



Annual Report
2022

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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 long-term 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.

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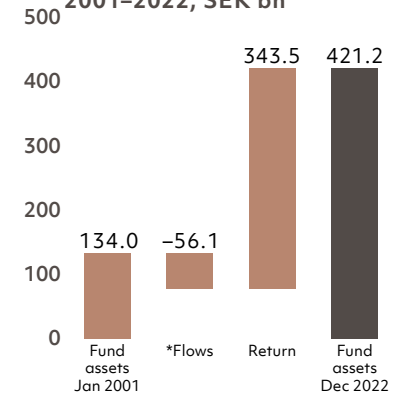


The year in figures

Key ratios

	2022	2021	2020	2019	2018
Return before expenses, %	-8.5	20.8	9.8	15.3	-0.6
Expense ratio, %	0.06	0.07	0.08	0.12	0.14
Return after expenses, %	-8.6	20.8	9.7	15.1	-0.7
Net investment income after expenses, SEK bn	-39.9	80.7	34.8	48.6	-2.1
Net flow pension system, SEK bn	-4.7	-7.5	-7.9	-6.5	-6.8
Closing net assets, SEK bn	421.2	465.8	392.6	365.8	323.7
Share of external management, %	10.1	15.9	22.6	31.4	33.5

Net asset performance 2001–2022, SEK bn



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

Net investment income for the year amounted to

-39.9
SEK bn

Total assets amounted to

421.2
SEK bn

The Fund's expense ratio totalled

0.06
per cent

The amount paid into the pension system in 2022 was

4.7
SEK bn

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

5.6
per cent

Return after expenses amounted to

-8.6
per cent

Active ownership

AP1 has taken on an active ownership role during the the year by voting at shareholders' meetings

82 Swedish and **1,288** foreign

Ahead of the 2022 AGM season AP1 worked on

14 nomination committees in listed companies and in Vasakronan.

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Short summary of 2022

→ **THROUGH ACTIVE ASSET MANAGEMENT AND A FOCUS ON PROTECTING THE PORTFOLIO IN A MARKET WITH DROPPING MARKET VALUES** and rising interest rates, combined with the highest inflation for decades, AP1 reports a return of -8.6 per cent.

→ **ACTIVELY MANAGED ASSETS TO CHANGE OUR POSITIONS BASED ON NEW MARKET CONDITIONS. EQUITY EXPOSURE HAS BEEN LOWERED**, duration of the fixed-income portfolio has been reduced and currency exposure to the dollar has been raised, which has helped to moderate the Fund's loss in value.

→ **THE ANNUAL** international cost comparison performed by CEM concluded that AP1 has cost-efficient operations compared to similar international organisations. During the year, the Fund has reduced its costs by SEK 28 m, by increasing the percentage of internally managed assets and through other measures.

→ **TOWARDS THE END OF THE YEAR** AP1 sold its holding in the unlisted energy company Ellevio to the pension fund AMF. Our holding corresponded to 12.5 per cent of the shares in Ellevio AB.

→ **THE GOVERNMENT'S ANNUAL** evaluation of the AP Funds, concluded that we have contributed to the long-term financing of the national income pension system. We have worked hard to fulfil our statutory objective of managing the Fund's assets in an exemplary manner and to achieve our ESG goals.

→ **IN SPRING** we participated in the Riksdag's Committee on Finance's open hearing on the AP Funds' investments of the capital in the pension system, which was focused on sustainability and resulted in a positive and much appreciated dialogue.

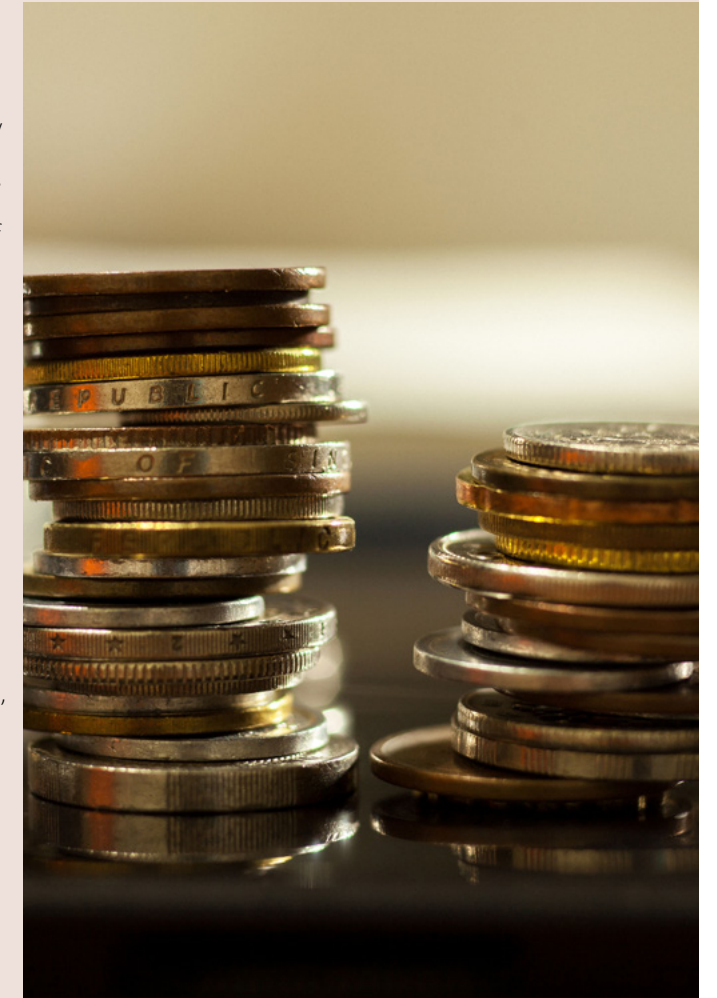
→ **IN MAY 2022** the government appointed Annika Andersson and Erica Sjölander as new members of AP1's Board of Directors.

→ **ALONG WITH** the other buffer funds, we completed the review of The Council on Ethics of the Swedish AP Funds, which commenced in autumn 2021. The Council on Ethics engages in dialogue with companies to ensure that sustainability challenges that are materially important to the portfolios of the buffer funds are addressed in an exemplary and responsible manner.

→ **THE BOARD ADOPTED** a new ESG strategy in 2021 that continued to be implemented in 2022. One component of the strategy is to increase investments in assets that promote sustainable development. Several such investments have been made during the year, for example all new investments in private equity funds have been made in strategies with focus on sustainable development and also meet AP1's risk and returns requirements.

→ **ACTIVE OWNERSHIP** is a focus area of our asset management and contributes to shareholder value. As a long-term engaged owner, active ownership is a core element of our ESG efforts, and ahead of the 2022 round of shareholders' meetings, the Fund participated in nominations committees, voted at AGMs and promoted issues related to board diversity and sustainable operations.

→ **IN 2019 AP1 ADOPTED A CLIMATE TARGET** to half the carbon footprint of the listed equity portfolio by the end of 2030 and become carbon-neutral by the end of 2050. Since then the carbon footprint of the listed equity portfolio has decreased by 57% (31 December 2022).



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COMMENTS FROM THE CEO

Market turbulence and climate transition concerns amid new geopolitical circumstances

Global fixed-income and equity markets posted highly negative returns in 2022, driven by the breakout of war, lingering post-pandemic effects, high inflation and rising interest rates. Energy dependencies and climate transition ambitions posed difficult short-term and long-term trade-offs for societies and corporates. Through active asset management focused on protecting the portfolio and limiting downside risks, Första AP-fonden reports a return of minus 8.6 per cent corresponding to net investment income of SEK –39.9 bn during 2022. The Fund has again exceeded its target of 3 per cent real returns over rolling ten-year periods.

Drop in the value of several asset classes

Net investment income amounted to SEK –39.9 bn, corresponding to a return of minus 8.6 per cent. Assets under management amounted to SEK 421.2 bn as of 31 December 2022, and AP1 transferred SEK 4.7 bn to the income pension system in 2022. We have once again exceeded our target of 3 per cent real return over rolling ten-year periods, as the average real return amounts to 5.6 per cent over the past ten years. Our focus on cost-efficiency resulted in a continued low expense ratio that now stands at 0.06 per cent, and during the year we reduced costs by SEK 28 m.

Dramatic changes in market conditions

2022 marked a dramatic end to the market environment of low inflation, record-low interest rates and healthy growth that have boosted returns on financial

assets since the global financial crisis of 2008. Instead, simultaneous drops in equity and fixed-income returns occurred through most of the year. This pattern is generally only observed during spells of high inflation – which are rare in and of themselves – and lasted for an unusually long time in 2022. Not since 1788 has there been a year of such negative returns on US 10-year government bonds. A 60/40 portfolio of equities and bonds, a very common reference portfolio for many investors, has not shown a similarly large drop in value since the Great Depression in the 1930s. In 2022, the value decline of the US stock market, from the peak to the very bottom, was the equivalent of the combined GDP of Germany, Japan and Canada. Market sentiment shifted several times throughout the year as investors across the globe struggled to grasp market directions. Given such widespread market turbulence,



“In these negative circumstances, our focus has been on protecting our portfolio by pro-actively changing the allocation to listed equities and reducing the duration, i.e. the sensitivity to interest rates, optimising liquidity management and dynamically adapting our currency positions.”

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global financial systems and real economies have demonstrated strong and impressive resilience so far. The current valuations, for example on equity markets, have not fully taken into account an economic recession, which suggests that the drama may well continue into 2023.

In these negative market circumstances, Första AP-fonden has taken actions to protect the portfolio. We have pro-actively changed the allocation to listed equities and reduced the duration, i.e. the sensitivity to interest rates, optimised liquidity management and dynamically adapted our currency positions, as allowed by our hedging requirements. As a long-term investor our approach is also to constantly monitor investment opportunities that may arise for both listed and alternative assets when other investors are prompted to sell. We therefore continuously push ourselves to learn from previous periods of market turbulence and to question historic patterns so that we act in a way that creates value. We also purposefully co-operate throughout the entire organisation to constantly optimise how we use the risk budget set by our board. To remain as flexible as possible and thereby maximise our chances of fulfilling our obligations to the pension system, we also decided to switch to internal management of previously externally managed mandates in emerging markets, credits and small cap. In spite of the negative market development during the year, and the remaining uncertainty, we are confident that we can deliver on our purpose; to maximise long-term returns while ensuring balanced risk-taking, high efficiency and sustainability so as to build retirement security for us all, today and for the future.

Climate transition in the wake of the energy crisis

Market turbulence, the war in Ukraine, and concerns about energy supplies have given rise to fears that achieving climate transition goals will become less of a priority as companies put all efforts into remaining steady in the current conditions. Vulnerabilities have been exposed in terms of energy dependency and energy security as well as the importance of phasing out fossil fuels in a controlled manner, given the varied effects of climate

transition on diverse groupings of society and in different countries. The costs of the physical impacts of climate change are unevenly distributed too, as illustrated by the tragic consequences of climate-related extreme weather that affected the world last year. The COP27 Climate Change Conference resulted in a climate compensation fund and also agreed that private investors have an important role in the financing of renewable energy to achieve net-zero emissions by no later than 2050. Prior to the meeting, we, the

other AP Funds and hundreds of other investors submitted a Global Investor Statement to governments of the world calling on them to implement five priority climate actions in their national legislation. We believe that clarity and a long-term perspective in political incentives are essential for accelerating the private capital flows needed to finance the climate transition. Our own work towards the climate goals has also continued, albeit fully knowledgeable and respectful that our expectations on individual companies need



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“We continuously push ourselves to learn from previous periods of market turbulence and to question historic patterns so that we act in a way that creates value.”

to take into account the speed at which the world is progressing generally.

Our portfolio companies have also been very focused on resource efficiency since price increases have accelerated. The shortage of intermediate goods and labour was felt by our directly-owned real estate companies

and they worked innovatively to build and renovate using materials even more resourcefully, increase recycling and lower their energy consumption further. Earlier investments in renewable energy, for instance in wind power generation through Polhem Infra, are now also nearing completion. With Karin Karl-

ström as the new permanent CEO of Polhem Infra, we as the owners are also confident that the company's ambitions for returns and sustainability will continue to be a very positive contribution to our mandate. Right before the year closed, Första AP-fonden sold its holding in the energy company Ellevio to the pension fund AMF. Our holding corresponded to 12.5 per cent of the shares in Ellevio AB.

Active ownership is a core element of our asset management. Prior to the 2022 round of shareholders' meetings, the Fund participated in nominations committees, voted at AGMs and promoted issues related to diversity in boards and sustainable operations. Through dialogues with the boards of Swedish companies, the Fund has been able to influence the remuneration for the senior executives of a number of companies to be somewhat more moderate. In five cases we were not able to come to a satisfactory solution, which is why the Fund voted against these remuneration programmes.

Managing sustainability in complex circumstances as a responsible investor

As a long-term investor with a mandate to act in an exemplary and responsible way, we also want to foster sustainable development in more complex situations. During the autumn, together with our colleagues at the Second-Fourth AP funds, we completed the review of The Council on Ethics of the Swedish AP Funds, which had commenced in autumn 2021. The Council on Ethics engages in dialogue with companies to ensure that ESG challenges that are materially important to the portfolios of the buffer funds are addressed in an exemplary and responsible manner. If a company contravenes the conventions signed by Sweden, and does not take responsibility for addressing failings,

the Council on Ethics can recommend that the buffer funds exclude the company from the potential investment universe. The work of the Council on Ethics requires integrity, perseverance and the ability to both set expectations and support companies in dealing with their sometimes complex ESG challenges. Subsequent to the review we have established a clearer framework and strengthened the governance model to allow better prioritisation of pressing matters, increase transparency and improve implementation and follow-up. We have now allocated more resources to the Council on Ethics and will build up its secretariat to ensure that the Council's vital work is given the right focus, priority and continuity going forward.

The war in Ukraine has given rise to many questions for investors with ESG ambitions. One example is whether the defence industry can be a responsible and sustainable investment. Our point of view remains the same – that even in sectors whose activities can entail higher sustainability risks, there is a large difference between companies that actively and thoroughly work with such matters, and those that adopt a less ambitious approach. We are therefore selective in our choice of companies in which to invest in these sectors, and we carry out thorough analyses to ensure that the investments we have fulfil our expectations regarding sustainability. One of the important trade-offs that comes with our mandate is to assess when we can handle more challenging investments in a trustworthy manner, and when the risk landscape dictates that we should abstain instead. Given that after Russia's invasion of Ukraine we no longer deem investments in Russian assets to be compatible with our mandate, we decided to divest the very small shareholdings we owned and not make any new investments.

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Our mandate: Create high returns with exemplary management in a cost-effective way

According to the government's annual evaluation of the AP Funds, we have made a positive contribution to the long-term financing of the national income pension system. We have also worked actively with ESG matters and fulfilled the government's expectations and our statutory objective of managing the Fund's assets in an exemplary manner. In spring we also participated in the Riksdag's Committee on Finance's open hearing on the AP Funds' investments of the capital in the pension system, which was focused on sustainability and resulted in a very positive and much appreciated dialogue.

A strong organisation in uncertain times

We still await clear signs that the tragic war in Ukraine is about to end. Geopolitical tensions and energy dependencies are thus likely to affect the investment climate for a long time to come. A definitive lift-off of global stock markets will likely be elusive as long as market expectations regarding peak interest rates are fluid. I am however convinced that all the efforts employed towards developing more profitable and sustainable business models and more conscious risk-taking will eventually lead to greater resilience and positive outcomes.

Regardless of the external world situation, our joint capacity to analyse, act and execute also has a great impact on AP1's final results. I would therefore like to thank our Board of Directors who, through support, trust and clarity, have provided the framework that enables a long-term approach and confidence in times of change. I would also like to take this opportunity to warmly welcome Annika Andersson and Erica Sjölander



“Regardless of the external market situation, our joint capacity to analyse, act and execute has a great impact on AP1's final results.”

as new members of the Fund's Board of Directors. Furthermore, the Fund's Chief Investment Officer Mikael Angberg has announced that he will move on to the next chapter of his career in 2023. I would like to give my warm thanks to Mikael for his nine fruitful years at the Fund, where he has built the successful investment strategy and strong asset management organisation we have today.

Finally, I would like to express my particular thanks to all of the Fund's employees. Through their great competences, constant curiosity and fresh thinking they have found new ways forward so that we can deliver on our mandate even better, despite the dramatic world situation. I learn something new from you every day, and I very much look forward to our next chapter together.

Stockholm, February 2023

Kristin Magnusson Bernard
Kristin Magnusson Bernard
CEO

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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.

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What we do ↓

On behalf of the Swedish Parliament we manage income pension assets of SEK 421 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 portfolio exposure is divided between equities, fixed-income securities and alternative investments

Equities
47.9 per cent
(foreign 29.1% and Swedish 18.8%)

Fixed-income securities
24.1 per cent

Alternative investments
28.6 per cent
(Real estate and infrastructure 19.6%,
Private equity funds 7.9%,
Other 1.1%)

How we work ↓

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

6 Our six investment beliefs
read more on pages 13-21.

67 Talented and engaged employees

! Första AP-fonden's ESG strategy
read more on pages 25-39.

Net investment income 2022 ↓

SEK **-39.9** bn
net investment income 2022

Return after expenses
-8.6%

SEK **4.7** bn
was paid into the pension system in 2022

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→ 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.



We protect the public's trust

"AP1'S MANDATE is to build pension security for us all, today and for the future. We aim for long-term, high returns and well-balanced risk, and to manage assets in an exemplary fashion through responsible investments and responsible ownership. Our success in this trusted mandate is of great interest to all current and future pensioners in Sweden, in other words, the entire population of Sweden.

In managing the trust placed in us, we aim to be transparent and open in our communication. We need to give the Parliament, the Government and the media insight into our work and give them the possibility to understand, examine and evaluate it. We also engage in active dialogue with other financial organisations in Sweden and internationally, as well as with representatives of civil society. Another important element of our work is the collaboration with the other AP Funds regarding matters such as sustainability, innovation, new technology and information security.

Through our reporting and communication we want to provide knowledge and understanding of our activities and our mandate, the purpose of which is to help create economic stability for the long term. This is why we participate in the national economic debate in matters relevant to the Fund, and continuously provide our views on macro-economic and geopolitical developments and other ESG issues, as well as how these affect investors and society more broadly. We believe this is particularly important in these time of world turbulence when our long-term focus on responsible and sustainable investments remains steadfast.

We continuously and actively develop communication, relationships and trust over time and in harmony with the world around us."

Sara Christenen
Head of Communications, Första AP-fonden

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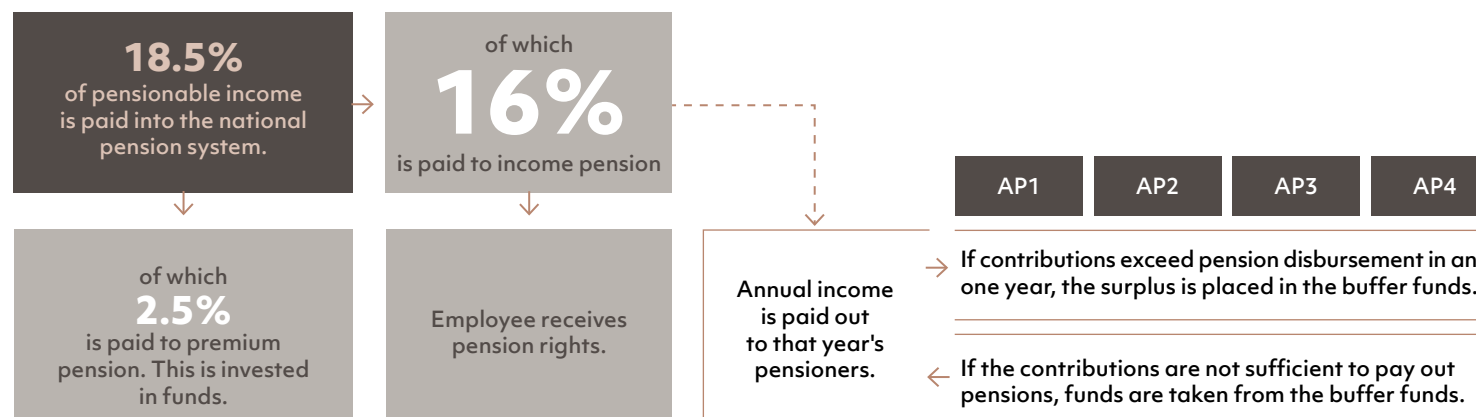
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Foundation of the Swedish national pension system

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.

The Swedish pension system



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.

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 after deductions, is allocated for national pension fees. 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 determined 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-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, the First-Fourth AP Funds, 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 AP Funds' asset management

The First -Fourth AP Funds jointly manage approximately 16 per cent of the assets in Sweden's national pension system. When the

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.

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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 the First–Fourth AP Funds are so large, the risk of such a balancing is very small as the assets exceed liabilities by approximately 8 per cent.

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 through 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 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 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.



The buffer funds help to generate stability

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How the AP Funds are governed

The AP Funds are government authorities, but unlike other authorities, the AP Funds are independent of the Swedish Government. While the Government sets the overarching goal for the AP Funds, it is the Boards of Directors of the AP Funds that have complete responsibility for the operations of the

funds. The Fund's Board is appointed by the Swedish Government and the Funds must not be influenced by industrial or economic policies. 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 adopt a long-term approach and have a good foundation for executing their mandate. The law specifies a number of overarching objectives for the operations, 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 Fund's' 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

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.

OF THE PORTFOLIO'S VALUE:

- 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 40% may be invested in illiquid assets.

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

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

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

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 ten-year periods.

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 in fixed-income securities. 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.

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Our investment beliefs

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

Diversification
We invest worldwide and in many different types of assets. Our aim is to spread the risks and create several options for generating returns.
Read more on page **14**.

Risk premiums
Risk-taking on the financial markets is assumed to yield a positive return over time. The risk premium is the extra return earned in relation to risk-free interest.
Read more on page **16**.

Long-term approach
A long-term approach creates more opportunities to take risks, and thereby create returns. The risks are balanced over time.
Read more on page **17**.

Cost efficiency
AP1 must act on a commercial basis and have low costs in relation to the income it makes.
Read more on page **20**.

Inefficient markets
An information edge and meticulous analysis provide opportunities for higher returns on less-analysed markets.
Read more on page **19**.

Sustainable value creation
A focus on sustainable value creation makes it possible to increase returns and reduce financial risk in the long term.
Read more on page **21**.

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INVESTMENT BELIEF

Diversification

We invest worldwide and in many different types of assets. Our aim is to spread the risk while also creating several options for generating returns. Diversification allows improved, risk-adjusted returns and successful diversification requires deep understanding of the forces underlying and driving investments. An improved, risk-adjusted return is achieved through diversification within and between assets, risk premiums, risk factors, strategies and investment horizons.

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 asset 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

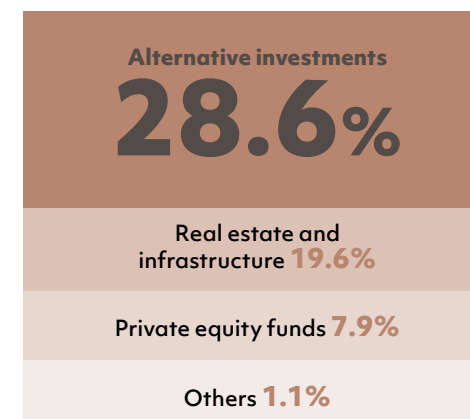
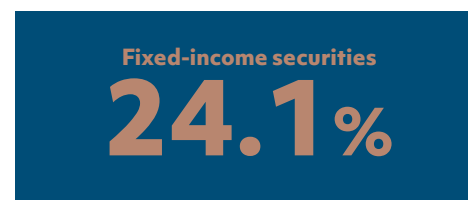
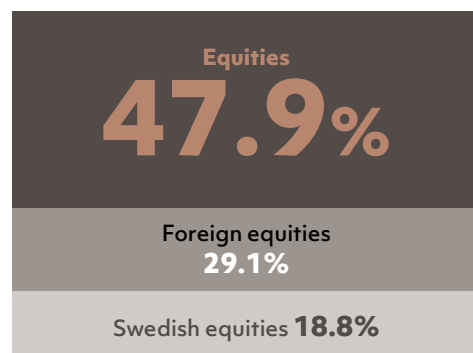
During the year the proportion of equities has decreased, partly due to disposals within the portfolio and partly due to falling markets. Investing in equities entails a risk, but it also enables high returns over time. The Fund's equities portfolio includes a selection of companies in Sweden and developed 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 listed equities are managed internally.

Bonds spread the risk

Fixed-income securities normally lower the risk in the total portfolio, while contributing to the Fund's return. After a decline spanning almost three decades, however, global interest rates quickly turned upwards driven by soaring inflation, which has led to an historically large loss in value in fixed-income instruments. As the market rates rise, the outlook for positive nominal return contributions from fixed-income instruments to the total portfolio becomes attractive.

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, relative to other assets, these bonds can readily be converted into means of payment. The proportion of fixed-income securities in the Fund has been kept relatively stable during the year.

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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.

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 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.



REFLECTIONS ON THE YEAR

2022 – a challenging year for bonds

CHRISTIAN BÖRJESSON and CHRISTOPHER GRUNDITZ manage AP1's fixed-income portfolio. 2022 was one of the most dramatic years in decades for the international fixed-income market. Global interest rates rocketed while volatility was much higher than what is usually considered normal. In several places, the functioning of the fixed-income market deteriorated substantially, and this alone amplified the massive fluctuations in the market. Global interest rate indices for government bonds fell by 11.4% during the year, which makes 2022 one of the worst years ever for interest-bearing government securities.

The main reason for the rise in interest rates is the soaring inflation witnessed in 2021 and 2022. Initially, the central banks'

view of the high and increasing rate of price rises was that it would pass and everything would soon normalise. This was an assessment that had to be reconsidered though as inflation rose to levels not seen for more than 30 years. There are several explanations for the high level of inflation. From a monetary policy perspective, the starting point was a hugely stimulative. With low policy rates and bulging balance sheets the central banks had cemented the idea that interest rates would remain low for a long time. Major disruptions in supplies due to Covid-19, combined with over-heated labour markets and Russia's invasion of Ukraine didn't help the situation. Consumer prices in Sweden rose by more than 10% for the first time since the begin-

ning of 1990s, measured as an annual rate. And if there's anything that the bond market really dislikes, it's high and prolonged inflation as it erodes the real value of the nominal cash flows that bond holders count on. Soaring inflation during 2022 forced the central banks to quickly re-appraise the nature and magnitude of the inflationary impulses, and react thereafter.

Inflation was difficult to forecast

Rising inflation and higher interest rates were not completely unexpected. They had to come sooner or later. The low-inflation environment that the world economy has enjoyed for the last 40 years can mainly be explained by globalisation, beneficial demographic structures and technological advancements. Elements of these favourable conditions had already started to wane before the Covid-19 pandemic. What took us by surprise was how high and how fast inflation and interest rates rose.

Proactive positioning and positive outlook

Fixed-income investment management generated somewhat worse earnings during the year than its equivalent benchmark. The primary reason for this was that we started the year positioned for lower interest rates, mainly in Sweden and Europe. Since the outbreak of the war our positions have largely been characterised by lower duration, not least in US interest rates, which has generated a positive return. Overall 2022 was an unusually difficult-to-read year, but we believe that inflation will start to decrease in the coming year as the austerity policies of the central banks slow down global demand.

Our investment beliefs

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

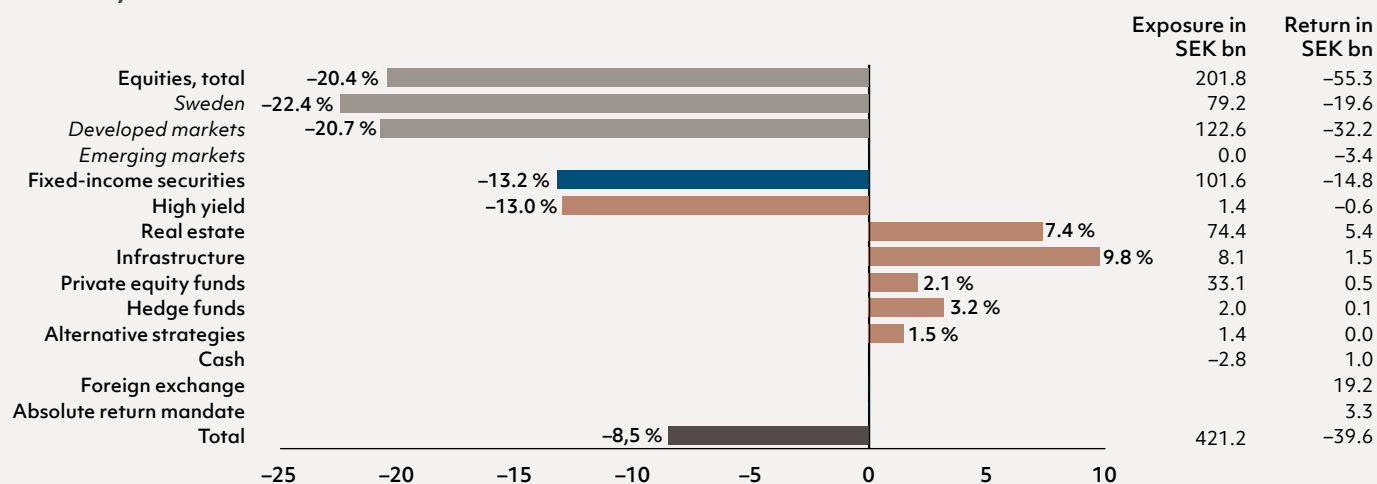
retained by the investor who takes a market risk in some form of asset class. The Fund has to take market risks to achieve a return. In each situation we choose what we consider to be the most effective and attractively priced risk premiums in order to achieve our objectives. AP1's potential to benefit 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, it is the most significant risk premium in terms of expected compensation for the Fund's risk taking. 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. AP1 entered 2022

with a positive view of market risk. Equities markets all over the world have however had a negative view and the share of equities in our portfolio has decreased substantially. During the year, the Fund has also closed the external equities mandates with holdings in emerging markets as our external analysis indicates that there will be significant risks in these markets for some time to come (geopolitical, ESG, liquidity). We also believe there are advantages to increasing our internal asset management, including a more dynamic allocation process and simplified management of exposures with retained high liquidity. Internal asset management also allows for good control, risk management, reporting and administration. The return after expenses for the year was -8.6 per cent, and for the last ten-year period the average real return is 5.6 per cent, compared to our return target of 3.0 per cent.

Return by asset class in 2022



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INVESTMENT BELIEF

Long-term approach

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

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. A significant proportion of our illiquid holdings comprise investments in real estate, which are long term in nature.

The largest real estate holdings are Willhem, Vasakronan 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

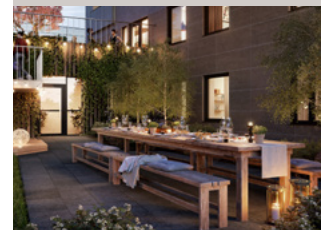
The least liquid assets include infrastructure, in which ownership is generally very long term. Infrastructure is often publicly regulated and a natural monopoly, which can provide stable, predictable cash flows, even if they can be exposed to political risk. In the long term, income follows growth in 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.

Right before the close of 2022, AP1 sold its holding in the energy company Ellevio to the pension fund AMF. Our holding corresponded to 12.5 per cent of the shares in Ellevio AB.

Long-term and sustainable real estate investments

The return on AP1's investments in real estate during the year totalled 7.4 per cent (27.2 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.



WILHEM

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.



VASAKRONAN

Holding: 25 per cent

Vasakronan is one of Sweden's largest real estate companies with 167 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 194 billion. Vasakronan is highly ambitious regarding sustainability and is one of the world's highest ranking real estate companies for sustainability.



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

Holding: 25 per cent

Cityhold's real estate portfolio is valued at approximately EUR 3.2 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.

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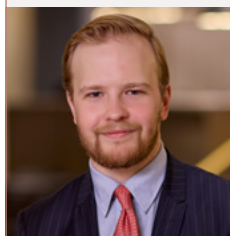
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REFLECTIONS ON THE YEAR

Real assets create long-term stable returns

JOHAN TEMSE, VANESSA LINZANDER and EMIL DANMO are responsible for AP1's portfolio of real assets, which is comprised of unlisted investments in real estate and infrastructure, and comprises approximately 19.6 per cent of AP1's total portfolio. The real asset portfolio has historically delivered a stable, high, risk-adjusted return to the Fund. During the period of 2015 to 2022,



We support our portfolio companies on their journey towards climate neutrality.

return was 225 per cent, while the risk measured as volatility was substantially lower than for other listed assets. The majority of the Fund's investments in real assets currently consists of real estate, but in recent years we've also added more infrastructure. The Fund also holds some smaller agriculture investments.

Real estate market in 2022

Inflation, and above all interest rate increases, generated great turbulence for listed real estate companies during the year, in particular those that are highly indebted. It has been a less dramatic year for our unlisted real estate companies.

While we experienced impairment losses in some areas, we retained profitability and this year's return ended up at 7.4 per cent. There was great activity on the transactions market in 2021 with an extremely high amount of real estate deals, but the volume of transactions dropped dramatically from April onwards. In an increasingly challenging market, a number of players will likely have a tough time with some of the major challenges, and we believe that interesting business opportunities will emerge for our companies going forward, says Johan Temse, Head of Alternative Investments, which includes real assets.

Infrastructure investments in 2022

Infrastructure assets are also affected by higher inflation and interest rates. At the same time, competition for and pricing of infrastructure assets has been and remains fierce. In recent years, investment in infrastructure has mainly focused on the green transition and during the year we invested in Quinbrook Net Zero Power Fund, see the fact box on page 32. Above all we aim to increase



We are increasing our exposure to energy transition-related infrastructure outside of Sweden and the Nordic countries.



We believe that interesting business opportunities will emerge for our companies going forward.



our exposure to energy transition-related infrastructure outside of Sweden and the Nordic countries. There are incredibly many investment opportunities in this area – the challenge is finding the absolute best ones, says Vanessa Linzander, Investment Manager.

AP1 as an owner

Our main strength is that we are a long-term, active owner and thus an attractive, knowledgeable business partner. We are convinced that we can improve our companies and drive sustainable value enhancement via active engagement through dialogue and taking initiative. We have almost 100 per cent active presence across our portfolio through board representation, investment committees and advisory boards, and can thereby support our real estate companies on their journey towards climate neutrality, concludes Emil Danmo, Portfolio Analyst.

Our investment beliefs

INVESTMENT BELIEF

Inefficient markets

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



The finance markets cannot be considered to be fully efficient, and consequently, meticulously planned and executed asset management with active choices creates good opportunities for high returns. The pricing of aggregated securities markets and asset classes, along with other systematic risk premiums, swings between periods of relative efficiency and periods of relative inefficiency. Pricing of individual securities is efficient, to varying degrees, depending on the situation and time horizon. Pricing is less efficient the longer the time horizon, and the more non profit-maximization players there are, the less analysed the area is.

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 most 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 and that the Swedish equity market has rendered excellent returns over time.

Small caps

There are also better opportunities to identify gems among small caps. These investments take place internally via active mandates. Our aim is to increase the proportion of small caps over the long term, but for cyclical and liquidity reasons we had a lower weighting of small caps during 2022. 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.

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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 mean the lowest costs, but the costs must be appropriate in relation to expected activities and results. Costs must be governed by clear goals and an objective for the organisation, which also helps to maintain public trust. Cost efficiency requires an understanding of how the costs arise, which underlines how important it is to establish fee structures that are as transparent and simple as possible.

Administrative expenses in 2022

We still have an efficient cost structure and the Fund's expense ratio (operating expenses and commission expenses) has fallen from 0.08 per cent to 0.06 per cent in the period 2020-2022. In 2022, the Fund continued to decrease its costs, partly as a result of internalising asset management. Our focus on efficient consumption of resources meant that the expense ratio went down even through assets decreased. The Fund's administrative expenses totalled SEK 265 million (293), equalling 0.06 per cent (0.07) 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.

Our work is based on our cost management framework and policies, which aim 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 and the Government's review

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, amongst others. All the measurements have shown that AP1 is cost efficient compared with other international players. 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. The Government's annual evaluation also concluded that AP1 has worked to become highly cost-efficient and contributed to both the net return and to the general public's trust in the national pension system. The net return adds to the buffer funds' long-term financing of the income pension system, which the cost-savings have to be weighed against.

Internal versus external management

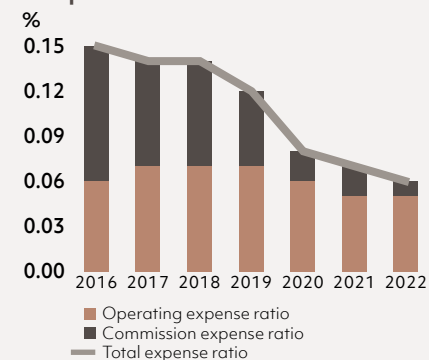
Where possible, we aim to manage assets internally, partly because this has a positive impact on costs. On 31 December 2022, we

managed 89.9 per cent (84.1) 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. During the year we have increased the share of internal asset management as we have reduced the share of externally managed mandates on emerging markets.

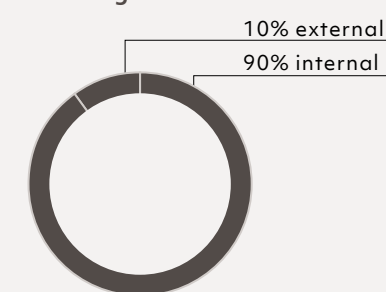
Increased systematic portfolio management

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.

Development of administrative expenses 2016-2022



Internal and external management



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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.

At AP1 we are convinced that we position ourselves better to deliver the Fund's long-term return target by considering sustainability 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, both in terms of scope and over time. We therefore constantly work at enhancing our understanding of how different elements of sustainability affect the return and risk for different asset classes, management strategies and time horizons. This

serves as a guideline for our asset management.

Focus on resource efficiency

We believe that efficient use of resources and responsible conduct are core characteristics of long-term profitable companies. A focus on resource-efficiency in our asset management, and on transitioning the holdings towards more resource-efficient businesses, contributes to the portfolio's return and supports more sustainable development over the long term. We define resource-efficient businesses as those that are efficient and responsible in their use of natural capital, human capital and financial capital, across their entire value chains. We will achieve our ambition to shift the portfolio towards more resource-efficient businesses by integrating

sustainability into the investment process and through active ownership.

We 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 companies in which we invest is an important component of AP1's sustainability work. By being engaged, responsible owners, we can influence companies to improve ESG shortcomings, act responsibly, and actively manage relevant risks and opportunities to bring about greater sustainability.



By being engaged, responsible owners, we can influence the companies we invest in to improve ESG shortcomings and act responsibly.

Magdalena Håkansson,
Head of Sustainable Value Creation, AP1

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Employees

Our employees are the focus of everything we do at AP1. The important mandate we have is carried and developed by just 70 people, which means that the efforts of each individual make a difference. While the organisation is small in size, the competence of our employees is deep and the matters they deal with on a daily basis require substantial and up-to-date knowledge of what's happening in the world. Our ability to attract and develop competent and engaged employees is completely interconnected with how well we succeed in our mandate, which is why issues regarding leadership, organisation and employees are always high on the agenda.

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 our employees are proud to work, can continuously develop and have the possibility to make a difference.

AP1's purpose is to build pension security for us all, today and for the future, and this is the foundation for everything we do. We are guided by our core values which are

forward-thinking, open, responsible and considerate. We want to create an encouraging, inclusive environment with equal opportunities for everyone. A place where employees feel pride, motivation and joy in their work, while also being given scope to take responsibility and develop. Collaboration and cooperation are crucial to enabling us to achieve our goals.

Development of HR processes

A new Fund-wide strategy was created in 2021. The purpose was to unite us around a shared, clear way forward and in 2022 work has progressed with embedding and implementing the strategy throughout the organisation. Given the new strategy, there was also a need to update several of the Fund's HR processes. The Fund's HR is a



Reflections of a new employee

I WAS ATTRACTED TO AP1 due to its public mandate and the opportunity to make a contribution every day to the pension system that we are all part of. Even during the first interviews at the office it felt completely right and interesting for me. On my first day I ended up in the midst of an ongoing project to adapt the HR processes based on an updated strategy and then implement them across the organisation. I quickly understood that within the walls of the government authorities, there is a swift-footed, competent and ambitious organisation with a strong desire to always be at the forefront of its field. That small organisation carries a major responsibility that brings with it an exciting and varied workday that is greatly affected by everything that goes on in our external environment.

It doesn't take much time to become familiar with an organisation that consists of just 70 employees, and I can see plenty

of opportunities for me to learn and grow for a long time to come given the continuous improvement work underway. My colleagues are a diverse group of both recent graduates and specialists with decades of experience, and everything in between. We all have different backgrounds and are in different phases of our lives. This means that as a group we have a broad perspective to what we do, and that creates good dynamics. Everybody is incredibly nice, thoughtful and professional and I've felt really welcome since day one.

I'm now looking forward to working with all my engaged colleagues at the Fund and driving HR issues so that we remain an organisation where people feel well, develop, feel challenged and enjoy working with managing the assets for which we're responsible, in the best possible way.

Helena Bongsell,
HR Business Partner

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Key ratios for employees

	2022	2021	2020	2019	2018
No. of employees, average	67	66	66	65	61
of whom women, %	45	45	44	40	37
No. of executive management members	4	5	5	7	7
of whom women, %	50	40	60	71	57
Average age, years	45	45	44	44	45
Employee turnover, %	11	13	8	7	15
Sick-leave, %	0.9	1.7	1.0	1.0	2.0

support function whose purpose is to enable managers to lead their employees based on the new strategy, as well as to ultimately contribute to the well-being of the organisation's people. The processes that HR manages play an essential part in creating the right conditions and engagement, as well as employees who develop, perform and are happy so that we can deliver on our mandate. During the autumn some of the issues we focused on included leadership and processes for employee objective-setting and appraisal.

Employees' opinions and feedback are important

Alongside the review of our HR processes, we have also gone deeper into the employee-related aspects of the new strategy. The aim was to involve employees in progressing the strategy focused on how we develop, take care of and attract employees, as well as on our leadership and our core values. There was a high level of employee participation and great engagement which provided the Executive Management Team and HR with valuable input to the work going forward, including identification of the need for a framework for learning and shared efforts for

competence development in specific areas. We will also start working on a number of leadership principles in 2023.

Pulse surveys

During the year, the organisation created a new model for employee surveys, which entails moving away from extensive employee surveys every 18 months to smaller and more frequent pulse surveys. The first survey was sent out at the end of September. Through more regular measurement we aim to facilitate frequent and better analysis to gain a continuous understanding of the mood of the organisation. The pulse surveys are being tested for a period of six months, during which we are evaluating both the responses and the implementation to see if any adjustments need to be made.

The results of the first survey were strong in terms of work motivation, whether employees look forward to their working day, whether they feel that they can express their opinions freely, and whether they feel supported by their managers when needed. Similarly, a very high share of employees feel that there is clarity around how the goals of their work team support the achievement of



BEING RESPONSIBLE FOR the Fund's Compliance function means that I'm an independent control function tasked with helping the organisation to act ethically and comply with all rules and requirements that are applicable to us, both as asset managers and as a government authority, and then following up on these. I report regularly to both the CEO and the Board, hold compliance training on different regulations and advise employees everyday on regulatory matters.

My work is broad and dynamic. The issues I deal with can be simple and very complicated. Many new regulations have been introduced recently and there will be many more to come, in particular from the EU, but we are a global player so we don't only have Swedish and European rules to deal with. This year, the wide-reaching sanctions against Russia have taken a lot of time to understand and follow up on.

I am the only compliance person within what we refer to as the second line of defence at AP1, but I collaborate very closely with the compliance functions within the other AP funds. We work together to keep abreast of external world events and we discuss difficult matters. We also arrange compliance training together and have, for example, run a shared project in the area of AML (anti money laundering).

I really like working at the Fund where I get to deal with all kinds of issues within my field. I'm surrounded by helpful colleagues and I'm often impressed by the competence within the Fund. If you have a problem, there is often somebody who can help you solve it, even though we are a small organisation. I am personally proud to be working at AP1. We have a rewarding mandate – to manage the pension funds of the Swedish population.

Jenny Wentzel
Head of Compliance since 2017

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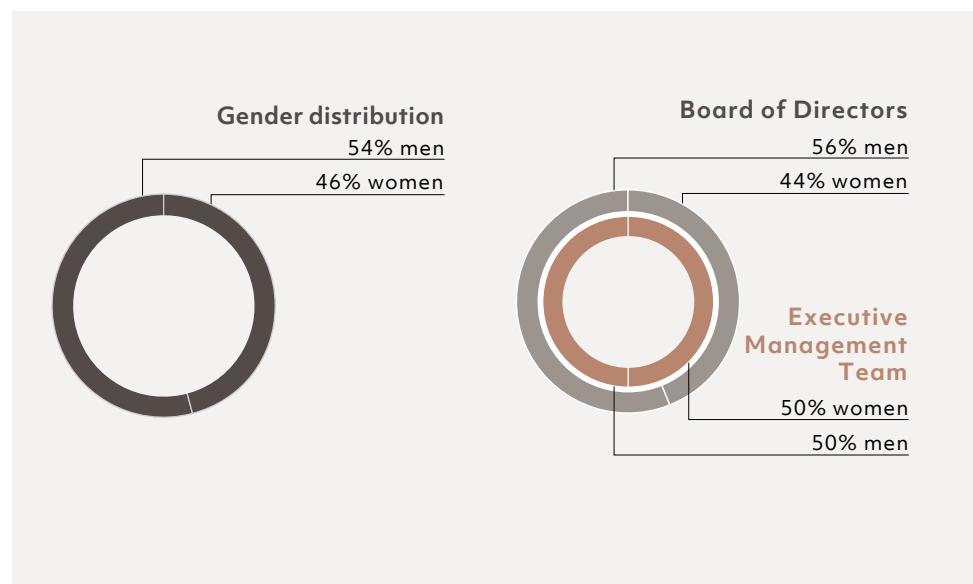
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the organisation's overall goals. The Executive Management Team and other managers monitor the results of the pulse surveys continuously, and actively use them as a basis for dialogue with employees about their strengths and opportunities to develop.

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, and in 2022 total sick-leave was at its lowest level for five years. As we know that healthy employees are both happier and 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. In addition to the pulse surveys, annual surveys are also carried out regarding the physical, social and organisational working environment. These surveys are a valuable tool in the regular management of the working environment.

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 2022 we held a joint Ethics day and also held several online training courses in the form of so-called nano learning sessions. We also reviewed all of the Fund's governing documents during the year to make them clearer and simpler for our employees.



I have a meaningful and challenging job

THERE ARE THREE IT SYSTEM DEVELOPERS at AP1 and we develop and maintain the Fund's internal applications and processes. Our work has a wide scope across back and front-office development and requires us to be able to quickly understand new technology, frameworks and issues. We work in an agile way for two-week periods, but we also have a responsibility for the maintenance of processes and routines that are required for the Fund's everyday activities. We participate in many of the Fund's common projects and aim to continuously improve and automate the Fund's processes.

AP1 is a small organisation with no external customers, which often means that proprietary applications are the most cost-efficient. But we also create internal interfaces for purchased systems. I am given

plenty of autonomy as a systems developer and get to influence and make my own decisions on the choice of technology, design and architecture. This includes everything from developing web apps in modern front-end frameworks to pure database design.

Given that I'm involved, work with many different teams and can contribute something to all the areas of the Fund, my work feels meaningful and challenging. We are encouraged to take responsibility, and always feel involved in "our own" matters. And it's a bonus that all my colleagues are really talented, pleasant and professional and are very committed to the Fund and our mandate.

Jens Rönqvist,
Systems developer in the IT Development Group
since 2021

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Sustainability reporting

Our sustainability work

AP1's sustainability work takes its lead from the mandate we have been given; to manage part of the buffer capital of the national pension system in an exemplary way, through responsible investments and responsible ownership so as to deliver long-term high returns at a low risk. We place particular emphasis on promoting sustainable development without compromising the overall return target.

Paying attention to environmental, social and governance (ESG) matters is an important part of modern asset management strategies so as to achieve a high return and good risk management for the long term. As a Government authority and manager of state pension funds, we work actively to integrate different elements of sustainability into our operations. This has great importance for retaining public trust in the AP Funds and the pension system.

We believe that efficient use of resources and responsible conduct are often core characteristics of long-term sustainable returns. We expect companies to respect human rights and other principles covered by the international conventions and international agreements backed by Sweden. By being an engaged and responsible owner, we can influence the companies in which we invest to manage relevant risks in a sustainable way.

We share our mandate with AP2, AP3 and AP4 which allows cooperation in a range of areas.

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ESG strategy

AP1's ESG strategy builds on the organisation's objectives, goals and potential for further enhancements within the ESG area to deliver on our mandate. The strategy provides the direction for the Fund's sustainability work and is approved by the Fund's Board of Directors. Every year, the CEO of the Fund adopts an ESG plan to realise the ESG strategy and implement it within the organisation. The strategy is implemented within each investment mandate based on the unique conditions of each investment model and asset class.

Responsible investments



Integration of sustainability 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 **28**.



Exclusion in line with core values

We expect the companies we invest in to comply with the international conventions backed 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 **30**.



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 **32**.



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 **33**.



Collaborating and engaging with other investors

To strengthen our ability to influence others, we collaborate with other investors and have joined a number of international and Swedish collaborations and initiatives. Read more on page **35**.



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 to create long-term value for generations to come. 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 **37**.

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Focus areas in 2022

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 has met its statutory objective of managing the Fund's assets in an exemplary manner and has worked actively with ESG matters and fulfilled the government's expectations of the Fund. The Government is positive about AP1's continued reduction of its carbon footprint and the enhanced disclosure of ESG-related outcomes. Furthermore, the collaboration between the AP Funds through the Council of Ethics is welcomed by the Government, as is the review of the Council's mission and strategy carried out in 2022.

New ESG strategy

At the end of 2021 the Fund's Board adopted a new ESG strategy that describes how the organisation will work over the next 5–10 years to achieve its statutory mandate in the area of sustainability and active ownership. The ESG strategy encompasses the Fund's entire operations and last year our focus was on clarifying the governance and responsibilities across the organisation, to then be able to implement the new strategy in all areas of the Fund's operations.

Collaboration between the National Swedish Pension Funds

AP1 has the same mandate as AP2, AP3 and AP4. AP6 and AP7 also have a similar mandate within the pension system. This allows the funds to co-operate in a range of areas. All six of the AP Funds have a common set of core values and common guidelines on how we are to report on the goal of exemplary asset management. The AP Funds that invest in listed assets, (First-Fourth AP Funds and AP7) have drawn up common guidelines for the assets in which we are not to invest. Furthermore, the First-Fourth AP Funds collaborate in the sustainability matters via the Council on Ethics of the Swedish National Pension Funds.

Development of the Council on Ethics of the Swedish National Pension Funds

Since 2017 the First-Fourth AP Funds have collaborated via the Council on Ethics of the Swedish National Pension Funds and used dialogue and engagement to drive positive changes in foreign portfolio companies with ESG problems. During the year, the Funds have collectively reviewed the Council's mandate and strategy to ensure that the collaboration remains an efficient and essential part of the AP Funds ESG efforts. One of the outcomes of this review has been the clarification of the Ethics Council's work processes and mandate from the Funds.

Sustainability reporting

The First-Fourth AP Funds and AP6 are not directly subject to the EU Sustainable Finance Disclosure Regulation (SFDR), the purpose of which is to increase transparency surrounding sustainability matters, and increase the comparability of different finance market participants and financial products. Nevertheless, since the regulation is expected to affect market practice over time, the AP Funds will gradually develop their reporting in the coming years in line with the SFDR.

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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 make 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 to what extent we integrate sustainability into our investment process is also influenced by the asset class and chosen investment strategy. 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 ESG assessment of each company. We work to improve our understanding of how sustainability aspects affect returns and risk for various asset classes, investment strategies and time horizons, 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 operate in certain sectors, or companies that do not ade-

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quately address their most relevant environmental, social and corporate governance risks. We use information and analyses from MSCI ESG Research and Sustainalytics, amongst others, to support our assessments.

Climate risks

We also identify and analyse climate risks in the Fund's investment strategies, and 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, we have divested from companies in the fossil-fuels sector and set targets for how the portfolio will achieve a net-zero carbon footprint.

→ Focus in 2022

During the year, all of the investment 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. All internally managed equity strategies integrate aspects of sustainability. In both systematic equity strategies, wherein we select equities based on clear, quantitative rules, and in the index-tracking equity strategies, this work has resulted in the strategies taking into account the companies' management of carbon emissions, amongst others.

Within the management of the fixed-income strategy, work has involved integrating ESG analyses for the credit portfolio. During the year, the Fund has made further investments into Sustainability Linked Bonds (SLB), through which the issuer ties the interest to various sustainability-related targets. The interest paid is determined by the extent to which the company fulfils the targets. This is a way for credit investors to hold companies accountable for their sustainability targets, and at the same time provides an incentive to the companies to achieve their sustainability targets.

Our divestment of companies in the fossil-fuels sector, that we implemented a few years ago, means that our portfolio lacks some degree of protection in times of high inflation. We have instead worked to restore this through other strategies and assets that do not have the disadvantages of higher climate-risk exposure.

Companies with greater sustainability risk

The Fund already has guidelines and processes related to investments in companies that we assess as having a particularly high level of sustainability risk. The aim is to ensure that sustainability risks are considered when investments are made, and to lead to effective risk management within the companies in which we invest. Since a year ago, the guidelines also include companies in certain industries, such as the gaming and defence industry, which inherently have higher sustainability risks. During the year we have developed the monitoring and evaluation of companies and mandates.

Biodiversity

As climate change has accelerated, companies and investors alike have become more focused on understanding the significance of biodiversity. We monitor developments in the area to better understand how we can take a more structured approach to addressing relevant aspects within our portfolio. This applies both to how dependent the companies are on natural capital and ecosystem services and to their impact on these. As part of our systematic equity strategy, we have a focus on efficient and responsible usage of natural capital. During our dialogues with companies we address specific areas related to biodiversity, such as sustainable food production and deforestation.

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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, Fourth and Seventh 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 present 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 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 a 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 lead to change. Via the Council on Ethics of the Swedish National Pension Funds, AP1 collaborates with AP2, AP3 and AP4 regarding dialogue and advocacy. Read more about our dialogues with foreign companies at www.etikradet.se and at www.ap1.se.

→ Outcomes in 2022

To identify companies that may be associated with 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 111 of more than 3,000 companies. Through the Council on Ethics of the Swedish National Pension Funds, AP1 has held dialogues with companies identified during the year.

In 2022 the Council on Ethics commenced sixteen dialogues and were able to close five of these as the objectives were achieved. At the year-end, 86 dialogues were still active.

Audit of the holdings of the AP Funds

	2022	2021	2020	2019
Number of companies in the AP Funds' portfolios	3,202	3,168	2,430	3,557
– of which, confirmed violations	28	23	22	29
– of which, risk of violations	83	89	72	91
– of which, no remarks were made during the audit	3,091	3,056	2,336	3,437

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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-medicinal 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-medicinal use on the basis of the UN conventions on narcotic drugs.

Individual companies can also be excluded.

When we identify companies that contravene 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

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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 SDGs. We focus on investments that fulfil the Fund's overarching return target and simultaneously contribute to major sustainability outcomes in relation to the capital invested.

As part of our mandate AP1 is to give particular weighting to promote sustainable development without compromising on the overarching return target. Since different asset classes have a different level of impact on the underlying asset, we focus on investments that lead to major sustainability outcomes, primarily within alternative investments and credits.

During the year we have identified several interesting investment opportunities that promote sustainable development while also meeting AP1's requirements for risk and return.

In 2020 the Fund decided to direct more capital to this type of investment in private equity funds and during the year all new investments have been in strategies that actively contribute to one or several of the SDGs. One such example is a fund specialised in investing in European companies focused on solutions to climate-related problems such as energy transition, reduction of carbon dioxide emissions, sustainable food production and environmentally smart transportation. Another fund we have invested in targets companies that develop organic pharmaceuticals, med-tech and IT for health and medical care services in the US and Asia.

In terms of green and social bonds, the volume is still relatively good in Europe and we have made new investments in this asset class.

Real assets focused on energy transition

The majority of the Fund's holdings that meets AP1's criteria for investments that promote sustainable development are comprised of unlisted real estate and infrastructure assets.

During the year a new investment was made in Quinbrook Net Zero Power Fund which focuses on infrastructure investments in renewable energy. Another example is Polhem Infra, which AP1 owns together with AP3 and AP4. This company invests in and manages unlisted infrastructure assets in areas such as renewable energy, energy storage and digital infrastructure. During the year, Polhem Infra entered into an agreement with Solkompaniet aimed at planning, developing and building large-scale solar farms in Sweden. Renewable energy production is an important component of the energy transition in order to meet society's rapidly growing need for electricity.

Since 2021 AP1 has invested in Northvolt via the company 4 to 1 Investments, owned by the AP funds. We believe this investment will have a positive contribution to both the pension system and our society due to the important role the company has in mitigating global climate change.

Quinbrook Net Zero Power Fund

The Fund focuses on the rapidly growing renewable energy sector, primarily in the US but also in the UK and Australia. This investment is expected to generate an attractive risk-adjusted return and help create a diversified effect on our total portfolio, while also meeting our high ESG demands and contributing to long-term sustainable development.

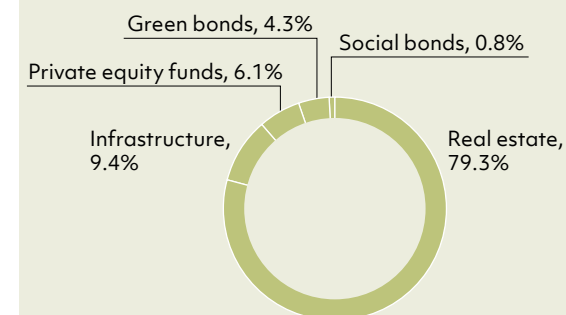
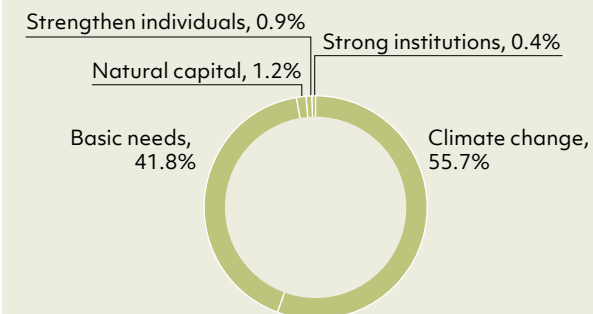


→ Outcome 2022

Assets that fulfil the Fund's criteria for investments that promote sustainable development amount to SEK 86,548 m (84,476).



THE GLOBAL GOALS

Distribution per asset class**Distribution per development goal area**

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RESPONSIBLE OWNERSHIP

Active and responsible ownership

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

Active ownership increases returns

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 can 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 2022

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 2022 the Fund voted at 1,370 general meetings. To increase transparency and also to put additional pressure on the companies we would

Ownership strategies and goal attainment for active ownership

Active ownership through board representation

12

Number of companies with board representation

Influence through nomination committees

14

Active ownership in 14 Swedish nomination committees

41.4%

Percentage of female Board members in companies where the Fund is on the 2022 nomination committee

Influence through voting in Swedish shareholders' general meetings

82

Voted in 82 shareholders' general meetings in Sweden in 2022

Influence through voting in shareholders' general meetings abroad

>1,288

Voted in 1,288 shareholders' general meetings abroad in 2022

Influencing foreign companies through dialogue

86

Through the Funds' Council on Ethics, dialogue takes place with 86 companies

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like to influence, we publish how we have voted at every general meeting of shareholders on our website, www.ap1.se.

AP1 votes at general meetings in 27 countries. Most companies that the Fund votes on are located in the US (46 per cent of the general meetings), followed by France (just over 6 per cent). Swedish companies account for 6 per cent of the general meetings at which the Fund votes.

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 to 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 presented at the general meeting. Should this occur, the Fund publicly 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. AP1 takes a position and votes on all of these proposals. It is worth noting, however, that the propos-

als from certain shareholders are actually intended to impair the company's climate action or reporting. AP1 has voted against these types of proposals.

Voting on remuneration and discharge of liability

As a responsible investor we are active and vote in different issues. In 2022, remuneration of senior executives was an important item on the agenda of many Swedish shareholders' general meetings. There is an increase in the number of companies that are tying remuneration to sustainability-related goals, a development that we are positive to. We encourage companies to shape their remuneration programmes so that they include non-financial goals that affect the companies' long-term profitability. AP1 participates in a number of discussions every year when we seek to engage the companies in compromising with us to re-formulate their remuneration programmes so that they include clear and challenging performance requirements. In 2022 the discussions resulted in good compromises in most cases. In five other cases, the companies' boards were not willing to compromise with the Fund so we therefore voted against the proposals they presented to their general meetings of shareholders. These companies were Byggfakta, Kinnevik, Sagax, Vitec and Volvo Cars.

When it transpired that Ericsson's Board and Executive Management were not adequately transparent on the issue of corruption in Iraq and in its disclosure of information to the US Department of Justice, the Fund initiated a project to fully understand the matter and place new demands on the company. As a responsible investor it is important to have access to facts and information to be able to assess the situation and its potential consequences on the company. Given the inadequate disclosure of information we did not consider that it was possible to discharge each member of the Board, the Chairman and the CEO from liability. Ericsson's Board is now obligated to revert back with certain information and its standpoint no later than the company's 2023 AGM. AP1 also voted against the Board's remuneration report. Senior executives received variable remuneration from the company which was partially based on the market price of the company's shares. This means that the remuneration levels do not reflect the effects of the disclosure of information regarding the Iraq investigation.

On the nominations committees of 14 Swedish companies

Swedish companies that are listed on a regulated market in Sweden are obligated under the Swedish Corporate Governance Code (the Code) to have a nominations committee.

The nominations committee is generally comprised of the four or five 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 2022 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. Exactly what the right competences 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. In the companies where AP1 participated in the nominations committee prior to the 2022 general meetings, the share of women on the boards reached 41.1 per cent.

We provide information on the nominations committees we have participated in on www.ap1.se

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RESPONSIBLE OWNERSHIP

Collaborating and engaging with other investors

As a major individual investor we have a great ability to influence and by working with others we become even stronger in our dialogues.

The Council on Ethics of the Swedish National Pension 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 improvements in those foreign companies owned by the Funds that do not live up to our expectations. Through these efforts the companies can improve in 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 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, 15 per cent are about the environment and climate and 26 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, the First-Fourth AP Funds decided to review the mandate and way of working of the Council on Ethics. The outcome of this review shows that the Council on Ethics' activities are good on the whole, and achieve satisfactory results. On the other hand, areas for improvement were identified regarding the efficiency of the Council on Ethics' working processes and the governance of the Council. These improvements will be implemented in 2023 so that the Council of Ethics can achieve even

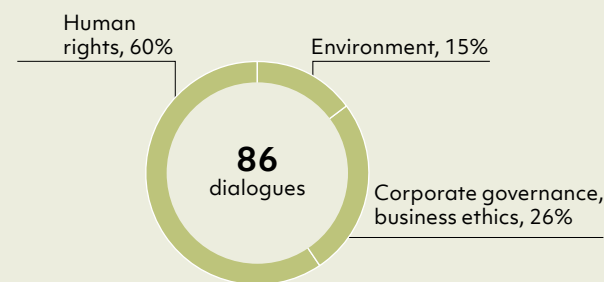
greater impact in its engagement with the AP-Funds' foreign portfolio companies, and do so more efficiently

Fighting corruption together

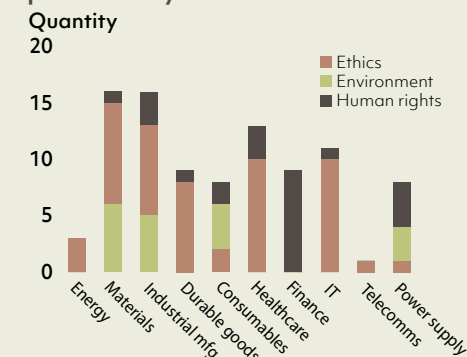
Corruption and non-compliance hamper all forms of progress and they are a challenge for many companies as they jeopardise companies' chances to create value and profitability. As a major investor, AP1 can help by influencing the companies and placing requirements on them.

To further enhance the role of the investor as an active owner, AP1 has joined forces with Transparency International Sweden and a number of other Swedish investors to form

Advocacy dialogues by sustainability area – ESG



Council on Ethics' dialogues per industry



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Investors Integrity Forum. This is a platform from which 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.

PRI Advance

In 2022 PRI (Principles for Responsible Investments) launched a new global collaborative initiative for investors called PRI Advance, which is focused on human rights.

AP1 supports this initiative. Through active engagement with portfolio companies, the initiative aims to achieve a positive shift in human rights, taking its lead from the UN Guiding Principles on Business and Human Rights to drive positive outcomes for people. The initial focus of the initiative is on some 40 companies in the mining and metals industry, and within renewable energy. For more information on the international and national collaborations and initiatives that AP1 has joined, go to www.ap1.se

Clear expectations are part of our advocacy strategy

To further strengthen our ability to influence others, we have joined a number of international and Swedish collaborations and initiatives, such as Principles for Responsible Investments (PRI) Climate Action 100+ and Swesif. Our advocacy work also takes place via the AP Funds' Council on Ethics.

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

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FOCUS AREA CLIMATE CHANGE

Climate action

Climate change and the ongoing transition to a less fossil-fuel-dependent economy is one of the biggest challenges of our time and is key 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 for generations to come.

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, as well as the Fund's ability to mitigate these risks. This 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. Our aim is to bring about a reduction in carbon emissions in the real economy. Our work is supported by the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure).

Governance

AP1's Board of Directors has adopted an ESG strategy and related objectives. These objectives are to be achieved without compromising on the Fund's overarching mandate of attaining a long-term, high return. The Board's Sustainability committee regularly monitors the Fund's ESG progress and objectives. Every year the CEO of the Fund also adopts an ESG

plan, which acts as the CEO's guiding document for how the ESG strategy is realised and implemented across the organisation, as well as how follow-up reporting should take place.

Strategy

Climate risk is usually broken down into:
TRANSITION RISKS – how our portfolio or an individual investment is affected by a climate 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 its products

PHYSICAL RISKS – how our portfolio or an individual investment is affected by the physical consequences of climate changes. This may be due to rising temperatures, water shortages or extreme weather conditions that may end up affecting the company's direct operations or value chain.



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Different regions, industries and thus individual companies will be affected to a different degree 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 still the primary risk to its portfolio in the coming years. At the same time, it is important that we give greater consideration to the physical risks related to longer-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 for regularly following up how these are developing over time. The tool was developed to increase our understanding of the portfolio's climate risk exposure, and has also provided support in prioritising efforts to integrate climate aspects in the investment process and in the Fund's active ownership activities.

As a result of this work we have gradually removed our exposure to companies with fossil-fuel activities. We believe that the transition to a less fossil-fuel-dependent economy involves major changes and therefore great uncertainty in particular for companies operating in the coal, oil and gas industries, and over time, investments in these companies may entail a higher financial risk for the Fund. At the end of 2018 we sold companies that had substantial coal and oil sands activities. In 2020 we divested companies in the energy sector (coal, oil and gas companies) as well as companies that either extract coal, own large coal reserves or are major coal-power generators.

Furthermore, we integrate climate-related factors in the majority of our managed mandates, often in combination with active ownership. This work needs to be regularly updated as our understanding of different climate-related risks evolves 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 companies to manage their climate risks for the long term and in a sustainable manner. We also have a possibility to invest in assets that promote sustainable development and can positively contribute to both returns and the climate transition.

Goals and metrics

AP1 shall reduce the carbon footprint of its portfolio to net-zero by the end of 2050, primarily through the companies we own reducing their carbon footprints in line with the goals of the Paris Agreement. The Fund's intermediate goal is a halving of the portfolio-weighted carbon footprint by 2030, compared to 2019. This goal reflects the portfolio's global and well-diversified coverage and is based on the fact that, as a long-term asset manager, we should work towards reducing the carbon emissions of the real economy. See page 39 for outcomes.

Furthermore, the Fund aims to increase its investments in assets that promote sustainable development. We focus on investments that fulfil the Fund's overarching return target and lead to major sustainability outcomes in relation to the capital invested. See page 32 for outcomes.



→ Focus for 2022 – Climate action

- Implementation of AP1's new ESG strategy which better positions the Fund to fulfil its mandate of exemplary asset management.
- New investments in businesses we believe will benefit from the climate change transition, for example, Quinbrook Net Zero Power Fund which focuses on infrastructure investments in the energy transition area.
- Divestment of companies with fossil-fuel activities that we implemented a few years ago, means that our portfolio lacks some degree of protection in times of high inflation. We have instead worked to restore this through other strategies and assets that do not have the disadvantages of higher climate-risk exposure.
- The Fund signed a global investor petition to the world's leaders ahead of COP27, in which we once again encouraged countries to strengthen their commitments by setting relevant climate targets and clear policies for delivering on these.
- 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.
- Through the Council on Ethics of the Swedish National Pension Funds we have pushed for more companies to report according to the TCFD recommendations.
- AP1 is a member of the Transition Pathway Initiative's Advisory committee.
- Expanded the calculation of the portfolio's carbon footprint to also encompass sovereign bonds, as part of our ambition to increase the share of the portfolio that is included in the Fund's monitoring and reporting.
- Received two SDFR Asset Owners awards for the Fund's work in managing the portfolio's climate-risk exposure and reducing our carbon footprint.

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Carbon footprint outcomes

The AP Funds report the carbon footprint of their listed equity portfolios according to mutually developed guidelines, see www.ap1.se. In 2022, the carbon footprint (scope 1 and 2) of the equity portfolio has reduced. The total carbon emissions decreased by 23% to 0.7 million tCO₂e (0.93), which is mainly explained by the portfolio's reduced exposure to equities. The portfolio's weighted carbon intensity, measured in relation to the company's turnover, decreased by 14% to 7.1 tCO₂e/SEKm (8.2). When adjusted for the inflation developments since the base year of 2019, this corresponds to 7.6 tCO₂e/SEKm. This change is mainly explained by the fact that portfolio companies' carbon intensity is lower compared to the prior year, a development that has been greatly affected by exchange rates movements. The Fund's lower exposure to emerging markets also contributed to the lower carbon footprint in 2022.

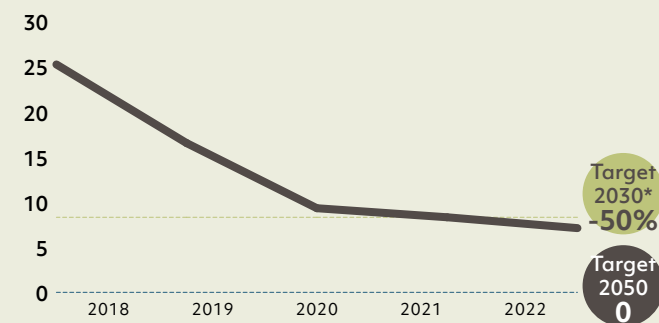
The carbon footprint of the Fund's holdings in real assets, such as real estate and infrastructure, amounted to 15.0 tCO₂e/SEKm (5.2). This increase is mostly explained by the fact that more infrastructure holdings, which generally have a higher carbon intensity than real estate, now report emissions data. The carbon footprint of the Fund's holdings

of credit bonds amounted to 7.7 tCO₂e/SEKm (13.0), a reduction that can mostly be attributed to changes in the portfolio and the effect of exchange rates.

This year we are also reporting the carbon footprint of the Fund's holdings of sovereign bonds, measured as territorial production-based emissions related to the GDP, which amounts to 20.5 tCO₂e/SEKm. A description of how we calculate these metrics is available on the Fund's website www.ap1.se.

The carbon footprint provides a basis for assessing certain climate-related financial risks, such as a price on carbon, and enables AP1 to prioritise engagement with companies on reducing emissions, for instance through expectations on emission reduction targets, risk management and transparency. The metric should be viewed in the context of the Fund's overall sustainability work and in relation to developments in the real economy. 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. Changes in data quality and fluctuations in exchange rates can also affect this metric in certain years, and inflation over time also has a cumulative effect.

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 (Scope 1 and 2)

	2022	2021	2020	2019	2018
Total carbon emissions (million tCO₂e)¹⁾	0.71	0.93	0.87	1.60	1.80
Change in the portfolio's total carbon intensity in relation to last year, (%)	-23	7	-46		
- of which change due to changes in portfolio holdings, percentage points	-28	14	-45		
- of which change due to changes in the companies' emissions, percentage points	5	-7	-1		
Relative carbon emissions (tCO₂e/SEKm)²⁾	3.6	3.9	4.8	13	16.1
Carbon intensity (tCO₂e/SEKm)³⁾	7.0	9.2	10.7	18.9	24.8
Weighted average carbon intensity (TCFD) (tCO₂e/mkr)⁴⁾	7.1	8.2	9.3	16.5	25.2
Change in the portfolio's carbon intensity (TCFD) compared to last year, %	-14	-11	-44	-34	
- of which change due to changes in portfolio holdings, percentage points	-4	1	-52	-29	
- of which change due to changes in the companies' emissions, percentage points	-10	-12	8	-5	
Mapped market value as a percentage of total net assets, %	46	51	47	34	34
Percentage of the mapped market value for which reported emission data exists, %	86	79	72	68	71

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

	2022 ¹⁾	2021 ¹⁾	2020 ¹⁾	2019	2018
Power consumption in own offices, MWh	114.3	141.7	137.5	148.7	164.9
District cooling consumption in own offices, MWh	77.9	96.4	101.7	132.8	130.9
Heating consumption in own offices, MWh	51.4	45.8	41.5	48.5	55.5
Water consumption, m ³	404.8	488.2	530.0	725.6	660.4
Paper consumption, tonnes	0.1	0.3	0.3	0.8	1.0
Percentage of eco-labelled paper of total paper consumption, %	100	100	100	100	100
Business travel by air, tens of thousands of km	12.9	0.1	6	52	81
Business travel by air, emissions in CO ₂ tonnes	16.5	0.1	16	69	96

1) The pandemic has affected the results.

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The auditors' statement regarding AP1's sustainability report org.no 802005-7538

Engagement and responsibility

The Board of Directors has been responsible for the sustainability report for 2022 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.

Opinions

A sustainability report 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



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The Board of Directors and the CEO of Första AP-fonden hereby submit their Directors' Report for 2022. The Directors' Report, together with the annual accounts and notes, has been reviewed by the auditors of the Fund. The review covers pages 41–56.

Första AP-fonden's (AP1's) net investment income for 2022 was SEK –39.9 billion (80.7), which means a return after expenses of –8.6 per cent (20.8). Measured over the last ten-year period, the annual return was 8.1 per cent. This equates to an average real return of 5.6 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.

Transfer to the Swedish Pensions Agency

In 2022, the Fund transferred SEK 4.7 billion (7.5) to the pension system to cover the deficit in pension contributions in relation to pension disbursements. Since 2011, the Fund has paid SEK 69.3 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.

Strategic orientation

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.

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 Fund has implemented a new ESG strategy in 2022. AP1's sustainability report can be found on pages 29–40 of this annual report.

Asset classes

Equities

The equity exposure of AP1's portfolio was SEK 201.8 billion at year-end, equating to 47.9 per cent of the total portfolio. The equity portfolio comprises SEK 79.2 billion in Sweden and SEK 122.6 billion in foreign developed markets. Swedish equities and equities in foreign developed markets are chiefly managed internally. The return on the equity portfolio for 2022 was –20.4 per cent, which equates to SEK –55.3 billion.

Equities in emerging markets

During the year the Fund has restructured the portfolio in several ways, including the disposal of external mandates with holdings in emerging markets as our external analysis indicates that there will be significant risks in these markets for some time to come (geopolitical, ESG, liquidity). We also believe there are advantages to increasing our internal asset management, including a more dynamic allocation process and simplified management of exposures with retained high liquidity. Internal asset management also allows for good control, risk management, reporting and administration.

Fixed-income securities with a higher credit rating

AP1's fixed-income portfolio had a market value of SEK 101.6 billion at year-end, equating 24.1 per cent of net assets. The majority comprise investments in foreign bonds. The return on the Fund's fixed-income portfolio in 2022 was –13.2 per cent, which equates to SEK –14.8 billion.

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Fixed-income securities with a lower credit rating

AP1's exposure to bonds with a lower credit rating (high-yield investments) amounted to SEK 1.4 billion or 0.3 per cent of the total portfolio on 31 December 2022. The return on the high-yield portfolio for 2022 was -13.0 per cent, which equates to SEK -0.6 billion.

Alternative investments

Real estate

AP1's real estate holding had an exposure of SEK 74.4 billion at year-end, equalling 17.7 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 2022 totalled 7.4 per cent, equalling SEK 5.4 billion.

Infrastructure

The Fund's investments in infrastructure amounted to SEK 8.1 billion at year-end, equalling 1.9 per cent of net assets. The return on the infrastructure portfolio was 9.8 per cent, which equates to SEK 1.5 billion.

Private equity funds

AP1's investments in private equity funds amounted to SEK 33.1 billion at year-end, equalling 7.9 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 2.1 per cent, equalling SEK 0.5 billion.

Proportion of internal and external management

At the end of 2022, 89.9 per cent of the assets were managed internally and 10.1 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.

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-Fourth AP Funds and the Seventh AP Fund. 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 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 2022 there has been active collaboration within the different operational areas

Some of the areas where the Funds have cooperated during the year include procurement (eg. recruitment agencies and medical insurance), financial reporting, internal training and the development of system platforms. Joint communications initiatives have also 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.

Expenses in 2022

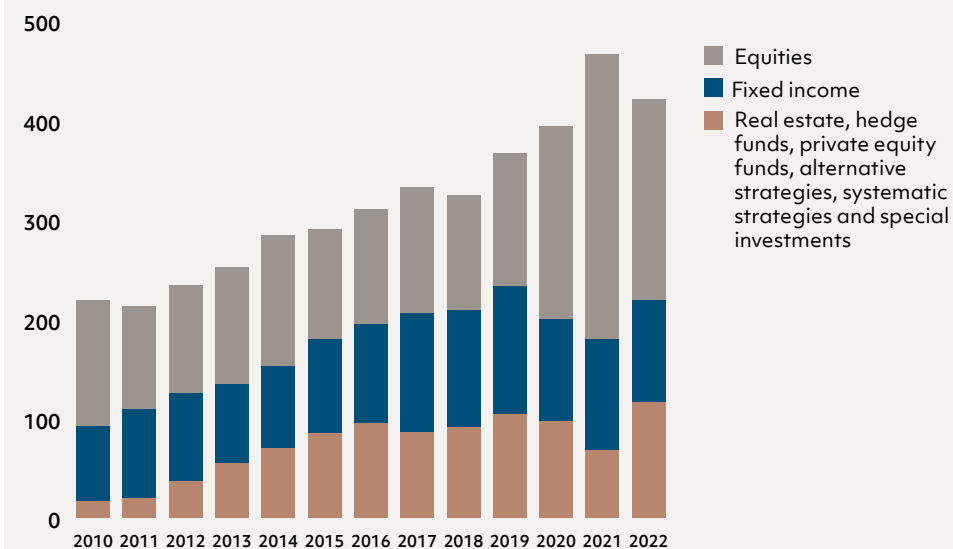
To gauge the Fund's cost efficiency, the Fund takes part in international cost benchmarking conducted by CEM Benchmarking. The Fund is compared against a group comprising 19 global pension funds with approximately

the same portfolio breakdown and size. None of the other AP Funds are in the comparison group. The analysis for 2022 showed that the Fund's costs are still lower than those of the comparison group. Operating expenses for 2022 amounted to SEK 238 million (231). Commission expenses amounted to SEK 27 million (61). 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 has also increased the share of internal asset management. The Fund's total expense ratio has dropped from 0.14 per cent to 0.06 per cent since 2017.

Significant events after the end of the reporting period

No significant events have taken place since the year-end 2022/2023.

Net asset performance, SEK bn



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Net investment income for 2022 before expenses

	Exposure SEK bn	Return %	Return contribution %	Return contribution SEK bn
Equities	201.8	-20.4%	-11.9%	-55.3
<i>Sweden</i>	79.2	-22.4%	-4.2%	-19.6
<i>Developed markets</i>	122.6	-20.7%	-6.9%	-32.2
<i>Emerging markets</i>	0.0		-0.7%	-3.4
Fixed-income securities	101.6	-13.2%	-3.2%	-14.8
High-yield	1.4	-13.0%	-0.1%	-0.6
Real estate	74.4	7.4%	1.2%	5.4
Infrastructure	8.1	9.8%	0.3%	1.5
Private equity funds	33.1	2.1%	0.1%	0.5
Hedge funds	2.0	3.2%	0.0%	0.1
Alternative strategies	1.4	1.5%	0.0%	0.0
Cash	-2.8		0.2%	1.0
Foreign exchange			4.1%	19.2
Absolute return mandate			0.7%	3.3
Total	421.2	-8.5%	-8.5%	-39.6

Expenses and expense ratio 2022

Asset classes	2022		2021	
	Expenses, SEK m	Expense ratio*, %	Expenses, SEK m	Expense ratio*, %
Personnel costs	144	0.03	139	0.03
Other administration expenses	94	0.02	93	0.02
Operating expense	238	0.05	232	0.05
Commission expenses	27	0.01	61	0.02
Total expenses	265	0.06	293	0.07

*Share of the portfolio's value.

Currency exposure, 31/12/2022

SEK m	USD	GBP	EUR	JPY	Other	Total
Shares and participations	126,135	6,310	14,272	8,145	15,817	170,679
Fixed-income securities	39,328	6,036	20,144	8,117	2,253	75,878
Other assets	4,976	67	513	26	92	5,674
Derivatives	-136,732	-2,989	-23,881	7,520	-11,771	-167,853
Total	33,707	9,424	11,048	23,808	6,391	84,378
Currency exposure 31/12/2021	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

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Net investment income and inflow, SEK bn	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net assets, at 31 December	421.2	465.8	392.6	365.8	323.7	332.5	310.5	290.2	283.8	252.5
Net flow pension system	-4.7	-7.5	-7.9	-6.5	-6.8	-7.4	-6.6	-4.9	-5.1	-6.9
Net investment income for the year	-39.9	80.7	34.8	48.6	-2.1	29.3	27.0	11.3	36.4	25.7
Return, expenses and risk, %										
Return before expenses	-8.5	20.8	9.8	15.3	-0.6	9.7	9.5	4.1	14.8	11.3
Operating expenses, % of AUM	0.05	0.05	0.06	0.07	0.07	0.07	0.06	0.06	0.07	0.07
Commission expenses, % of AUM	0.01	0.02	0.02	0.05	0.07	0.07	0.09	0.11	0.10	0.07
Return after expenses	-8.6	20.8	9.7	15.1	-0.7	9.6	9.3	4.0	14.6	11.2
Market returns ⁽⁶⁾	-14.2	17.9	6.8	19.7	-3.4	9.1	8.0	1.5		
Net investment income and expenses in total portfolio, SEK bn										
Net investment income before expenses	-39.6	81.0	35.1	49.0	-1.6	29.8	27.4	11.8	36.9	26.0
Operating expenses and commission expenses	-0.3	-0.3	-0.3	-0.4	-0.5	-0.4	-0.5	-0.5	-0.5	-0.3
Exposure, %										
Equities	47.9	61.4	49.2	36.3	34.1	37.9	34.1	34.7	48.9	49.2
Sweden	18.8	18.6	17.3	10.5	11.2	12.9	12.3	12.3	11.6	12.0
Developed markets ⁽¹⁾	29.1	34.6	21.8	11.9	8.8	10.7	12.5	14.4	27.1	27.5
Emerging markets	0.0	8.3	10.2	13.9	14.1	14.2	9.2	8.0	10.1	9.7
Fixed-income securities ⁽²⁾	24.1	22.9	24.2	32.3	33.3	31.7	29.8	30.2	30.9	31.2
Cash ⁽⁵⁾	-0.7	-10.1	-0.2	-0.3	-2.5	-2.4	-1.1	-0.1	-1.1	-0.7
Real estate	17.7	15.2	14.1	14.8	14.3	12.8	12.6	11.5	8.8	8.8
Infrastructure	1.9	2.5	2.1	3.0	3.7	3.4	3.0	2.9		
Hedge funds	0.5	0.8	3.8	4.3	4.6	4.0	5.0	4.8	5.9	4.9
Private equity funds	7.9	6.0	4.9	5.4	5.5	4.6	4.7	5.0	4.4	3.3
High-yield	0.3	1.1	1.9	3.0	2.8	4.5	4.5	2.9		
Alternative strategies	0.3	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
Special investments							0.5	0.7		
Foreign exchange	20.0	30.3	23.2	25.7	26.0	25.3	22.1	31.3	35.1	29.2
Risk										
Volatility, % ⁽³⁾	9.3	6.4	10.6	3.8	4.9	3.6	6.4	8.1	5.4	5.0
Sharpe ratio	neg.	3.3	0.9	4.2	0.0	2.9	1.5	0.5	2.6	2.1
Market volatility, % ⁽⁶⁾	12.5	7.2	15.8	6.1	7.4	4.3	8.1	9.4		
External management, %										
Share of total portfolio as of 31 December ⁽⁴⁾	10.1	15.9	22.6	31.4	33.5	32.5	31.8	31.0	34.6	37.1

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 = 24.01% for 2022).

3) Standard deviation calculated on daily return in 2022.

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

6) Market returns and Market volatility: Refer to the returns and the volatility in the investment universe that arise as a consequence of the buffer funds' statutory mandate

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Income Statement

SEK m	Note	31/12/2022	31/12/2021
Operating income			
Net interest income	2	2,822	1,236
Income from equity shares		6,537	5,790
Net gains/losses, listed shares and participations	3	-48,649	39,391
Net gains/losses, unlisted shares and participations	4	3,722	24,458
Net gains/losses, fixed-income assets		-16,080	-806
Net gains/losses, derivative instruments		-3,748	5,304
Net gains/losses, foreign exchange movements		15,755	5,593
Commission expenses	5	-27	-61
Total operating income		-39,668	80,905
Operating expenses			
Personnel costs	6	-144	-139
Other administrative expenses	7	-94	-92
Total operating expenses		-238	-231
Net investment income		-39,906	80,674

Balance Sheet

SEK m	Note	31/12/2022	31/12/2021
Assets			
Shares and participations, listed	8	197,893	239,965
Shares and participations, unlisted	9	114,678	107,957
Bonds and other fixed-income assets	10	101,117	119,085
Derivatives	11	2,251	1,838
Cash and bank balances		6,544	5,121
Other assets	12	493	505
Prepaid expenses and accrued income	13	506	569
Total assets		423,482	475,040
Liabilities			
Derivatives	11	2,246	6,396
Other liabilities	14	42	2,851
Deferred income and accrued expenses	15	5	9
Total liabilities		2,293	9,256
Net assets	16		
Opening net assets		465,784	392,637
Net payments to/from the pension system		-4,689	-7,528
Net investment income for the year		-39,906	80,674
Total net assets		421,189	465,784
Total net assets and liabilities		423,482	475,040
Memorandum items	17	36,846	40,130

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Note 1 – Accounting and valuation 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.

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Note 1 – Accounting policies, continued**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 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	2022	2021
Interest income		
Bonds and other fixed-income securities	2,426	882
Other interest income	407	367
Total interest income	2,833	1,249
Interest expenses		
Other interest expenses	-11	-13
Total interest expenses	-11	-13
Total net interest income	2,822	1,236

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

SEK m	2022	2021
Net gains/losses	-48,649	39,441
Less brokerage commissions		-51
Net gains/losses, listed shares and participations	-48,649	39,391

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

SEK m	2022	2021
Capital gains/losses	3,869	6,222
Unrealised value changes	-147	18,236
Net gains/losses, unlisted shares and participations	3,722	24,458

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 145 million (110) was paid in management fees for unlisted assets, of which SEK 138 million (110) permit refunds. Furthermore, SEK 33 million (51) was repaid during the year and the unrealised net gains/losses for unlisted shares and participations were therefore negatively affected by SEK 112 million net (59).

Note 5 – Commission expenses

SEK m	2022	2021
External management fees, listed assets	-16	-48
Other commission expenses, incl. custodian bank expenses	-11	-13
Commission expenses	-27	-61

Commission expenses do not include performance-based fees. During the year performance-based fees amounted to SEK 40 million (66), in addition to which repayment has been made for the prior year's fees of SEK 131 million. The fees affect the net investment income for each asset class.

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Note 6 – Employees

Number of employees	2022			2021		
	Total	Men	Women	Total	Men	Women
Average no. of employees	67.5	35.9	30.6	66.3	37.1	29.2
Closing no. of employees	67	36	31	67	38	29
No. of executive management members at year-end	4	2	2	5	3	2

Personnel costs 2022, SEK thousands	Salaries and remuneration	Pension costs	Social security costs*	Total
Board Chairman	220		69	289
Other Board members (8 people)	817		257	1,074
CEO	4,597	1,287	1,718	7,602
<i>Executive management team, excl. CEO</i>				
Chief Investment Officer	3,450	1,040	1,338	5,829
Head of Communications	1,476	332	547	2,356
Head of Operations	2,140	933	907	3,980
Head of Business Support & Development	1,880	450	705	3,035
Other employees	68,654	18,747	26,907	114,307
Total	83,235	22,788	32,449	138,471
Other personnel costs				5,705
Total personnel costs				144,176

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.

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 2022.

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 to the above. For cost-related reasons, these agreements have not been 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.

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Note 7 – Other administrative expenses

SEK m	2022	2021
Cost for premises	-17	-17
Purchased services	-17	-20
Information and data expenses	-55	-50
Other administration expenses	-5	-5
Other administrative expenses	-94	-93
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	-678	-774
Other assignments, primarily tax related	-50	-41
	-728	-815

Note 8 – Listed shares and participations

Fair value, SEK m	31/12/2022	31/12/2021
Equities, Swedish	72,104	78,377
Equities, foreign	125,789	137,644
Participations in Swedish funds	-	520
Participations in non-Swedish funds	-	23,424
Total fair value	197,893	239,965

Five largest Swedish equity holdings

Name	Number of shares	Fair value
Atlas Copco	60,233,721	7,176
Investor	31,154,250	5,874
Volvo	26,266,219	4,951
Hexagon	30,186,710	3,290
Sandvik	17,146,498	3,230
		24,521

Note 8 – Listed shares and participations, continued

Five largest non-Swedish equity holdings

Name	Number of shares	Fair value
Apple	4,516,100	6,114
Microsoft Corp	2,000,000	4,998
Nordea Bank	44,691,772	4,991
Alphabet	3,177,200	2,929
Amazon.com	2,521,000	2,206
		21,238

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	31/12/2022	31/12/2021
<i>Swedish unlisted shares and participations:</i>		
Subsidiaries and associated companies	64,334	62,045
<i>Non-Swedish unlisted shares and participations:</i>		
Subsidiaries and associated companies	5,888	6,602
Other unlisted shares and participations	44,456	39,310
Total	114,678	107,957

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	29.5	159	1,325	378
Polhem Infra AB	Stockholm	559183-3917	20,000	33.3	0	1	0
Polhem Infra KB	Stockholm	969789-2413		33.3	154	8,335	2,778
Urbanea Fastigheter AB	Stockholm	559201-2008	93,575	98.5	86	403	582
Vasakronan Holding AB	Stockholm	556650-4196	1,000,000	25.0	8,493	89,767	28,081
Willhem AB	Gothenburg	556797-1295	770,336,076	100.0	1,316	25,574	31,069
4 to 1 Investment AB	Stockholm	559313-2490	6,250	25.0	-1	1	0
4 to 1 Investment KB	Stockholm	969795-3033		25.0	77	5,782	1,446
							64,334
Foreign shares and participations, subsidiaries and associated companies							
First Australian Farmland Pty Ltd	Australia	155,718,013		100	6	587	558
Chapone S.à.r.l	Luxembourg	B 200297		100	335	3,354	2,963
Jutas Invest Finland OY	Finland	2793175-3		100	-35**	149	113
OMERS Farmoor 3 Holdings B.V.	Netherlands	699691750000		100	384**	2,704**	1,879
ASE Holdings S.à.r.l	Luxembourg	B 169327		38	-11**	307**	21
ASE Holdings III S.à.r.l	Luxembourg	B 207618		35	217**	1,067**	353
							5,888

*Pertains to figures released 31/12/2021 **Refers to 31/12/2021 translated at the exchange rate on 31/12/2021

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Note 9 – Unlisted shares and participations, continued**Five largest holdings, unlisted shares and participations**

	Domicile	Holding, %	Cost
Fourth Stockholm Global Private Equity L.P., Hamilton Lane	USA	100	8,061
Fifth Stockholm Global Private Equity L.P., Hamilton Lane	USA	100	6,854
Idiosyncratic AI Lp Class C	Delaware	100	2,437
Blackstone Strategic Capital Holdings L.P.	Cayman Islands	6	1,257
WP North America Private Equity II L.P.	USA	99	64

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	31/12/2022	31/12/2021
Breakdown by type of issuer		
Swedish state	21,110	24,759
Swedish municipalities	–	210
Swedish mortgage institutions	1,897	2,147
Other Swedish companies:		
Financial companies	882	759
Non-financial companies	2,816	5,850
Foreign states	48,389	18,365
Other foreign issuers	26,022	66,994
Total	101,117	119,085
Breakdown by type of instrument		
Inflation-indexed bonds	26,036	17,599
Other bonds	73,756	100,161
Treasury bills	–	–
Certificates	–	–
Other instruments	1,324	1,324
Total	101,117	119,085

Note 11 – Derivatives

Fair value, SEK m	31/12/2022		31/12/2021	
	Derivative instruments with: Positive fair value	Derivative instruments with: Negative fair value	Derivative instruments with: Positive fair value	Derivative instruments with: Negative fair value
Equity-linked instruments				
Options				
Held	0		762	
Issued		–1		–508
Swaps	15	–26	21	–129
Futures				
Total	15	–27	783	–637
Interest-linked instruments				
Swaps	14	–16	166	–6
Futures				
Total	14	–16	166	–6
Currency-linked instruments				
Swaps	2,222	–2,203	889	–5,753
Futures				
Options				
Total	2,222	–2,203	889	–5,753
Total derivative instruments	2,251	–2,246	1,838	–6,396

Derivative positions with a negative value amounting to SEK –21 million (–105) have a maturity exceeding 12 months. For maturity analysis thereof, see note 19

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Note 12 – Other assets

SEK m	31/12/2022	31/12/2021
Incoming payments, unsettled transactions	-192	4
Receivables from foreign tax authorities	496	336
Other assets	190	166
Total other assets	493	505

Note 13 – Prepaid expenses and accrued income

SEK m	31/12/2022	31/12/2021
Accrued interest income	396	467
Accrued dividends	108	97
Other prepaid expenses and accrued income	1	5
Prepaid expenses and accrued income	506	569

Note 14 – Other liabilities

SEK m	31/12/2022	31/12/2021
Outgoing payments, unsettled transactions	1	35
Received cash collateral for derivative positions	-	
Other	41	2,815
Other liabilities	42	2,851

Note 15 – Deferred income and accrued expenses

SEK m	31/12/2022	31/12/2021
Accrued management fees	0	4
Other accrued expenses	5	5
Deferred income and accrued expenses	5	9

Note 16 – Net assets

SEK m	2022	2021
Opening net assets	465,784	392,637
Net flow to/from the pension system:		
Incoming pension contributions	81,822	75,597
Outgoing pension disbursements	-86,259	-82,886
Transfer of pension rights to the EC	0	-1
Settlement of pension rights	0	-3
Outgoing administrative contribution to the Swedish Pensions Agency	-252	-236
Total net outflow to the pension system	-4,689	-7,528
Net investment income after expenses for the year	-39,906	80,674
Closing net assets	421,189	465,784

Note 17 – Memorandum items

SEK m	31/12/2022	31/12/2021
Pledged assets and equivalent collateral for own liability	-	2,763
Securities on loan against other collateral*		
Collateral provided for futures transactions	7,359	4,839
Collateral provided for OTC transactions**	974	4,868
Other pledged assets and equivalent collateral	8,333	12,470
Investment commitments, unlisted holdings	28,513	27,660
Undertakings	28,513	27,660
Total memorandum items	36,846	40,130
* Collateral received for securities on loan		
** Collateral received for OTC transactions	676	51

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 so-called OTC derivatives the valuation is based on theoretical modelling, whereby future cash flow is estimated with the help of representative underlying market data. The future cash flows are eventually discounted back to a present value using discounting curves. The theoretic modelling has different levels of subjectivity based on the type of derivative, and the choice of yield curve, volatility curve, inflation curve and interpolation method.

In periods when the market lacks liquidity for market listed securities, a higher degree of subjectivity is required in the valuation process. In these conditions, 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 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

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Note 18 – Financial instruments, price and valuation hierarchy, continued

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 31/12/2022, SEK m	Level 1	Level 2	Level 3	Total
Financial assets				
Shares and participations, listed	197,890	1	2	197,893
Shares and participations, unlisted	0	0	114,678	114,678
Bonds and other fixed-income assets	95,505	0	5,612	101,117
Derivatives	0	2,251	0	2,251
Total assets valued at	293,395	2,252	120,292	415,939
Financial liabilities				
Derivatives		-2,246		-2,246
Total liabilities valued at	0	-2,246	0	-2,246
Financial assets and liabilities	293,395	5	120,292	413,693

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

Change, level 3	Shares and participations, listed	Shares and participations, unlisted	Bonds and other fixed-income assets	Derivatives	Total
Value reported, opening balance	3	107,957	8,177		116,137
Invested	0	7,052	964		8,016
Sold/repaid during the year	-1	-14,199	-3,786		-17,986
Realised change in value	0	9,549	98		9,647
Unrealised change in value	0	4,319	159		4,478
Transfer from level 1 or 2	0	0	0		0
Transfer to level 1 or 2	0	0	0		0
Value reported, at year-end	2	114,678	5,612	0	120,292

Of the change in value reported above, SEK 64,862 million (60,769) 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.

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Note 19 – Financial risks

Sensitivity analysis: Reporting of market risk

Realised risk

Realised risk is calculated based on a joint standard that has been agreed on by the First, Second, Third and Fourth AP Funds. The table below shows the realised volatility of the total portfolio expressed at an annual rate calculated based on quarterly valuations realised over the past ten years, and on the daily valuations realised over the past year. The latter metric is also presented for the part of the portfolio for which a market value is obtained daily, this is called Liquid portfolio in the table, which amounted to 72 per cent of the total portfolio at the end of 2022.

	Volatility annualised %	
Realised market risk, at 31 Dec	2022	2021
Total portfolio, 10 years	7.4	6.8
Total portfolio, 1 year	9.3	6.4
Liquid portfolio, 1 year	13.5	8.4

Forecast risk

The assets' expected market risk is presented in the sensitivity analysis in the top table to the right. The calculation is made by simulating the return outcomes based on the composition of the Fund's portfolio at 31 December 2022, combined with historical market returns. The simulation uses a one-year data history and risk is calculated for a horizon of a one-day change in value, but is also reported as an annual rate.

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. The first is Value at Risk which shows the outcome expected to be exceeded by the Fund with a 95 per cent probability. Expected shortfall, however, shows the expected loss given that the loss is greater than the Value at Risk measure. The table also shows the Fund's risk measured as forecast volatility, which amounted to 17.2 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 generate a lower total risk of loss compared to the sum total of the assets' individual risks.

Financial risks

	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	
Sensitivity analysis, market risk, at 31 Dec	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Equities	21.0	10.9	-70,071	-51,567	-85,524	-71,804	-4,346	-3,198	-5,304	-4,453
Fixed income	6.2	2.4	-10,511	-4,406	-13,910	-5,949	-652	-273	-863	-369
Alternative investments	29.2	12.5	-57,509	-23,792	-73,629	-35,800	-3,567	-1,476	-4,566	-2,220
Foreign exchange	10.3	7.1	-14,040	-12,630	-20,331	-15,175	-871	-783	-1,261	-941
Contribution from Diversification	-4.7	-2.4	32,650	18,545	46,260	27,135	2,025	1,150	2,869	1,683
Liquid portfolio	13.1	8.7	-65,158	-50,428	-83,340	-70,924	-4,041	-3,127	-5,169	-4,399
Total portfolio	17.2	9.6	-119,482	-73,850	-147,134	-101,593	-7,410	-4,580	-9,125	-6,301

Liquidity risk, at 31 Dec

	< 1		1 < 3		3 < 5		5 < 10		> 10		Total balance, SEK m	
Maturity structure, Maturity in years, SEK m	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2021	
Nominal, government	9,778	729	9,292	19,582	4,537	6,668	22,445	29,368	11,506	14,708	57,557	71,056
Nominal, credit	650	1,464	4,817	3,018	3,829	5,851	6,803	7,941	2,250	4,954	18,348	23,228
Inflation-indexed	275	3,377	4,505	164	7,741	2,661	8,801	5,219	4,745	6,205	26,068	17,627
Total portfolio	10,703	5,570	18,613	22,764	16,107	15,180	38,049	42,529	18,501	25,867	101,973	111,910

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	
Maturity structure, Maturity in years, SEK m	2022	2021	2022	2021	2022	2021	2022	2021	2022	
Equity-linked instruments		-105							0	-105
Interest-linked instruments	-15		-5		-1				-21	
Currency-linked instruments										
Total	-15	-105	-5	0	-1	0	0	0	-21	-105

Credit risk, at 31 Dec

	AAA		AA		A		BBB		<BBB		Total balance, SEK m	
Rating SEK m*	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2021	
Nominal, government	20,078	16,798	29,217	42,924	5,962	6,973	2,301	4,361			57,557	71,056
Nominal, credit	1,977	3,430	2,397	1,877	5,768	5,120	4,198	5,092	4,008	7,709	18,348	23,228
Inflation-indexed	10,237	9,296	12,740	6,305	2,155	2,025	936				26,068	17,627
Total	32,291	29,524	44,354	51,106	13,885	14,118	7,435	9,453	4,008	7,709	101,973	111,910

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

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

31/12/2022, SEK m	Gross amount	Netted amount in balance sheet	Net amount in the balance sheet	Related amounts that cannot be netted			Total in the balance sheet	
				Framework agreement on netting	Collateral	Net amount		Other*
Assets								
Derivatives	2,251	0	2,251	2,245	676	0	0	2,251
Total assets	2,251	0	2,251	2,245	676	0	0	2,251
Liabilities								
Derivatives	2,245	0	2,245	2,245	974	0	1	2,246
Repurchase transactions	0	0	0	0	0	0	0	0
Total liabilities	2,245	0	2,245	2,245	974	0	1	2,246

31/12/2021, SEK m	Gross amount	Netted amount in balance sheet	Net amount in the balance sheet	Related amounts that cannot be netted			Total in the balance sheet	
				Framework agreement on netting	Collateral	Net amount		Other*
Assets								
Derivatives	1,499	0	1,499	1,499	51	0	339	1,838
Total assets	1,499	0	1,499	1,499	51	0	339	1,838
Liabilities								
Derivatives	6,240	0	6,240	1,499	4,868	0	156	6,396
Repurchase transactions	2,763	0	2,763	0	2,763	0	0	2,763
Total liabilities	9,003	0	9,003	1,499	7,631	0	156	9,159

* 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, 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.

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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, as well as 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	31/12/2022	31/12/2021	Counterparty	31/12/2022	31/12/2021	Counterparty	31/12/2022	31/12/2021
AROS Bostad IV AB			ASE Holdings S.à.r.l			Polhem AB		
Shareholder contribution during the year	–	–	Interest income	34	33	Shareholder contribution during the year	0	0
Investment commitments	36	36	Proprietary loans	258	259			
			Shareholder contribution during the year	–	–	Polhem KB		
Chapone S.à.r.l						Shareholder contribution during the year	0	2,320
Interest income	43	44	ASE Holdings III S.à.r.l			Investment commitments	3,473	353
Proprietary loans	2,326	2,177	Interest income	22	19			
Shareholder contribution/repaid during the year	194	310	Proprietary loans	294	250	Urbanea Fastigheter AB		
Investment commitments	392	1,233	Shareholder contribution during the year	38	35	Shareholder contribution during the year	121	117
			Investment commitments	39	113	Investment commitments	66	187
Vasakronan Holding AB								
Rent for premises*	12	12	Jutas Invest Finland OY			4 to 1 Investment AB		
Interest income	9	9	Interest income	40	33	Shareholder contribution during the year	0	1
Shareholder contribution during the year	–	–	Proprietary loans	578	498			
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	Shareholder contribution during the year	15	–	4 to 1 Investment KB		
			Investment commitments	540	515	Shareholder contribution during the year	598	828
Willhem AB			First Australian Farmland Pty Ltd					
Interest income	28	18	Interest income	24	20			
Shareholder contribution during the year	–	–	Proprietary loans	588	526			
Undertaking, on the request of Willhelm, to purchase commercial papers in the company, up to the highest total settlement amount at any time of:	8,000	6,000	Shareholder contribution during the year	–	–			
			OMER Farmoor 3 Holdings B.V.					
			Shareholder contribution during the year	14	–			

* AP1 rents office premises from Vasakronan on market terms.

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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, 21 February 2023

Urban Hansson Brusewitz
Chairman

Anna Nilsson
Vice Chairperson

Annika Andersson
Member of the board

Kent Eriksson
Member of the board

Peter Hansson
Member of the board

Per Klingbjör
Member of the board

Charlotte Nordström
Member of the board

Erik Rosenberg Sjöström
Member of the board

Erica Sjölander
Member of the board

Our audit report has been submitted on 21 February 2023.

Peter Nilsson
Authorised Public Accountant

Helena Kaiser de Carolis
Authorised Public Accountant

Appointed by the Swedish Government Appointed by the Swedish Government

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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 2022. The Fund's annual accounts are on pages 41–58 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 2022 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 1–40 and 59–69.

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.

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- 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 2022. 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 2022 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, 21 February 2023

Helena Kaiser de Carolis
Authorised Public Accountant
Appointed by
the Swedish Government

Peter Nilsson
Authorised Public Accountant
Appointed by
the Swedish Government

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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 the possibility 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.

Risk appetite framework

In 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 65–66.

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 65–66.

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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 the First-Fourth AP-funds 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 use 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.

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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. The Fund is run to its best capacity through efficient processes and optimisation of limited resources. We naturally follow all laws, regulations and agreed processes and 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 laws and whose Board members are appointed by the Swedish Government. This means that 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 the Second-Fourth AP funds. 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 about which the Fund does not have the appropriate knowledge. No activities can take place outside the boundaries of our ethical frameworks.

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Första AP-fonden's Fund Governance Report 2022

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 autonomous 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 written communication no later than 1 June of the year following the financial year. Government communication 2020/21:130 describes the evaluation up to and including 2020. The communications are available at www.ap1.se.

The table below shows the rules of the Code that the Fund does not follow, 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>	The AP Funds report full-year and half-year results. The half-year 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 members until May 2022, when Erica Sjölander and Annika Andersson were appointed as members of the Board of AP1 and Åsa-Pia Järliden Bergström left the Board. All Board members 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 2022 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 Risk and Audit committee, SEK 6,600 per year 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 6. A more detailed presentation of the members of the Board of Directors is provided on page 67.

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,

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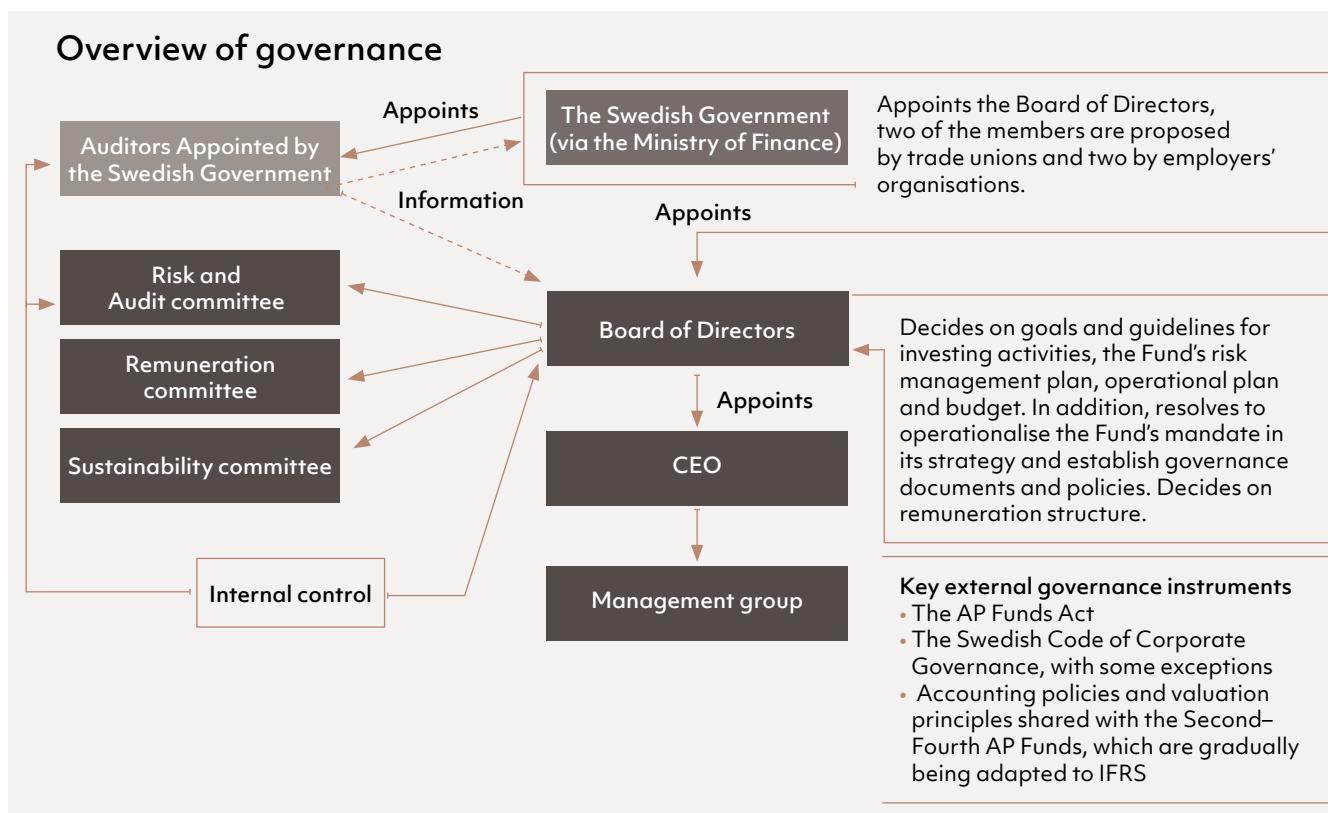
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ownership policy, operational plan and budget. In addition, the Board resolves to operationalise the Fund's mandate in its strategy and a number of governance documents, such as the core values and ethics policy, policy for gifts, hospitality and other 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 2022 the Board met on seven occasions. During the year, the Board addressed the strategic framework, risk and compliance matters, the outcome of management, expenses, ESG matters and the operational plan and budget. The Board has also held two in-depth seminars in addition to its ordinary meetings. There was 97 per cent attendance at Board meetings (see table on next page). Reporting of earnings development as well as risk reporting are 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: a Risk and 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 assists the Board in matters related to internal control, operational risks, financial reporting and auditing. In 2022 Åsa-Pia Järliden Bergström was the chairperson until she left in May 2022, and thereafter Erik Rosenberg Sjöström took over as the chairperson. Urban Hansson Brusewitz (until May 2022), Annika Andersson and Erica Sjölander (from May 2022) were members of the Risk



and Audit committee. The committee convened six times. Attendance at meetings of the Risk and Audit committee was 100 per cent. The Fund's auditors took part in the meetings of the Risk and Audit committee on two occasions. The CEO, CFO and the Heads of Risk control and Compliance are co-opted into the Risk and Audit committee meetings.

The Remuneration committee assists the Board in matters related to remuneration. In 2022, the committee consisted of Board Chairman Urban Hansson Brusewitz, Peter Hansson and Charlotte Nordström. The committee convened three times 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 when the CEO's 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 discussed.

The Sustainability committee assists the Board in matters

related to sustainability. In 2022 the committee consisted of Board members Per Klingbjör (chair of the committee), Eva Redhe and Kent Eriksson. The committee convened five times, attendance at meetings of the Sustainability committee was 93 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 boundaries. 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

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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. Furthermore, AP1, together with the Second, Third, Fourth, Sixth and Seventh AP Funds, has a joint policy for remuneration, employee benefits, hospitality and business travel. It is published on www.ap1.se. Remuneration of 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 for senior executives in the Swedish Code of Corporate Governance. See Note 6 for further information regarding remuneration for the executive management team paid in 2022. 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 was also done in 2022. 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 interest

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 2022.

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 65–66.

Independent review

Two internal audit assignments were carried out in 2022.

Attendance at board meetings and meetings of the Remuneration committee, the Risk and Audit committee and the Sustainability committee in 2022

Name	Nomination/appointment proposed by	Board meetings (attendance) 7 meetings	Remuneration committee (attendance) 3 meetings	Risk and Audit committee (attendance) 6 meetings	Sustainability committee (attendance) 5 meetings
Urban Hansson Brusewitz, Chairman		Chair 7/7	Chair 3/3	Member 4/4	
Charlotte Nordström	Nominated by SALAR (Sw SKR)	Board member 7/7	Member 3/3		
Peter Hansson		Board member 6/7	Member 3/3		
Anna Nilsson		Deputy chair 7 July			Member 5/5
Åsa-Pia Järliden Bergström¹	Employee organisation (LO)	Board member 2/2		Chair 4/4	
Erik Rosenberg Sjöström	Nominated by Confederation of Swedish Enterprise	Board member 7/7		Member 4/4 Chair 2/2	
Kent Eriksson		Board member 7/7			Member 5/5
Per Klingbjör	Nominated by SCP (Sw. SACO)	Board member 7/7			Chair 4/5
Erica Sjölander*		Board member 5/5		Member 2/2	
Annika Andersson*		Board member 4/5		Member 2/2	

1) Left the Board in May 2022 * Appointed as a Board member in May 2022

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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. The Board appoints a Risk and Audit committee from among its members to prepare matters pertaining to internal control. The Board submits this report on risk management annually. However, the 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 adopted a new risk appetite framework in 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.

The Board of Directors' Report on Risk Management

Three lines of defence for risk management and internal control

1st LINE OF DEFENCE – All employees

Responsibility and work duties

All employees are fully responsible for ensuring that the day-to-day operation reaches the goals within the framework of relevant rules, instructions and policies.

Reporting

Reports relevant risk situation to the Risk committee and to the second line of defence.

2nd LINE OF DEFENCE – Risk Control and Compliance functions

Responsibility and work duties

The Risk function is responsible for the methods and procedures used to identify, quantify, follow up and report risks. Risks are measured at both a detailed and aggregate level. The risks are controlled using limits at several levels. The risk profile is monitored continuously, in part using stress tests.

The Compliance function works proactively on quality assurance regarding AP1's regulatory compliance. The function handles issues such as conduct on the finance market, the prevention of money laundering and official requirements and controls.

Reporting

The functions are independent and report independently of each other to the executive management team and the Board on the operation's aggregate risk exposure.

3rd LINE OF DEFENCE – Internal audit

Responsibility and work duties

Internal audit quality-assures the risk management through an independent regular review. It evaluates processes and compliance with rules, frameworks and models from an internal control perspective to ensure that they are effective and appropriate. Like the Fund's Compliance and Risk Control functions, the Fund's Internal audit function is evaluated by the external auditor.

Reporting

Identifies observations and reports them along with proposed improvement measures to the Board.

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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, the Data Protection Officer and CISO, 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 on behalf 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 discusses non-financial risks in more depth 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 and valuation 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 Risk and 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.

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**Urban Hansson Brusewitz****Year of birth:** 1958*Chair, Chair of the Remuneration committee*

Elected to the Board in 2016.

PhD in Economics, former 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*Deputy 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**Annika Andersson****Year of birth:** 1958*Member of the Risk and Audit Committee*

Elected to the Board in 2022.

M.Sc. Stockholm School of Economics, Sweden. Works with Board assignments and as an advisor on active ownership.

Other assignments: Chairman of the Boards of INVISIO AB and Sequitor Engineering AB**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.**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, Akademiker försäkring 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 Västverige AB, active Member of Parliament**Erik Rosenberg Sjöström****Year of birth:** 1970*Chair of the Risk and Audit committee*

Elected to the Board in 2020.

Appointed on the proposal of the

Confederation of Swedish Enterprise.

Other assignments: Partner Vator Securities.**Erica Sjölander****Year of birth:** 1971*Member of the Risk and Audit Committee*

Elected to the Board in 2022.

Appointed on the proposal of LO. Masters in Economics

Other assignments: Administrative Director of The Swedish Unions within Industry

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Executive Management Team



**Kristin Magnusson
Bernard**

Year of birth: 1979

CEO

Employed: 2020

In current position since: 2020.

Education: Doctorate in Economics from 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).



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 in Economics

Previous experience: Storebrand Fonder, Systembolaget, Coeli, Nykredit and Öhman.



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

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Independent control functions

**Anders Jakobsson***Head of Risk Control***Employed:**2010.**In current position since:** 2020.**Jenny Wentzel***Head of Compliance***Employed:** 2017.**In current position since:** 2018.

Asset Management Leadership

**Christian Börjesson***Head of Fixed Income and FX***Employed:** 2016**In current position since:** 2018**Magdalena Håkansson***Head of ESG***Employed:** 2019**In current position since:** 2020**Mats Larsson***Head of Equities***Employed:** 2017**In current position since:** 2019**Carin Månsson***Head of Exposure Management***Employed:** 2000**In current position since:** 2020**Patrik Nyman***Head of Asset Allocation***Employed:** 1991**In current position since:** 2011**Johan Temse***Head of Alternative Investments***Employed:** 2016**In current position since:** 2022**Produced by:** AP1 in collaboration with Addira.**Photographs:** Peter Philips in Vasakronans offices Sergel Arena, Malmkillnadsgatan 36**Printing:** BrandFactory



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