an annual Fund Governance Report. The report describes the most significant aspects of the work of the Board and the organisation during the year. The Fund Governance Report complies, as appropriate, with the Swedish Annual Accounts Act and the Swedish Corporate Governance Code (hereinafter referred to as the Code), which is good practice guidance for listed Swedish companies. However, AP1 is a Government authority and there are vast differences between public law and company law. The Fund Governance Report has therefore been limited to the sections that can be deemed relevant to the Fund.

THE FUND GOVERNANCE REPORT, including the Board of Directors' report on risk management, has not been reviewed by the auditors. Första AP-fonden (AP1) is a Government authority commissioned to manage assets in the Swedish income pension system. The AP Funds are more independent than most Swedish authorities because their operations are only regulated in the Swedish National Pension Funds Act¹⁾ (the AP Funds Act) and not by regulations or appropriation directions. As a Government authority AP1 is also affected by other laws²⁾. In accordance with the AP Funds Act, the

Swedish Government is to evaluate the management of the fund assets every year. The results of the evaluation are to be reported to the Swedish Parliament in a communication no later than 1 June of the year following the financial year. Government communication 2020/21:130 describes the evaluation through 2020. The communications are available at www.ap1.se.

In the table below, the rules of the Code which the Fund does not follow are set out, as well as the reasons for this. All other rules of the Code are followed.

Regulation	Divergence	Explanation
Section 1:	<i>Första AP-fonden does not hold an AGM</i>	The Board members of the Fund are appointed by the Swedish Government, thus the Fund has no AGM.
Section 2:	<i>Första AP-Fonden does not have a nomination committee.</i>	The Board members of the Fund are appointed by the Swedish Government, thus the Fund has no nomination committee.
7.6	<i>The Fund's six-month interim report is not reviewed by the auditors</i>	AP Funds report full-year and six-month results. The six-month report, which does not affect the pension system, is not reviewed for cost reasons.
10.2, p1	<i>The Fund does not report the composition of the nomination committee</i>	The Fund's Board members are appointed by the Government and the Fund therefore has no nomination committee.

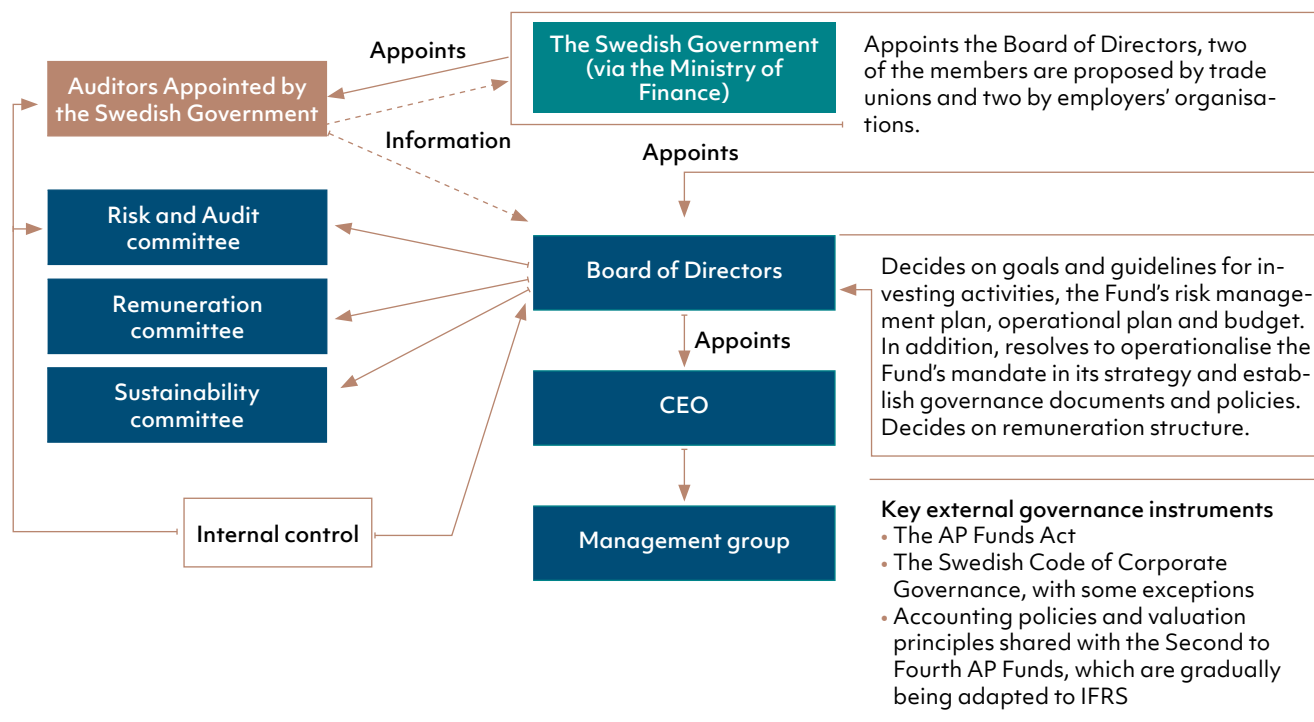
1) The National Pension Insurance Funds Act (2000:192) (the AP Funds Act).

2) For example, the Public Procurement Act (2007:1091), the Public Access to Information and Secrecy Act (2009:400), the Financial Instruments Trading (Market Abuse Penalties) Act (2005:377) and Anti-Bribery legislation in Chapter 10 of the Criminal Code. The Retirement Pension (Income-Based) Act (1998:674) also affects the Fund's operations.

Board of Directors

The Board of Directors of AP1 bears full responsibility for the operations of the Fund and is responsible for the Fund's organisation and management of Fund assets. The work of the Board is regulated in the National Pension Insurance Funds (AP Funds) Act. AP1's Board of Directors consisted of eight (nine until May 2021) members in 2021, all of whom were appointed by the Swedish Government. Two of the members are appointed by the proposal of organisations representing employee interests, and two are appointed by the proposal of organisations representing employer interests. The Government also appoints the Chairman and Deputy Chairman from among the members not proposed by labour market parties. The Fund's CEO is not a member of the Board. The Government also appoints the Fund's external auditors. The members' term of office is one year, i.e. it extends until the Fund's income statement and balance sheet for 2021 have been adopted. Fees and other remuneration for members of the Board are determined by the Government. Remuneration for the full year amounts to SEK 200,000 for the Chairman, SEK 150,000 for the Deputy Chairman and SEK 100,000 each for the other Board members. In addition, there is scope to pay total fees of SEK 100,000 for work on the Board's committees. The Board has resolved to pay fees of SEK 13,200 per year to each member of the audit committee, SEK 6,600 per year

Overview of governance



to each member of the remuneration committee and SEK 13,200 per year to each member of the sustainability committee. For more information about fees for Board members see Note 5. A more detailed presentation of the members of the Board of Directors is provided on page 71.

The work of the Board

Each year, in compliance with the requirements imposed by the National Pension Insurance Funds (AP Funds) Act, the Board of Directors establishes targets and guidelines for the investing activities, the Fund's risk management plan, ownership policy, operational plan and budget. In addition, the Board resolves to operationalise the Fund's mandate in its strategy and a number of governance documents, such as the

core values and ethics policy, policy for gifts, hospitality and other benefits, remuneration policy for senior executives and rules governing employees' trade in financial instruments. The Board also appoints the CEO to whom it delegates responsibility for the Fund's day-to-day activities. The Board resolves on rules of procedure for its own work and on a work instruction for the CEO. In 2021 the Board met on nine occasions. During the year, the Board addressed the strategic framework, risk and compliance matters, the outcome of management, expenses, ownership matters, the operational plan and budget, etc. The Board has also held two in-depth seminars in addition to its ordinary meetings. Attendance at Board meetings was 100 per cent (see table on next page). Reporting of earnings development as well as risk reporting have been

standing items on the agenda. In addition to Board members, the CEO and the secretary to the Board attend the Board meetings with the exception of when the Board meets alone. The secretary to the Board is the Fund's General Counsel. Other employees of the Fund also participate, on a recurring basis, as experts or reporting persons. External speakers are also invited to Board meetings when needed. The Fund's external auditors report to the Board at least once a year. On these occasions, there is time for discussions between the Board and auditors without the presence of employees of the Fund. Each year, the Board conducts an evaluation of its own work. The evaluation is then used to improve the work of the Board and its committees, as well as the preparatory work of management ahead of Board meetings. The Chairman of the Board reports the main results to the Government. From among its own members the Board has appointed three committees: an audit committee, a sustainability committee and a remuneration committee. All of the committees are preparatory organisations and the Board retains the right to make decisions in all matters addressed in the committees.

The work of the committees

The risk and audit committee (formerly the audit committee) assists the Board in matters related to internal control, operational risks, financial reporting and auditing. In 2021 Anna Hesselman was the chairperson until she resigned in May 2021, and thereafter Åsa-Pia Järliden Bergström took over as the chairperson. Erik Rosenberg Sjöström and Urban Hansson Brusewitz (from July) were members of the risk and audit committee. The committee convened five times. Attendance at meetings of the audit committee was 93 per cent. The Fund's auditors take part in the meetings of the audit committee on two occasions. The CEO, CFO and the Heads of Risk control and Compliance are co-opted into the audit committee meetings.

The remuneration committee assists the Board in matters related to remuneration. In 2021, the committee consisted of Board Chairman Urban Hansson Brusewitz, Peter Hansson and Charlotte Nordström. The committee convened twice during the year, attendance at meetings of the remuneration committee was 100 per cent. The CEO of the Fund is co-opted into the remuneration committee's meetings, apart from

Attendance at board meetings and meetings with Remuneration committee, the Risk and Audit committee, and the Sustainability committee in 2021

Name	Nomination/ appointment proposed by	Board meetings (attendance) 9 meetings	Remuneration com- mittee (attendance) 2 meetings	Risk and Audit committee (attend- ance) 5 meetings	Sustainability com- mittee (attendance) 4 meetings
Urban Hansson Brusewitz, Chairman		Chair 9/9	Chair 2/2	Board member 2/2	
Charlotte Nordström	Nominated by SALAR (Sw. SKR)	Board member 9/9	Board member 2/2		
Peter Hansson		Board member 9/9	Board member 2/2		
Anna Hesselman¹		Deputy chair 2/2		Chair 3/3	
Anna Nilsson²		Member 4/4 Deputy chair 3/3			Board member 2/2
Åsa-Pia Järliden Bergström³	Employee organisation (LO)	Board member 9/9		Board member 3/3 Chair 1/2	
Erik Rosenberg Sjöström	Nominated by Confederation of Swedish Enterprise	Board member 9/9		Board member 4/4 Chair 1/1	
Kent Eriksson		Board member 9/9			Board member 4/4
Eva Redhe⁴		Board member 2/2			Board member 2/2
Per Klingbjör	Nominated by SCP (Sw. SACO)	Board member 9/9			Chair 4/4

1) Left the Board and audit committee in May 2021.

2) Appointed a Board member in May 2021.

3) Appointed as Chair of the audit committee in May 2021 (after Anna Hesselman).

4) Left the Board and sustainability committee in May 2021.

when their remuneration is discussed. The CFO and the Head of Human Resources are co-opted into remuneration committee meetings, apart from when the remuneration of senior executives is being discussed.

The sustainability committee assists the Board in matters related to sustainability. In 2021 the committee consisted of Board members Per Klingbjör (chair of the committee), Eva Redhe until May 2021, Anna Nilsson from June 2021 and Kent Eriksson. The committee convened four times, attendance at meetings of the sustainability committee was 100 per cent. The CEO of the Fund, the Chief Investment Officer, and the heads of Communication and ESG are co-opted into the meetings of the sustainability committee.

Management of the Fund

The Board of AP1 has delegated responsibility for operating activities to the Fund's CEO. The Board decides on the long-term risk preference of the Fund, which is manifested in overarching asset allocation. In order to implement the Fund's investment philosophy, the CEO is given a mandate to diverge from the overarching asset allocation within specified bounds. In support of the CEO in decisions pertaining to operating activities, the CEO has decided to appoint an executive management team that includes the Head of Business Support & Development, the Chief Investment Officer, and the Heads of Operations and Communications. The Heads of Risk Control and Compliance report to the Board and the CEO. As independent control functions, they are not part of the operational management team.

Remuneration

AP1's Board of Directors annually adopts a policy for remuneration for senior executives (published on www.ap1.se). The Fund's policy is based on the guidelines resolved by the Government on 20 April 2009. The policy sets out that the total amount of remuneration for each person should be fair and reasonable, balanced and characterised by moderation. Furthermore, remuneration should be market-based and competitive with respect to the labour market in which the executive works, but without being higher than the norm for comparable positions. No variable remuneration is available to the Fund's employees. AP1, together with the Second, Third, Fourth, Sixth and Seventh AP Funds, also has a joint policy for remuneration, employee benefits, hospitality and business travel. It is published on www.ap1.se. Remuneration to the CEO is determined by the Board of Directors and consists of fixed salary and payment of defined contribution pension premiums equal to 30 per cent of basic salary. For the portion of remuneration granting rights under the national pension scheme, the pension premium is reduced to 11.5 per cent. Remuneration for senior executives of AP1 is determined by the CEO according to a well-defined process that involves the Board of Directors and its remuneration committee. AP1 complies with all points (9.1–9.8) relating to remuneration to senior executives in the Swedish Code of Corporate Governance. In each of the past four years, the Fund's average salary increases have been below the corresponding increases for the comparable market. See Note 5 for further information regarding remuneration for the executive management team paid in 2021. Every year, the Fund commissions a comparison of remuneration levels with relevant parts of the labour market as a basis for monitoring remuneration for the Fund's employees, and this also occurred in 2021. In the Board's opinion, salary levels are market-based, competitive, reasonable and appropriate without being higher than the norm with regard to the CEO, senior executives and other employees.

The Board has found that the Fund is in compliance with both the remuneration policy established by the Board and the Swedish Government's guidelines for terms of employment of senior executives in the AP Funds.

The auditors perform a review to ensure compliance with the Fund's remuneration policy for senior executives, the Swedish Government's guidelines for terms of employment of senior executives in the AP Funds and the joint policy with other AP Funds. No divergences from the above were noted.

Conflicts of interests

Första AP-fonden uses a three-step process to handle any conflicts of interest. The first stage is to identify potential conflicts of interest in advance. In the second stage, transpired conflicts of interest are addressed by means of the CEO deciding on the Fund's action in the individual case. For conflicts of interest of particular importance, the Chairman of the Board is consulted. Conflicts of interest of particular importance are reported to the Board. No conflicts of interest of particular importance arose in 2021.

Internal control

The Board of Directors is responsible for the governance and risk management of the Fund. In the Fund's risk management plan, the Board has adopted guidelines and frameworks for the Fund's overarching allocation of responsibilities, risks, risk limits and procedures for monitoring and control of compliance with rules and guidelines. The Board's report on risk management is provided on page 69–70.

Independent review

Two internal audit assignments were carried out in 2021.

External audit

AP1's auditors are appointed by the Swedish Government. A decision by the Swedish Government, via the Ministry of Finance, dated 28 May 2020 renewed the appointment of Peter Nilsson and Helena Kaiser de Carolis as designated auditors from PwC. The term runs up until the Fund's income statement and balance sheet for 2021 have been adopted. The auditors have also been appointed as auditors of the Second, Third,

Fourth and Seventh AP Funds. The auditors report directly to the Board in the form of a written audit report and a verbal presentation. The auditors participate in at least one Board meeting per year. In addition, regular meetings with the audit committee are held. The auditors present an auditors' report of their findings. The auditors also submit a yearly verbal report to the Swedish Ministry of Finance. The auditors' duties include examining the Fund's operating activities, the administration of the Fund, the year-end accounts and the annual report, and expressing an opinion on the Fund's accounting documents and administration based on their audit. Their duties also include assessment of AP1's application of the accounting and valuation policies established by the AP Funds and whether the accounting records prepared provide a true and fair presentation of the operations. In addition to a regular audit, the AP Funds' auditors must append a written, signed statement to the auditors' report to express their opinion on whether or not the guidelines for remuneration to senior executives as established for the financial year have been complied with.

The Board of Directors' Report on Risk Management

ACCORDING TO THE NATIONAL PENSION INSURANCE FUNDS ACT (2000:192), the Board of Directors of AP1 is responsible for the Fund's organisation and management of the Fund's assets. Part of this responsibility is to ensure the high quality of the Fund's internal control. From among its members, the Board appoints a risk and audit committee to prepare matters pertaining to internal control. The Board submits this report on risk management annually. However, this report is not part of the formal annual report and is therefore not examined by the Fund's auditors. The Swedish Government commissions external auditors to review the Fund's financial statements and risk control. An internal audit is also conducted annually, as commissioned by the Board.

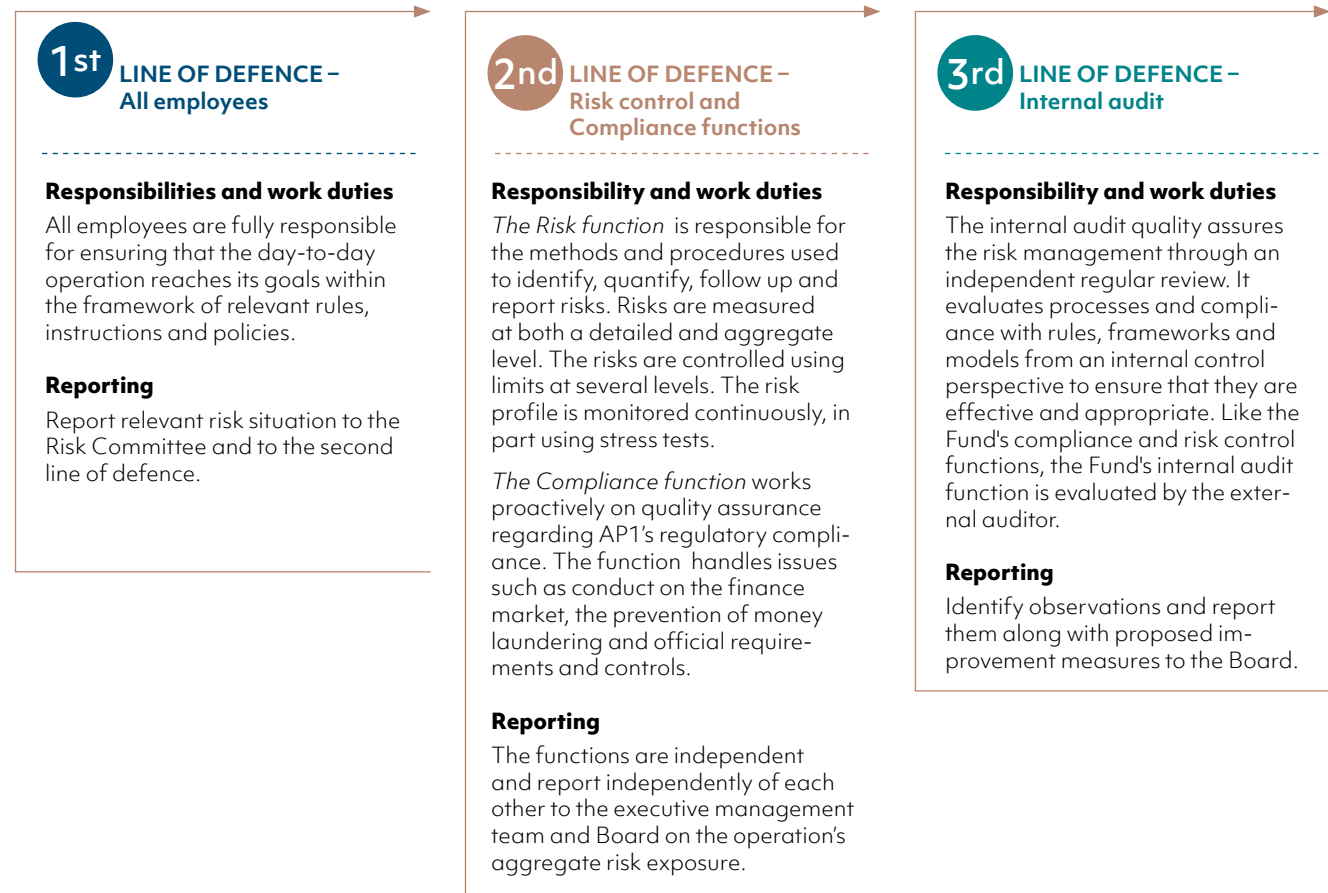
AP1 has adopted a risk appetite framework during 2021. The framework

- defines and identifies key risks,
- describes the Fund's strategy for them,
- lists principles for what proper management of the risk entails, and
- clarifies the risk appetite the Fund has for each key risk.

The AP Funds have been set up to manage and be compensated for financial risk, to the benefit of the income pension system. Consciously taking financial risks is therefore at the heart of the Fund's core business. The Fund's financial risks shall be optimised within the risk mandate delegated to the CEO by the Board, and the risk mandate further delegated by the CEO within the management organisation.

Non-financial risk is often the result of how it has been decided to manage financial risk. The Fund's operational risk is therefore linked to how investments are made. Risks should be minimised and mitigated.

Three lines of defence for risk management and internal control



Control environment – Fund governance

The Board of Directors annually adopts a risk management plan that sets out guidelines and limitations for the risk mandate delegated by the Board to the CEO. The document serves as a basis for the internal control and monitoring of the Fund's investing activities. The plan sets out limits for financial risk-taking and stipulates well-defined decision-making structures for operating activities. This approach leads to sound internal risk control.

Although AP1 does not formally come under the regulations of Finansinspektionen (the Swedish financial supervisory authority), the Fund's risk management rests on Finansinspektionen's Regulations and General Guidelines regarding governance, risk management and control at credit institutions (FFFS 2014:1) in terms of the three lines of defence, (i) responsibility for risk management and control in the business operations, (ii) internal control and regulatory compliance and (iii) independent review. For the third line of defence, independent review through internal audit, the Board of Directors has resolved to conduct independent reviews with the support of an external consultant.

Managing financial risks is fundamental to the ability of the Fund to deliver on its mandate in the pension system. Risk management in the Fund is thus proactive, with financial risk forecast for each asset individually and for the portfolio as a whole.

For this reason, there is a well-established risk culture at the Fund. Important elements of this culture include transparent reporting of the Fund's investments and a principle of duality for executing business transactions. This means that everyone in the organisation can monitor investing activities via an enterprise-wide system and that each business transaction requires the approval of at least two people – one from the Fund's Back Office and one from the relevant investment unit. Operations functions and the independent Risk control

function are responsible for different aspects of financial risks and counterparty and delivery risks.

The second line of defence comprises the internal risk control function and compliance function. The Compliance Officer works primarily with verifying compliance with external regulations.

Risk assessment

To ensure effective financial reporting and identification of operational risks, a yearly review of the Fund's processes and documentation thereof is conducted by order of the Board. The results of this review are reported to the Board's risk and audit committee and to the Board. A key component of this review is the account-closing process, which serves as a basis for the external financial reporting. The account-closing process encompasses valuation, reconciliation and controls of securities in connection with the closing of accounts. Aside from a general review of the processes, every year the Board establishes the areas to be prioritised and subjected to special review.

The units within the organisation that are affected by the review participate actively in the analysis, which is based on a self-assessment method. This work results in an evaluation of identified risks and a prioritisation of measures. The Fund's Chief Risk Officer oversees the analysis process and ensures that the prioritised measures are implemented. The Board also has a more extensive discussion about non-financial risks once per year.

Control structure and activities

The financial information is analysed and verified by the Fund's Finance function. Different systems produce source materials for various risk analyses that are used as support for control activities

AP1's accounting and valuation policies are being gradually adapted to International Financial Reporting Standards, IFRS. Complete adaptation to IFRS would have no material impact on the reported net investment income and net assets. To read more about this, see Note 1, Accounting policies.

The portfolio is managed according to forecast financial risk control within the given mandates. Forecast risk is analysed retrospectively in relation to the actual risk outcome. In this way, the model for portfolio management can be evaluated and developed.

Communication and reporting

All guidelines and instructions with relevance for internal control are communicated clearly and are available to all employees on the Fund's intranet. This transparency also applies to the daily internal performance reports, which are also available on the Fund's intranet.

The Board is regularly informed about the Fund's financial position and performance and other risk areas.

Each month, the Board is provided with an income, return and risk report. An income statement and balance sheet report is presented to the Board on a quarterly basis. The Fund's financial position and risk-taking are also reported at each ordinary Board meeting.

Risk reporting is a standing item on the agenda of all of the Fund's ordinary Board meetings. These procedures are deemed to secure the Fund's external financial reporting. External reports of the Fund's financial position are published in connection with the annual and semi-annual accounts. The risk and control function report to the audit committee at the meetings of the committee. The auditors report continuously to the risk and audit committee and to the Board in connection with the annual closing of accounts.

Board of Directors



URBAN HANSSON BRUSEWITZ

Year of birth: 1958

Chair, Chair of remuneration committee
Elected to the Board in 2016.
PhD in Economics, Director-General of the National Institute of Economic Research.

Other assignments: Member of the Swedish National Financial Management Authority's transparency council.



ANNA NILSSON

Year of birth: 1967

Vice Chairperson
Member of the sustainability committee
Elected to the Board in 2021.
MSc Chemical Engineering

Other assignments: Environmental Director Municipality of Uppsala and member of Swedish Meteorological and Hydrological Institute Supervisory Council



KENT ERIKSSON

Year of birth: 1964

Member of the sustainability committee
Elected to the Board in 2015.
Professor at the Royal Institute of Technology.

Other assignments: –



PETER HANSSON

Year of birth: 1957

Member of the remuneration committee
Elected to the Board in 2019.

Other assignments: Chairman of the Swedish Childhood Cancer Fund's finance committee and Chairman of the Board of Nordkinn Asset Management AB.



ÅSA-PIA JÄRLIDEN BERGSTRÖM

Year of birth: 1969

Chair of the audit committee
Elected to the Board in 2015.
Appointed on the proposal of employee organisation (LO).

MA in Economics, Economist and fiscal policy expert, Left Party

Other assignments: –



PER KLINGBJÖR

Year of birth: 1964

Chair of the sustainability committee
Elected to the Board in 2019.
Appointed on the proposal of employee organisation (SACO).

PhD in Physical Geography, Executive Director of the Swedish Association of Professional Scientists.

Other assignments: Chairman of Svenskt Friluftsliv, board member of Akademiker-tjänst I.A.S AB, Akademikerförsäkring AB, Förvaltningsaktiebolaget Akademikerhus and member of the Royal Swedish Academy of Agriculture and Forestry.



CHARLOTTE NORDSTRÖM

Year of birth: 1963

Member of the remuneration committee
Elected to the Board in 2019.

Appointed on the proposal of employer organisation SALAR (Swedish Association of Local Authorities and Regions).
Chairman of the Board of Regionhälsan/ Deputy Member of the Regional Executive Board in Region Västra Götaland.

Other assignments: Member of the Swedish Police transparency council, member of Turistrådet Västsverige AB.



ERIK ROSENBERG SJÖSTRÖM

Year of birth: 1970

Member of the audit committee
Elected to the Board in 2020.

Appointed on the proposal of the Confederation of Swedish Enterprise.

Other assignments: Partner Vator Securities.

Governance



**KRISTIN MAGNUSSON
BERNARD**

Year of birth: 1979

Chief Executive Officer

Employed: 2020

In current position since: 2020.

Education: Doctorate in Economics from the Stockholm School of Economics.

Previous experience: Nordea, European Central Bank, Frankfurt and the International Monetary Fund, Washington D.C.

Other assignments: Member of Board of Vasakronan and Swedish House of Finance, member of the European Central Bank's Financial Stability Contact Group (FSCG).



MIKAEL ANGBERG

Year of birth: 1973

Chief Investment Officer

Employed: 2013.

In current position since: 2013.

Education: Master of Engineering
Previous experience: PIMCO, BNP Paribas, Goldman Sachs, AXA Investment Managers and CERN.



SARA CHRISTENSEN

Year of birth: 1970

Head of Communications

Employed: 2019.

In current position since: 2019.

Education: Business Administration.
Previous experience: Swedbank, Kaupthing, ABB, GE Capital.



HENRIK DUBOIS

Year of birth: 1975

CFO and Head of Business Support & Development

Employed: 2021.

In current position since: 2021

Education: BA Business Administration, Masters Economics
Previous experience: SPP Fonder, Systembolaget, Coeli, Nykredit bank and Öhman J:OR.



MATS ENEBRINK

Year of birth: 1976

Head of Operations

Employed: 2008.

In current position since: 2020

Education: Master of Engineering, CFA.

Previous experience: AFA Försäkring, VPD Financial Software Consulting

Independent control functions



ANDERS JAKOBSSON

Year of birth: 1967

Head of Risk Control

Employed: 2010.

In current position since: 2020.

Education: EFFAS financial analyst.
Previous experience: SEB, ABB and Vattenfall.



JENNY WENTZEL

Year of birth: 1977

Head of Compliance

Employed: 2017.

In current position since: 2018.

Education: Bachelor of Laws
Previous experience: Swedish Financial Supervisory Authority, Swedish Pensions Agency, LO-TCO Rättsskydd AB, Law firms

Contact us



SARA CHRISTENSEN

Head of Communications

Mobile/Cell phone: 0709-68 12 50

Email: sara.christensen@ap1.se



OSSIAN EKDAHL

Chief Active Ownership Officer

Email: ossian.ekdahl@ap1.se



MAGDALENA HÅKANSSON

Head of Sustainable Value

Email: magdalena.hakansson@ap1.se

Produced by: AP1 in collaboration with Addira.

Photo: Peter Philips in Vasakronans offices Sergel Arena, Malmkillnadsgatan 36.

Printing: BrandFactory



Första AP-Fonden
Box 16294, 103 25 Stockholm, Sweden
Visiting address: Regeringsgatan 28
Telephone: +46 (0)8-566 202 00
www.ap1.se