

ADMINISTRATION REPORT 2010

2010 was another profitable year for the Fund with a total return of 11.0%. The contribution to the national pension system equalled SEK 21 billion. Fund capital totalled SEK 213 billion at year-end. AP4's active management outperformed its 2010 targets and contributed SEK 1.4 billion before expenses. With an equities allocation of about 60%, the Fund benefited from significant appreciation in global stock markets.

The assets of AP1–AP4 and AP6 are state-owned and reserved by law for specific asset management purposes in accordance with chapter 9, section 8 of the Instrument of Government. The Fund is a governmental authority whose operations are regulated by the Swedish National Pension Funds Act (LAP). The law stipulates that the Government may not use Fund assets for purposes other than financing income-based old-age pensions, unless the Riksdag decides otherwise.

The AP Funds are governmental authorities, but there are major differences between the Funds and other authorities. For example, the Funds are more independent than most other authorities. Their operations are regulated by law, and the Funds have their own boards that bear the responsibility for their operations. The Funds are audited by external auditors. The Government adopts the Funds' annual income statements and balance sheets and orders an assessment of the Funds' performance each year. These assessments are presented to the Riksdag in written reports.

The Fund shall independently formulate its targets and strategies, and by law the Fund's Board of Directors and operations are not to be controlled by Government directives or by national business or other economic policy interests. Environmental and ethical issues must be taken into account without compromising the goal of best possible return.

As AP4 is a governmental authority, many aspects of the Swedish Code of Corporate Governance are not applicable to the Fund, as the differences between public law and commercial law are far too great. Thus, this administration report is limited to areas relevant to the Fund.

BOARD OF DIRECTORS

The AP4 Board of Directors is made up of nine directors with no alternates. All directors are appointed by the Government. Two are appointed based on nominations from employer organisations, two based on nominations from employee organisations. The Government selects the Chairman and Deputy Chairman from among the five appointees it nominates.

At the end of May, the Ministry of Finance announced that Jakob Grinbaum had been appointed to the Fund's Board of Directors. Jakob Grinbaum replaces Inga Persson, who had been a member of the Board since 2000 and declined re-election. In the beginning of

July, Elisabeth Nilsson was appointed to the Fund's Board. The other members of the Board were re-elected: Monica Caneman, Chairman; Lars Frithiof, Deputy Chairman; Kajsa Lindståhl; Ilmar Reepalu; Håkan Arnelid, Roger Mörtvik and Charlotte Strömberg. The Board's mandate runs until the Fund's income statement and balance sheet for 2010 have been adopted. More information about the directors is provided in the annual report and at the Fund's website, www.ap4.se

Board remuneration is set by the Government. The annual fees are SEK 100,000 for the Chairman, SEK 75,000 for the Deputy Chairman, and SEK 50,000 for each of the other directors. The remuneration committee's fee is SEK 50,000, divided equally among the three members.

RULES OF PROCEDURE

The Board is responsible for the Fund's organisation and management of its assets. The Board has adopted rules of procedure and instructions for the CEO. These key documents are revised annually, as are the ethical guidelines for employees and rules for trading in financial instruments.

BOARD ADMINISTRATION IN 2010

In 2010, the Board held seven meetings of record. As shown in the table, average attendance was high, at 90%. During the spring, the Board assessed its work. The CEO and other AP4 staff participated in Board meetings in the capacity of reporter or secretary. During the year, the Board of Directors set up a remuneration committee to report on remuneration issues.

In 2010, the Board's focus has been decisions for the strategic portfolio, the internal control and development of the Fund's risk management plan. Significant time has also been dedicated to discussing corporate governance in general and remuneration in listed companies in particular. The Fund's ownership policy was revised in November.

To provide more timely information, the CEO writes an update to the Board between their meetings.

In November, the Board adopted an operations plan for the following year, in accordance with its rules of procedure.

EXECUTIVE MANAGEMENT

The Board delegates responsibility for day-to-day - management of AP4 to the CEO. The CEO has an executive management committee, consisting of eight employees in 2010, to support him in the decision process. The executive management committee as of 16 February 2011 is presented in the annual report and at www.ap4.se

SALARIES AND REMUNERATION

The Board determines the terms of employment of the CEO based on the recommendations of the remuneration committee. All employees have individual employment contracts. The Board has adopted a policy for remuneration and other terms of employment. This policy applies to all employees who have been with the Fund for more than six months (apart from the CEO and senior executives) and potentially pays a bonus of up to two months' salary, in accordance with the Government's new guidelines on terms of employment for senior executives at the AP Funds. Incentive-based bonuses may be paid only if the Fund posts a positive total return and the net profit at market value is large enough so that the costs of the incentive scheme can be borne without the Fund reporting a loss. In addition, certain predefined targets based on returns must be reached.

Detailed information about salary and remuneration paid to the CEO, members of the executive management committee, and other employees, as well as the outcome of the incentive scheme for 2010, is provided in Note 5 of the annual report.

AUDIT

AP4's auditors are appointed by the Government. The current audit mandate for 2010 is held by Anna Peyron of Ernst & Young AB. The mandate is valid until the Fund's income statement and balance sheet for 2010 are

adopted and separately appoints Ernst & Young AB to coordinate the audit process across all AP Funds.

The auditors submit a report based on their audit. They report directly to the Board in a written report and an oral presentation. The auditors attend at least one Board meeting per year. The auditors also make an oral presentation to the Ministry of Finance each year.

INTERNAL CONTROL

The Board of Directors produces an annual Risk Management Plan in accordance with generally accepted financial market standards and the Swedish National Pension Funds Act. The Plan is intended to ensure effective internal risk control and that the duties of the Performance and Risk Control Department – which has independent status – are clearly stipulated and attached to the requisite powers.

Performance and Risk Control is independent of the Fund's other operations and reports directly to the CEO and, when necessary, directly to the Board. At each of its meetings, the Board receives written and oral reports from Performance and Risk Control. The Board deems the structure outlined above adequate to ensure the Fund meets its obligations.

The Plan states that the executive management committee must be aware of risks in the Fund's operations and how those risks are managed. The committee must also ensure that procedures are in place to make certain that AP4 complies with relevant legislation and decisions taken by the Board and CEO.

OTHER DISCLOSURES

A more detailed explanation of various financial and operational risks is provided in the section of the annual report 2010 entitled Risks and may be accessed from the AP4 website at www.ap4.se.

Meetings of the Board in 2010

	Feb 17	Apr 20	Apr 27	Jun 8	Aug 26-27	Oct 21	Nov 25
Monica Caneman, Chairman	x	x	x	x	x	x	x
Lars Frithiof, Deputy Chairman	x	x	x	x	x		x
Ilmar Reepalu	x	x		x	x		x
Kajsa Lindståhl	x	x	x	x	x	x	x
Charlotte Strömberg	x	x		x	x	x	
Håkan Arnelid	x	x	x	x	x	x	x
Roger Mörtvik	x	x	x	x	x	x	x
Inga Persson	x	x	x				
Jakob Grinbaum				x	x	x	x
Elisabeth Nilsson					x	x	x

Inga Persson left the Board of Directors during the year and the Government appointed Jakob Grinbaum and Elisabeth Nilsson to the Fund's Board of Directors.